

STATE SPONSORS OF TERRORISM: AN EXAMINATION OF IRAN'S GLOBAL TERRORISM NETWORK

HEARING

BEFORE THE

SUBCOMMITTEE ON
COUNTERTERRORISM
AND INTELLIGENCE

OF THE

COMMITTEE ON HOMELAND SECURITY
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STATE SPONSORS OF TERRORISM: AN EXAMINATION OF IRAN'S GLOBAL TERRORISM NETWORK

Tuesday, April 17, 2018

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON COUNTERTERRORISM AND INTELLIGENCE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:04 a.m., in room 1334, Longworth House Office Building, Hon. Peter T. King [Chairman of the Subcommittee] presiding.

Present: Representatives King, Perry, Barletta, Hurd; Rice, and Keating.

Mr. KING. Good morning. The Committee on Homeland Security Subcommittee on Counterterrorism and Intelligence will come to order. The subcommittee is meeting today to hear testimony from an esteemed panel of experts on Iran's terrorism activities and proxy militias.

I would like to welcome the Members of the subcommittee and express my appreciation to the witnesses for coming here today.

Before I recognize myself for an opening statement, Mr. Barletta has a unanimous consent request.

Mr. BARLETTA. Thank you. I ask unanimous consent to have my questions read into the record.

Mr. KING. Without objection, so ordered.

Mr. BARLETTA. Thank you.

Mr. KING. The Iranian revolution, which started in 1979, has been disastrous for the region, for the world, and particularly a significant threat to the United States. Since 1984 the government of Iran has been designated by the United States as a state sponsor of terrorism.

Iranian external operations, including support for proxy terrorists and Shia militia groups have played a central role in supporting this designation. These groups have destabilized other countries, directly threatened Israel, undermined democracy, and escalated tensions through campaigns of terror.

These militia groups pose a direct threat to the homeland and U.S. interests abroad. These threats include Shia militias in Iraq and Syria that complicate U.S. efforts in the battle space, as they have in the past had the potential of targeting U.S. troops; Iranian-backed Houthi rebels in Yemen that have, among other actions, fired missiles at Saudi Arabia and attacked U.S. vessels in the region; support by Iran for the Taliban, as well as Iran training,

equipping, and incentivizing Afghan refugees to fight in Syria; and, of course, Iranian support for Hezbollah, which is active in the Middle East, Latin America, and here in the United States, where Hezbollah operatives have been arrested for activities conducted in our own country.

Last summer two individuals were arrested, one in Michigan and one in New York City, for plotting attacks in New York, targeting U.S. military and law enforcement and, in Panama, targeting U.S. and Israeli embassies. Both individuals received significant weapons training from Hezbollah. We do not know when they were planning to carry out their attacks, but it is clear that Hezbollah has the will and the capability.

We cannot take for granted the other Iran-backed Shia militia groups might have or develop the same intent and capabilities.

This hearing presents an opportunity both to strengthen the homeland security of the United States and to protect our interests abroad, by examining the threats presented by the government of Iran's involvement in training, equipping, controlling, and deploying proxy terrorists and Shia militias outside of Iran's borders. We can begin to realize the steps the United States must take to counteract this aggression.

It is also critical to conduct this examination in light of the Iranian nuclear deal, the joint comprehensive plan of action which resulted in fewer sanctions, access to world markets, and billions in funding for Iran. This increased flexibility will afford Iran the capital and resources to further support proxy terrorists and Shia militias, world-wide.

While not the focus of this hearing, it is important to recognize the Department of Defense, in coordination with France and United Kingdom, carry out—carried out attacks on Friday against Syria in response to a chemical weapons attack that targeted innocent civilians, including women and children. Iran continues to prop up Bashar Al-Assad, and is complicit in this attack and the on-going atrocities perpetrated by this evil dictator.

I look forward to hearing from our witnesses today and, drawing upon their expertise, to get a more complete understanding of Iran's external operations and capabilities. Through this understanding we can work to ensure that the failings of the Iranian revolution and the authoritarian theocracy installed are exposed and create greater awareness of the threat posed by Iranian Shia militias.

[The statement of Chairman King follows:]

STATEMENT OF CHAIRMAN PETER T. KING

APRIL 17, 2018

In 1979 a revolution swept through Iran. Unlike our own revolution that was motivated by liberty and independence, and the desire to spread these democratic values, the anti-Western ideology that drove Iran's revolt served to aggravate cultural and religious divides in the Middle East and world-wide. Instead of democratic governance, this struggle resulted in the installation of a retrograde authoritarian theocracy.

Since 1984, the government of Iran has been designated by the United States as a state sponsor of terrorism. Iranian external operations, including support for proxy terrorists and Shia militia groups, have played a central role in supporting this designation. These groups have destabilized other countries, directly threatened Israel, undermined democracy, and escalated tensions through campaigns of terror.

These militia groups pose a direct threat to the homeland and U.S. interests abroad. Threats include:

- Shia militias in Iraq and Syria that complicate United States' efforts in the battlespace and, as they have in the past, have the potential of targeting U.S. troops;
- Iranian-backed Houthi rebels in Yemen that have, among other transgressions, fired missiles at Saudi Arabia and attacked U.S. vessels in the region;
- support by Iran for the Taliban, as well as Iran training, equipping, and incentivizing Afghan refugees to fight in Syria;
- and of course Iranian support for Hezbollah, which is active in the Middle East, Latin America, and here in the United States where Hezbollah operatives have been arrested for activities conducted in our own country.

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By examining the threats presented by the government of Iran's involvement in training, equipping, controlling, and deploying proxy terrorists and Shia militias outside of Iran's borders, we can begin to realize the steps the United States must take to counteract this aggression. It is also critical to conduct this examination in light of the Iranian Nuclear Deal (Joint Comprehensive Plan of Action), which resulted in fewer sanctions, access to world markets, and billions in funding. This increased flexibility will afford Iran with the capital and resources to further support proxy terrorists and Shia militias world-wide.

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Mr. KING. I now recognize Ranking Member Kathleen Rice for her opening statement.

Miss RICE. Thank you, Mr. Chairman. Thank you for holding this important hearing today.

Iran poses many threats to the security of the United States and to our interests, especially through funding and support for terrorist groups like Hezbollah and Hamas, groups that routinely attack and antagonize our allies in Israel.

In Syria Iran supports a brutal dictator who has carried out unspeakable massacres against his own people. Together with Russia, Iran is partially responsible for the death of more than 400,000 Syrians, and the displacement of millions more.

I look forward to hearing what our expert witnesses think about the Trump administration's approach to Iran, and particularly whether you are concerned that the administration is ceding too much influence in the Middle East to Iran.

I have long been skeptical about Iran. I did not support the nuclear agreement for several different reasons: I didn't think they would follow the rules, and I thought they would lie and try to cheat and continue to sponsor terrorism and spread violence in the region.

That said, I signed a letter to President Trump in October arguing that we cannot and should not withdraw from the agreement without ironclad evidence of Iranian violations, because doing so would actually embolden Iran, and leave the United States more and more isolated on the international stage.

While I am still skeptical of the nuclear deal, my focus has been on fully enforcing it. To be clear, I have not seen evidence that the nuclear agreement has tied our hands in addressing Iran's support for terrorism.

We can and should be doing more to hold Iran accountable for their support of terrorism, their ballistic missile program, their horrific violations of human rights, and all their efforts to spread violence and instability in the region. The nuclear deal doesn't prevent us from targeting those activities, and we should be doing more—we should be doing so more aggressively.

Again, I want to thank the Chairman for holding this hearing, and I thank all of our witnesses—and thank all of our witnesses for coming to offer your expertise. I believe that effectively confronting and countering the threat from Iran is one of the most significant National security challenges before us today. So I hope this will be an honest, comprehensive, and on-going conversation.

[The statement of Miss Rice follows:]

STATEMENT OF RANKING MEMBER KATHLEEN M. RICE

APRIL 17, 2018

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Again, I thank the Chairman for holding this hearing and I thank all of our witnesses for coming to offer your expertise. I believe that effectively confronting and countering the threat from Iran is one of the most significant national security challenges before us today. So I hope this will be an honest, comprehensive, and on-going conversation.

Miss RICE. With that, I yield back.

Mr. KING. I thank the Ranking Member for her statement. Other Members of the committee are reminded that opening statements may be submitted for the record.

[The statements of Ranking Member Thompson and Honorable Barletta follow:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

APRIL 17, 2018

It is no secret that Iran continues to be a threat to our interests abroad, our international allies, and our National security policies in the homeland. Last Congress, I commented on the complexity of the ways that Iran's foreign policy decisions and global support for terror groups harm U.S. National security challenges. Moreover, today the threats that Iran poses to U.S. interests has only become more convoluted.

As a committee, we must acknowledge that in order to have an honest conversation about the threat Iran poses, we cannot discuss the foreign policy issues related to Iran in a vacuum. Discussions about Iran must also include discussions about Russia. Iran's actions around the world, specifically in Syria, have increased instability in an already volatile region. Iran views Syria as a longtime ally and a strategic transit route to funnel weapons and other support for Hezbollah in neighboring Lebanon.

Iranian-backed militants first entered the Syrian civil war in 2013 as the de facto ground forces of the Syrian government and are currently protected by Russian air power. Iran, Russia, and its other allies are actively countering Syrian rebel groups and U.S.-led coalition members.

Therefore, a productive dialog and debate about the concerns Iran presents to U.S. National security cannot happen without also addressing its close allies, Russia, and the Syrian Assad regime.

In addition to discussing Iran and its expansive terrorist network, I expect that my colleagues and I will address the inadequate and inconsistent measures taken by the Trump administration to defend our homeland against Iranian threats.

The recent chaotic announcement of a withdrawal of troops, potential termination of the "Nuclear Deal," and the depletion of aid and diplomatic resources are short-sighted and dangerous policies that only embolden Iran.

As communicated and if implemented, these ill-advised policies impede U.S. security abroad and at home. However, the need to protect innocent civilians is without question something we all here can agree upon.

In light of that, the Trump administration's decision this past weekend to launch missile strikes against the Syrian government was arguably justifiable. Unfortunately, the administration still appears to be lacking a coherent strategy in Syria and the region—leaving U.S. interests at risk.

Now more than ever, we need and deserve a President and administration that can put forward a cohesive strategy that aims to tackle the problems that remain between us and our Iranian counterparts, with broader vision of our goals in the Middle East region. Debate that relies on scare tactics and empty rhetoric will do little to produce meaningful results in a situation as complex as this.

STATEMENT OF HONORABLE LOU BARLETTA

Good morning to you all and thank you for appearing before this committee today.

Over the years, the Iranian regime has continued to grow increasingly radical, and today is the worlds' largest state sponsor of terror.

The totalitarian regime ruling over the Iranian people with an iron fist has left the country in shambles, while money continues to be funneled to extremist groups around the world to inflict terror and death.

Funding terror organizations such as Hezbollah and Hamas, while supporting dictators such as Syria's Buh-Shar Al-Assad, who just last week attacked his own people once again with chemical weapons, has left the Iranian regime's hands stained with the blood of innocent men, women, and children.

While I am proud of the work we have done here in Congress, and I support President Trump's efforts to hold Iran's partners such as Al-Assad accountable for their crimes, I remain extremely concerned about the development of a nuclear Iran.

I continue to be staunchly opposed to the Obama administration's flawed Iran nuclear deal. This deal has done nothing but increase the possibility of a nuclear Iran, as the regime has continued to develop and test-fire ballistic missiles and finance terrorist proxies in the deal's aftermath.

This deal essentially handed \$150 billion back to the regime that chants "Death to America" in the streets of Tehran. Even worse, once the few key restraints in

this deal expire, the regime will have the means and freedom to pursue nuclear weapons.

There is still significant work to be done to deter the rogue Iranian regime and stabilize the region.

I applaud the Iranian people who rose up in protest this past December to bring attention to the country's political corruption, violation of human rights, and Revolutionary Guard Corps' oppression. We must continue to work with our allies to support the Iranian people who want a better life.

Mr. KING. We are pleased to have with us today a very distinguished panel of witnesses on this vital topic. All the witnesses are reminded that their written testimony will be submitted for the record.

Besides their outstanding qualifications, the witnesses also have in common they have difficult names to pronounce.

[Laughter.]

Mr. KING. So if I don't pronounce them exactly and precisely, I blame that on the Ranking Member.

Our first witness is Dr. Emanuele Ottolenghi. Did I get that right? OK.

Dr. Ottolenghi, thank you very much.

He is a senior fellow with the Foundation for the Defense of Democracy, where he also serves as an expert at the Center on Sanctions and Illicit Finance, focused on Hezbollah's Latin America illicit threat network. He is the author of "The Pasdaran: Inside Iran's Islamic Revolutionary Guard's Corps," "Iran, the Looming Crisis," and "Under a Mushroom Cloud: Europe, Iran, and the Bomb."

Prior to joining FDD, he led the Trans-Atlantic Institute in Brussels, obtained his Ph.D. at the Hebrew University of Jerusalem.

Doctor, I thank you for being here today, and you are recognized for your testimony.

**STATEMENT OF EMANUELE OTTOLENGHI, SENIOR FELLOW,
FOUNDATION FOR DEFENSE OF DEMOCRACIES**

Mr. OTTOLENGHI. Thank you very much, Chairman King, Ranking Member Rice. Thank you for the opportunity to testify.

Iran's proxy terror networks in Latin America are run by Tehran's wholly-owned Lebanese franchise, Hezbollah. These networks, Mr. Chairman, are equal part crime and terror. Where and when needed, they can provide logistical and financial support to operatives engaged in planning terror attacks, safe haven for fugitives, and a source of revenue and illicit procurement for both the Iranian regime and Hezbollah itself. Their presence in Latin America must be viewed as a forward-operating base against America's interest in the region and the homeland itself.

Just as importantly, Hezbollah's Latin American networks cooperate with local criminal syndicates, often with the assistance of local corrupt political elites. Cooperation includes laundering of drug money, arranging multi-ton shipments of cocaine to the United States and Europe, and directly distributing illicit substances to distant markets. Proceeds finance Hezbollah's arms procurement, its military adventurism on Iran's behalf, its hold on Lebanon's political system, its efforts both in Lebanon and overseas to keep Shia communities loyal to its cause and complicit in its endeavors, and much more.

Reliance on criminal activities to generate revenue is integral to Hezbollah's modus operandi, and forms a substantial part of its operating budget. It enjoys the full support and oversight of its leadership. Court cases against Hezbollah operatives show that Hezbollah overseas networks are largely self-reliant, yet wholly integrated into a hierarchical structure that goes all the way to the top echelons of the terror group's leadership.

Cases prosecuted by the Drug Enforcement Administration's Project Cassandra revealed the extent of involvement in planning and supervising operations by senior leadership, and the intertwined nature of commercial activities, illicit procurement, and terror operations.

Project Cassandra named Abdallah Safieddine, Hezbollah's envoy to Tehran, as the head of the business affairs component of Hezbollah's external security operation—organization, the Department in charge of fundraising for illicit activities. Safieddine is the maternal cousin of Hezbollah's leader, Hassan Nasrallah. His brother is considered the next in line of succession. These are, in other words, not marginal figures in the movement. They are its core leadership.

Project Cassandra also laid bare the staggering amounts of revenue generated by Hezbollah's role as money launderer for the cartels. Court cases revealed that Hezbollah takes anywhere between 15 and 20 percent commission for services provided to organized crime. It also takes payments in kind when it handles cocaine shipments, which it is then able to sell through its vast network of contacts with the underworld. It gets a \$10,000 fee per kilo of cocaine it lets through Beirut's international airport.

Now, these are extraordinary figures. Just to give you an example, in 2011 the case of Lebanese—the Canadian Lebanese Bank and Hezbollah's facilitator, Ayman Joumaa. In that particular case, prosecuted here in the United States, the network was laundering \$200 million per month for the cartels. A 20 percent commission for that is \$480 million a year, and this is just one network.

It should be the policy of the United States to aggressively go after these networks. Instead, Project Cassandra was shut down. The Trump administration ordered a review of Project Cassandra, and then established a task force at the Department of Justice to go after Hezbollah's terror finance networks. But that task force should be manned and resourced to revive U.S. efforts to inflict damage on Hezbollah's drug trafficking operations.

Debate will continue over the circumstances surrounding the abrupt end of this decade-long project, something I do address in my written statement. But there is no disagreement about the fact that much of Hezbollah's operating budget is financed through drug proceeds and working with criminal syndicates. That should be enough to have Hezbollah designated as a trans-national criminal organization. Legislation to bring about this outcome is awaiting Congressional approval. So is an enhanced version of the 2015 Hezbollah International Finance Prevention Act, which would strengthen U.S. powers to go after Hezbollah enablers.

Project Cassandra showed how the combined arsenal of sanctions, prosecutions, asset seizures, and bank designations under section 311 of the Patriot Act can inflict irreparable damage to our

adversaries. These tools should be revived. More resources should also be given to Treasury and law enforcement agencies, especially those deployed overseas to more effectively go after these operatives.

Iran's terror proxy networks in Latin America are run by sophisticated operatives, and none of those I mention in my written testimony entered into, dispatched drugs to, or plotted terror attacks against the United States by coming into the country through the back door, as clandestine illegal migrants. They exploited weaknesses in immigration policy and airport security systems to travel to, reside in, or transact through the United States. Much like in other jurisdictions, operatives who target the United States or use the United States as staging ground for trade-based and real estate-based money laundering come in through the front door with a legitimate passport and a credible business cover story.

These weaknesses need the fix, as well. In my written statement I offer more suggestions, which I hope we will have time to address in our discussion.

I thank you for inviting me, and I look forward to your questions. [The prepared statement of Mr. Ottolenghi follows:]

PREPARED STATEMENT OF EMANUELE OTTOLENGHI

APRIL 17, 2018

INTRODUCTION

Chairman King, Ranking Member Rice, thank you for the opportunity to testify on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance.

Since its establishment, the Islamic Republic of Iran has viewed Latin America as a fertile ground for the export of its revolution. Tehran wants the Western Hemisphere to become a hotbed of anti-Americanism and a forward operating base for Iran. To this end, over nearly four decades, Tehran has built a network of mosques and cultural centers across the region. It aggressively expanded its base of supporters and sympathizers by dispatching itinerant preachers, who have successfully converted and radicalized thousands of Latin Americans to Iran's version of Shi'a Islam. Iran has also helped Hezbollah establish itself as the dominant force among expatriate Shi'a Lebanese communities in the region. Hezbollah clerics and emissaries have taken control of their religious and communal institutions such as mosques, schools, cultural associations, and youth movements.

Where and when needed, these networks can also be activated to provide logistical and financial support to operatives engaged in planning terror attacks, safe haven for fugitives, and a source of revenue and illicit procurement for both the Iranian regime and Hezbollah itself.

In recent years, Hezbollah's Latin American networks have also increasingly cooperated with violent drug cartels and criminal syndicates, often with the assistance of local corrupt political elites. Cooperation includes laundering of drug money; arranging multi-ton shipments of cocaine to the United States and Europe; and directly distributing and selling illicit substances to distant markets. Proceeds from these activities finance Hezbollah's arms procurement; its terror activities overseas; its hold on Lebanon's political system; and its efforts, both in Lebanon and overseas, to keep Shi'a communities loyal to its cause and complicit in its endeavors.

This toxic crime-terror 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. It is sustaining Hezbollah's growing financial needs. It is helping Iran and Hezbollah consolidate a local constituency in multiple countries across Latin America. It is thus facilitating their efforts to build safe havens for terrorists and a continent-wide terror infrastructure that they could use to strike U.S. targets.

It would be a mistake to view these networks as peripheral to Hezbollah or even connected to it only by virtue of their members' origins and the sympathy some of them may feel for Hezbollah and its cause. Equally, this is not solely a challenge

for law enforcement agencies. Reliance on criminal activities to generate revenue is integral to Hezbollah's modus operandi and forms a substantial part of its operating budget. It enjoys the full support and oversight of its leadership. Nearly two decades of sanctions and law enforcement investigations that led to successful indictments, primarily from U.S. court cases prosecuting Hezbollah operatives involved in a variety of criminal activities, show that Hezbollah's networks are equal part crime and terror.

Operatives dispatched to Latin America to run drug smuggling, gun running, and money-laundering activities often stem from the Business Affairs Component (BAC) of Hezbollah's External Security Organization (ESO), a unit inside the terror group also referred to as the Islamic Jihad Organization (IJO). Its members are trained for both terror operations and economic warfare and engage simultaneously in both activities. Their economic activities—which include trade-based money laundering and the laundering of illicit proceeds through real estate—are in and of themselves a threat to the integrity of the U.S. financial system.

Hezbollah facilitators use methods that are typical of trade-based money laundering techniques—such as over- and under-invoicing, misstating items of merchandise, their weight, and value—in order to move money across continents. They use U.S.-registered commercial vectors to transport their merchandise. In addition to smuggling drugs inside the United States and plotting attacks on U.S. targets inside the United States and overseas, Hezbollah's illicit finance networks often use U.S.-based front companies, launder money through U.S. banks, and invest in the U.S. real estate sector to support their terror finance schemes. They therefore constitute a threat to homeland security.

This makes Hezbollah, its senior leadership, and its numerous operatives involved in running illicit drug trafficking and money-laundering operations on a global scale, the perfect candidates for Kingpin and Transnational Crime Organization designations, in addition to the terrorism and terror finance designations already in place.

Developing a strategy to combat this growing risk to the American homeland needs to be a U.S. policy priority. The United States cannot continue to combat a threat of such magnitude, without first recognizing the Hezbollah terror-crime nexus and then leveraging all its tools of statecraft in a combined, sustained, and coordinated fashion. My recommendations, discussed more at length at the end of this testimony, are:

- Update Existing Sanctions Against Hezbollah Terror Finance Networks
- Target Enablers with Global Magnitsky and the Hezbollah International Finance Prevention Act
- Sanction Hezbollah and Its Senior Leadership with Transnational Criminal Organization and Kingpin Designations
- Impose 311 Designations on Financial Institutions Assisting Hezbollah in Latin America
- Empower Law Enforcement to go After Hezbollah's Global Financial Networks
- Provide Additional Resources to Intelligence and Law Enforcement Agencies Deployed in Latin America
- Provide Additional Resources to Treasury
- Target Financial Holdings and Financial Institutions Used by Hezbollah to Move Money to and from Latin America
- Build Local Capacity with Regional Allies
- Improve Controls at Ports of Shipment to and From Latin America

HEZBOLLAH'S TERROR-CRIME NETWORK AND THE THREAT TO THE HOMELAND

A survey of cases prosecuted against Hezbollah operatives in the past two decades shows that the terror group remains a threat to the security of the U.S. homeland and the integrity of its financial system. Iran and Hezbollah sought to carry out high casualty attacks against U.S. targets multiple times. Additionally, they built networks they used to procure weapons, sell drugs, and conduct illicit financial activities inside the United States. These cases highlight a number of important elements we must consider when thinking about U.S. responses to Hezbollah's threat in the Western Hemisphere:

- Its networks are malleable and flexible—capable of engaging in trade-based money laundering, sophisticated investment schemes, ruthless violence, arms procurement, and social services at the same time.
- By leveraging political support and familial ties among expatriate communities, Hezbollah ensures provision of material support and services to their operatives, thanks to the complicity of local facilitators, many of whom, while not fully enlisted inside Hezbollah, are loyal supporters.

- This type of local support structure ensures the operatives' ability to obtain a second citizenship, gain access to cash, have a plausible cover while plotting operations, enjoy immunity from the law through influential connections to local political elites and a well-greased corruption machine to buy off customs, border authorities, police, judges and prosecutors, prison guards, and politicians.
- As a result, operatives blend in; they nestle within existing expatriate communities; they find spouses; and set up seemingly legitimate businesses, acquiring permanent residency and citizenship in the process—all attributes that are part of their cover story.
- Hezbollah networks are not just operating to support Hezbollah's activities but also to aid Iran's operational and procurement needs—including helping to plot terror attacks, procure weapons, and sell counterfeited passports and currency.
- Most importantly, Hezbollah overseas networks are largely self-reliant yet wholly integrated in a hierarchical structure that goes all the way to the top echelons of the terror group's leadership.

Nearly two decades of experience confronting Hezbollah through sanctions and prosecutions offer important lessons on best practices as well as mistakes that must now be rectified. Iran and Hezbollah made at least three documented attempts to support, plot, or conduct terror attacks on U.S. soil in recent years—these are discussed in the next section. Their Latin America networks, however, have mainly been dedicated to terror finance.

HEZBOLLAH'S AND IRAN'S ATTEMPTS TO TARGET THE UNITED STATES

Last year, U.S. law enforcement agencies captured two Hezbollah operatives. They stand accused of casing targets for possible future terror attacks. Samer El Debek and Ali Mohammad Kourani were both indicted in the Southern District of New York, in May of 2017.¹ Both naturalized U.S. citizens, El Debek and Kourani were members of Hezbollah's ESO. Trained in the use of firearms, assault weapons, and explosives, they fulfilled multiple tasks on Hezbollah's behalf while in the United States. For example, in 2009, Kourani travelled to Guangzhou, China to procure ammonium nitrate-based First Aid ice packs, made by the same manufacturer of those later seized in connection with thwarted Hezbollah terror attacks in Thailand and Cyprus. El Debek's handlers dispatched him to Thailand that same year to dispose of ammonium nitrate—likely the load Kourani procured in Guangzhou—that was left behind in a safe house in Bangkok, which they believed was now compromised.

While they lived in the United States, both operatives travelled back to Lebanon to undergo extensive military training. El Debek was later dispatched to Panama to learn Spanish and conduct surveillance and information gathering on possible attack targets, which included the U.S. embassy and the embassy of Israel in Panama, and the Panama Canal. He entered and exited Panama through Colombia, where he stayed for 4 days—possibly to get instructions from local Hezbollah agents. El Debek also surveyed potential targets in the United States, including New York's John F. Kennedy and La Guardia airports and the U.S. Armed Forces Career Center in Queens, New York. Kourani was instructed to and sought to procure night-vision equipment and drone technology.²

This is not the first time that U.S. law enforcement agencies uncover Iranian-backed conspiracies to target the United States, such as the failed 2007 plot to blow up the fuel tanks at New York's JFK.³ The plot's ringleader was Abdul Kadir, a Guyana politician-turned Islamic radical. Reports suggest that Kadir had connections to Iran. On the same year his plot was disrupted, Kadir had been in contact with the head of a pro-Iranian Islamic charity in São Paulo, Brazil, Sheikh Taleb al-Khazraji. Alberto Nisman, the slain Argentine prosecutor who investigated the 1994 bombing of AMLA, the Buenos Aires Jewish cultural center, named Kazraji in 2013 as an agent of the government of Iran in Brazil. Kadir, according to Nisman, had also been in contact with Mohsen Rabbani, the Iranian cleric who founded Iran's religious outreach program in Latin America by moving to Buenos Aires in

¹ Indictment, *United States v. Samer El Debek*, No. S(1) Cr. 04154 (MAG), (S.D.N.Y. 2017). (Accessed via Pacer); Indictment, *United States v. Ali Mohamad Kourani*, No. S(7) Cr. 417 (AKH), (S.D.N.Y. 2017). (Accessed via Pacer)

² In a more recent, February 2018 indictment, two additional Hezbollah procurement agents based in South Africa were arrested and indicted for procuring drone technology on Hezbollah's behalf; First Superseding Indictment, *United States v. Usama Darwish Hamade and Samir Ahmed Berro*, No. S(7) Cr. 237 (MJD—BRT) (D. Minn. 2015). (Accessed via Pacer)

³ The United States Attorney's Office for the Eastern District of New York, Press Release, "Four Individuals Charged in Plot to Bomb John F. Kennedy International Airport," June 2, 2007. (<https://www.justice.gov/archive/usao/nye/pr/2007/2007jun02.html>)

1982 to run a local Shi'a mosque. Rabbani eventually became the cultural attaché of Iran's embassy in Buenos Aires, a few months before the bombing. Rabbani is wanted by Argentinian judicial authorities in conjunction with the bombing.⁴ Kadir is currently serving a life sentence in a U.S. prison.⁵

In 2011, Iran sought to strike again inside the United States. U.S. authorities thwarted a plot to blow up Café Milano, an upscale Italian restaurant in Washington, DC, and assassinate the Saudi Ambassador to the United States, when the Iranian operative in charge of organizing the attack sought the assistance of Mexican cartels.⁶ While the Ambassador was the target, the attack, had it succeeded, would have likely caused mass casualties. Mansour Arbabsiar, an Iranian-American resident of Texas who ran a used car dealership as his day job, spoke to a U.S. informant inside the cartel who promptly passed the information to his handlers and helped foil the attack. Arbabsiar was eventually sentenced, in 2013, to 25 years in prison.⁷

THE CRIME-TERROR NEXUS

The Arbabsiar case was highly suggestive of a link between Iranian and Iranian-backed terror networks and organized crime. U.S. authorities became aware of Arbabsiar's plot while the U.S. Drug Enforcement Administration (DEA) was investigating a complex drug-trafficking and money-laundering scheme involving Hezbollah operatives, the Medellín drug cartel known as *La Oficina del Envigado*, the Mexican *Zetas*, used car businesses in the United States, a Lebanese bank, and numerous other businesses located in Latin America and West Africa. (The network's kingpin was Seyed Ayman Joumaa, about whom more later). In that context, his outreach to people he thought worked for the Mexican *Zetas* was consistent with what DEA was investigating.

Eventually, DEA revealed the full extent of Hezbollah's terror-crime nexus and its centrality to Hezbollah's organizational structure in 2016, when it announced multiple Hezbollah arrests across Europe in an operation, codenamed Operation Cedar, involving seven countries.⁸ According to a former U.S. official familiar with the case, the targeted ring involved shipments of cocaine to Europe, which were paid for in Euros, and were then transferred to the Middle East by couriers. Hezbollah made more than 20 million Euros a month selling its own cocaine in Europe. It also laundered tens of millions of Euros of cocaine proceeds on behalf of the cartels via the Black Market Peso Exchange, retaining a fee. During the arrests, authorities seized 500,000 Euros in cash, luxury watches worth \$9 million that Hezbollah couriers intended to transport to the Middle East for sales at inflated prices, and property worth millions.⁹

The raids led to the arrest of 15 individuals, including prominent Hezbollah facilitators Mohamad Nouredine and Hamdi Zaher El Dine. Four days later, Treasury sanctioned Nouredine and Zaher El Dine. Referring to the sanctioned duo, then-Acting Under Secretary for Terrorism and Financial Intelligence Adam J. Szubin said, "Hezbollah needs individuals like Mohamad Nouredine and Hamdi Zaher El Dine to launder criminal proceeds for use in terrorism and political destabilization."¹⁰ Treasury stopped short of explicitly identifying the two as Hezbollah

⁴"Rabbani, Mohsen," *INTERPOL*, accessed April 12, 2018. (<https://www.interpol.int/notice/search/wanted/2007-49960>)

⁵Linette 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>)

⁶Superseding Information, *United States v. Mansour Arbabsiar*, No. S(1) Cr. 897 (JFK), (S.D.N.Y. 2013). (https://www.investigativeproject.org/documents/case_docs/2047.pdf)

⁷The United States Department of Justice, Press Release, "Mansour Arbabsiar Sentenced in New York City Federal Court to 25 Years in Prison for Conspiring with Iranian Military Officials to Assassinate the Saudi Arabian ambassador to the United States," May 30, 2013. (<https://www.justice.gov/opa/pr/mansour-arbabsiar-sentenced-new-york-city-federal-court-25-years-prison-conspiring-iranian>)

⁸United States Drug Enforcement Administration, Press Release, "DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme," February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

⁹Information obtained from a former U.S. official familiar with the investigation. See also: David Asher, "Attacking Hezbollah's Financial Network: Policy Options," *Testimony before House Foreign Affairs Committee*, June 8, 2017. (<http://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-WState-AsherD-20170608.PDF>)

¹⁰U.S. Department of the Treasury, Press Release, "Treasury Sanctions Key Hezbollah Money Laundering Network," January 28, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0331.aspx>)

members, but sanctioned them for providing material support to Adham Tabaja, whom Treasury sanctioned in 2015¹¹ alongside his company Al-Inmaa Group for Tourism Works and its subsidiaries.

DEA went further and identified a coherent, hierarchical structure inside Hezbollah that has been in charge of its illicit operations since as early as 2007. The DEA named it the BAC—an acronym for the Business Affairs Component of Hezbollah's ESO. As stated in the February 2016 DEA press release, announcing Operation Cedar's outcomes:

“This global network, referred to by law enforcement as the Lebanese Hezbollah External Security Organization Business Affairs Component (BAC), was founded by deceased Hezbollah Senior Leader Imad Mughniyah and currently operates under the control of Abdallah Safieddine and recent U.S.-designated Specially Designated Global Terrorist (SDGT) Adham Tabaja. Members of the Hezbollah BAC have established business relationships with South American drug cartels, such as La Oficina de Envigado, responsible for supplying large quantities of cocaine to the European and United States drug markets. Further, the Hezbollah BAC continues to launder significant drug proceeds as part of a trade-based money-laundering scheme known as the Black Market Peso Exchange.”¹²

On that occasion, DEA also revealed Project Cassandra, a decade-long operation run through DEA's Special Operations Division, which sought to stop Hezbollah from trafficking drugs into the United States and Europe. A December 2017 investigation by *Politico* revealed that the Obama administration derailed the DEA's program to combat Hezbollah's growing collusion with the drug cartels, letting this nascent threat morph into a global menace.

Most importantly, alongside Tabaja, DEA named Abdallah Safieddine as the head of the BAC. Safieddine is Hezbollah's personal envoy to Tehran and the maternal cousin of Hezbollah Secretary General Hassan Nasrallah. His brother Hashem Safieddine, a cleric who sits on Hezbollah's Shura Council, is considered to be Nasrallah's successor. Treasury named Safieddine in 2011, when it identified the Lebanese-Canadian Bank as a “primary money-laundering concern” as part of a range of actions taken by U.S. Government agencies against the bank and the Seyed Ayman Joumaa network, which had been exposed for laundering drug proceeds for the *Oficina del Envigado*.¹³ According to Treasury, “Hizballah's Tehran-based envoy Abdallah Safieddine was involved in Iranian officials' access to LCB and key LCB managers.”¹⁴

Though Treasury declined to sanction Safieddine in 2011, it implicated him in the largest Hezbollah drug-trafficking and money-laundering scheme exposed to date, confirming a direct link between Hezbollah and Latin American cartels. Naming him, 5 years later, as the kingpin of Hezbollah's global criminal operations underscores the fact that these operations enjoy the full support and supervision of the highest ranks in the organizational structure.

Cases implicating the BAC give a sense of the global footprint of Hezbollah's illicit activities and offer a glimpse into the size of these operations. They point to gaps and failures in the system that made U.S. actions less effective than they could have been. They also offer insights into possible next steps to improve the effectiveness of combined U.S. diplomatic, law enforcement, intelligence, and sanctions efforts to disrupt and dismantle Iran's proxy terror networks in Latin America. Following is a time line of Hezbollah court cases and designations since 2004, which expose the crime-terror nexus. The time line begins with the initial U.S. Department of Treasury designation of Hezbollah financiers in the Tri-Border Area of Argentina, Brazil, and Paraguay, or TBA. For readers' convenience, cases are listed by date of indictment or date of sanction.

¹¹ U.S. Department of the Treasury, Press Release, “Treasury Sanctions Hezbollah Front Companies and Facilitators in Lebanon and Iraq,” June 10, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0069.aspx>)

¹² United States Drug Enforcement Administration, Press Release, “DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme,” February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

¹³ U.S. Department of the Treasury, Press Release, “Treasury identifies Lebanese Canadian Bank SAL as a Primary Money Laundering Concern,” February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>)

¹⁴ U.S. Department of the Treasury, Press Release, “Treasury identifies Lebanese Canadian Bank SAL as a Primary Money Laundering Concern,” February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>)

2004–2006: Tri-Border Area Hezbollah Network Designations

In one of its earliest actions against Hezbollah’s overseas operations, the U.S. Treasury sanctioned a large Hezbollah illicit finance network operating out of the Tri-Border Area (TBA) of Argentina, Brazil, and Paraguay, in 2004¹⁵ and then again in 2006.¹⁶ Treasury cited their involvement in raising funds for Hezbollah, often through illicit finance and trade activities, as a key reason for sanctions. Treasury also indicated that Hezbollah’s revenue-generating activities in the TBA were not limited to trade-based money laundering but also included drug trafficking and trading counterfeit U.S. currency.

Treasury designations in 2004 and 2006 went after members of the Barakat and the Abdallah families, both prominent clans inside the Hezbollah leadership structure and in the TBA. The Treasury 2004 press release announcing sanctions against Assad Ahmad Barakat stated that Barakat had “close ties with Hezbollah’s leadership,” likely a reference to his brother Akram Barakat, Abdallah Safieddine’s deputy in the BAC and a member of Hezbollah’s Shura Council. That Hezbollah would dispatch such a senior figure to the TBA highlights the area’s importance for the terror group.

Unfortunately, after more than a decade, the lack of updating and expanding—let alone enforcing—these sanctions means that the original Hezbollah network is still largely intact and the TBA remains a hub of Hezbollah criminal activities.¹⁷ As the U.S. Department of State’s Bureau of International Narcotics and Law Enforcement Affairs’ 2018 International Narcotics Control Strategy Report recently noted, “multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) . . . which is a base for counterfeiting, drug trafficking, and other smuggling offenses. Persons and businesses linked with the terrorist organization Hezbollah operate widely within the TBA.”¹⁸

2007–8: Operation Titan—the Case of Chekry Mahmoud Harb

Hezbollah’s intimate connection to Latin American drug cartels became known by coincidence when, in 2007, Colombian wiretaps meant to monitor *La Oficina del Envigado*, the Medellín cartel later named by DEA as a key partner to Hezbollah, picked up Arabic conversations traceable back to a man named Chekry Mahmoud Harb. DEA brought in an Arabic language expert who suddenly realized Hezbollah was arranging multi-ton shipments of cocaine to the Middle East while working with the Medellín cartel.¹⁹ The cartel employed four other Lebanese nationals along with Harb, who reportedly worked for Abdallah Safieddine.²⁰ This case, investigated and prosecuted as part of DEA’s Operation Titan, eventually became one of the sources of contention between the DEA and its U.S. intelligence agency counterparts.²¹

¹⁵U.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>)

¹⁶U.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>).

¹⁷I have discussed this problem at length in my previous testimonies in June 2016, May and November 2017. See Emanuele Ottolenghi, “The Enemy in our Backyard: Examining Terror Funding Streams from South America,” Testimony before the House Committee on Financial Services, June 8, 2016. (<https://financialservices.house.gov/uploadedfiles/hrg-114-ba00-wstate-ottolenghi-20160608.pdf>); Emanuele Ottolenghi, “Emerging External Influences in the Western Hemisphere,” Testimony before the Senate Foreign Relations Committee, May 10, 2017. (https://www.foreign.senate.gov/imo/media/doc/051017_Ottolenghi_Testimony.pdf); Emanuele Ottolenghi, “Examining the Effectiveness of the Kingpin Designation Act in the Western Hemisphere,” Testimony before the House Foreign Affairs Committee, November 8, 2017. (http://www.defenddemocracy.org/content/uploads/documents/11-08-17_Ottolenghi_-_Written_Testimony.pdf)

¹⁸U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, “Annual International Narcotics Control Strategy Report Volume II—Money Laundering,” March 2018, page 44. (<https://www.state.gov/documents/organization/278760.pdf>)

¹⁹Chris Kraul and Sebastian Rotella, “Drug probe finds Hezbollah link,” *LA Times*, October 22, 2008. (<http://articles.latimes.com/2008/oct/22/world/jg-cocainering22>)

²⁰Jo Becker, “Beirut Bank Seen as a Hub of Hezbollah’s Financing,” *The New York Times*, December 13, 2011. (<https://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html>)

²¹See Josh Meyer, “The secret backstory of how Obama let Hezbollah off the hook,” *Politico*, December 20, 2017. (<https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>). “An early flash point was Operation Titan, the DEA initiative in Colum-

According to DEA officials quoted by *Politico*, “the Justice Department rebuffed requests by task force agents, and some of its prosecutors, to add narcoterrorism charges to the drug and money-laundering counts against Harb.”

In 2012, Treasury eventually moved to designate the key Colombian figure in the network, alongside five Lebanese implicated (including Harb), and two businesses associated with Harb—a clothing company in Colombia and a clothing store in Guatemala.²² Nevertheless, much like with the indictment, which ultimately did not include any reference to Hezbollah, Treasury did mention Harb’s links to the terror group.

It was left to the media and the Colombian prosecutors to reveal the Hezbollah connection.²³

2009: The Hassan Hodroj Case

The 2009 indictment of Hassan Hodroj and nine other individuals linked to Hezbollah procurement networks sheds more light on Hezbollah’s criminal activities, the extent of involvement in planning and supervising operations by senior leadership, and the intertwined nature of commercial activities, illicit procurement, and terror operations. Their base of operations was the Middle East, yet the case has an important Latin American connection—a key figure in the Hezbollah ring was Moussa Ali Hamdan, a Lebanese-U.S. dual national charged with trafficking counterfeited currency made in Iran. Hamdan was eventually apprehended in 2010 in Ciudad Del Este, in the Paraguayan sector of the TBA, and extradited to the United States to stand trial.

The 10 indicted Hezbollah operatives and associates traded in counterfeit currency, fake passports, and counterfeited or stolen brand goods. Ominously, they also attempted to acquire 1,400 American made Colt M4 carbines. At the time, Hodroj was a member of Hezbollah’s Political Council in charge of Palestinian affairs.²⁴ The criminal complaint against Hodroj²⁵ makes it abundantly clear that Hezbollah’s senior leadership approved, coordinated, and benefited from these activities. It also reveals that as undercover U.S. agents negotiated arrangements for the weapons transfer, the operative involved called a very senior figure in Hezbollah’s hierarchy—likely Abdallah Safieddine—to facilitate the deal.

It is reasonable to presume that investigators were hoping to go after Abdallah Safieddine eventually. Nevertheless, nearly a decade after Hodroj was indicted, Safieddine has yet to be named in any criminal proceeding against Hezbollah networks.

The Hodroj case is very revealing, not only because of the rank of its principal suspect but for its already-mentioned link to Latin America. At the time of his arrest, the aforementioned Hamdan was hiding in the Panorama 2 building,²⁶ a location of significance in organized crime and narcoterrorism investigations in Latin America.

Panorama 2 is located on Avenida Carlos A. Lopez in the commercial center of Ciudad Del Este.²⁷ The residential building is above Shopping Panorama, one of

bia. After its undercover agent was compromised, DEA and Colombian authorities scrambled to build cases against as many as 130 traffickers, including a Colombian cartel leader and a suspected Safieddine associate named Chekry Harb, nicknamed El Taliban.”

²² U.S. Department of the Treasury, Press Release, “Treasury Targets Major Money Laundering Network Linked to Drug Trafficker Ayman Joumaa and a Key Hizballah Supporter in South America,” June 27, 2012. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1624.aspx>)

²³ Chris Kraul and Sebastian Rotella, “Drug probe finds Hezbollah link,” *LA Times*, October 22, 2008. (<http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>)

²⁴ Spencer S. Hsu, “Hezbollah official indicted on weapons charge,” *The Washington Post*, November 25, 2009. (<http://www.washingtonpost.com/wp-dyn/content/article/2009/11/24/AR2009112403448.html>). Hezbollah is governed by the Shura Council, a nine-member committee headed by the Secretary General. Five of its members in turn head sub-councils, such as the Political Council, which are tasked with supervising specific policy and operational areas.

²⁵ “Affidavit In Support of Application for Arrest and Seizure Warrants,” *Investigative Project*, accessed April 10, 2018. (https://www.investigativeproject.org/documents/case_docs/1988.pdf)

²⁶ “Paraguay: Capturan en Ciudad del Este a miembro del Hizbullah (Paraguay: Captured a member of Hezbollah in Ciudad Del Este),” *Hacer Latin American News* (Paraguay), June 25, 2010. (<http://www.hacer.org/latam/paraguay-capturan-en-el-este-a-miembro-del-hizbullah-abc-color/>); The Federal Bureau of Investigation, Press Release, “Alleged Supporter of Terrorist Group Extradited from Paraguay,” February 25, 2011. (<https://archives.fbi.gov/archives/phila-delphia/press-releases/2011/ph022511a.htm>)

²⁷ Edificio Panorama II, Facebook, accessed February 7, 2017. (<https://www.facebook.com/Edificio-Panorama-II-439178936102452/>)

Ciudad Del Este's many shopping centers.²⁸ The building serves both residential and commercial purposes. However, Edificio Panorama 2 has repeatedly been the stage for drug trafficking, organized crime, and Hezbollah cases. That includes not only Hamdan, but also Ali Khalil Merhi, originally implicated in the Argentine AMIA bombing, who was living in Edificio Panorama 2 with his wife when Paraguayan authorities arrested him in 2000.²⁹ Panorama 2 was also the scene of the 2017 arrest of five Brazilians and two Paraguayans associated with the *Primeiro Comando do Capital* or PCC—Brazil's foremost criminal and drug cartel.³⁰

In 2014 the Brazilian daily *O Globo* exposed a connection between Hezbollah and the Primeiro Comando da Capital, or PCC.³¹ The São Paulo-based prison gang was established in 1992 and, along with the Rio de Janeiro-based *Comando Vermelho* (Red Command), is one of the primary exporters of cocaine through Brazil.³² According to the daily, Hezbollah asked the PCC to protect detainees of Lebanese origin inside the Brazilian penitentiary system. Hezbollah, for its part, is said to have helped the PCC gain access to international weapons smuggling channels and especially assisted in the sale of C4 explosives the PCC had stolen in Paraguay. The presumed currency of transaction between the two was cocaine and money laundering.

Though over the years the owners of Panorama 2 may have repeatedly been landlords of PCC criminals, Hezbollah traffickers and financiers by unfortunate coincidence, a 2007 U.S. embassy cable leaked by the site Wikileaks, names them as one of five key players in the TBA involved in drug trafficking and other illicit activities.³³

2009–2010: The Tajideen Brothers Case

Treasury sanctioned the Tajideen brothers and their business network, operating mainly out of West Africa, in 2009³⁴ and then again in 2010.³⁵ In its initial designation, Treasury specifically accused Kassem Tajideen of having contributed “tens of millions of dollars” to Hezbollah, including through the diamond trade. Tajideen was eventually arrested in March 2017 in Morocco and extradited to the United States, where he will stand trial. His initial indictment details \$27 million in transactions with U.S.-based companies, where the corporate identity of Tajideen's business network was concealed.³⁶

²⁸Edificio Panorama II, Facebook, May 17, 2016. (<https://www.facebook.com/439178936102452/photos/a.1022271157793224.1073741825.439178936102452/1148187201868285/?type=3&theater>)

²⁹“Pirata mayor en Ciudad del Este (Major pirating in Ciudad Del Este),” Pagina 12 (Argentina), accessed February 7, 2017. (<https://www.pagina12.com.ar/2000/00-02/00-02-27/pag04.htm>); Anthony Faiola, “U.S. Terrorist Search Reaches Paraguay,” *Washington Post*, October 13, 2001. (https://www.washingtonpost.com/archive/politics/2001/10/13/us-terrorist-search-reaches-paraguay/f69d9ed5-bee6-4b55-af81-cbdd43025371/?utm_term=.cd9326230bb5)

³⁰“Detienen a la jefa administrativa del PCC en edificio de Ciudad del Este (PCC administrative head detained in Ciudad del Este building,” ABC Color (Paraguay), May 3, 2017. (<http://www.abc.com.py/edicion-impresa/judiciales-y-policiales/detienen-a-la-jefa-administrativa-del-pcc-en-edificio-de-ciudad-del-este-1589703.html>)

³¹Francisco Reali, “Polícia Federal aponta elo entre facção brasileira e Hezbollah (Federal Police link Brazilian faction and Hezbollah),” *O Globo* (Brazil), November 9, 2014. (<http://oglobo.globo.com/brasil/policia-Federal-aponta-elo-entre-facao-brasileira-hezbollah-14512269>)

³²“First Capital Command—PCC: Profile,” *Insight Crime*, accessed June 4, 2016. (<http://www.insightcrime.org/brazil-organized-crime-news/first-capital-command-pcc-profile>)

³³“Interagency Cooperation on Tri-Border Area,” *WikiLeaks Cable: 07ASUNCION688_a*, August 20, 2007. (https://wikileaks.org/plusd/cables/07ASUNCION688_a.html). “Five extended families (Barakat, Zeiter, Jamil-Georges, Baalbaki, and Hijazi) in the TBA appear to be the major actors in drugs and other large-scale crimes, but the Embassy believes that the clear majority of the adult working population of the Lebanese community (of 40,000 persons total) in the TBA may be involved in some type of illicit activity (e.g., counterfeit goods).”

³⁴U.S. Department of the Treasury, Press Release, “Treasury Targets Hezbollah Financial Network,” May 27, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg149.aspx>)

³⁵U.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>)

³⁶Indictment, *United States of America v. Kassim Tajideen et al.*, No. 16–CV–64 (RBW) (D.D.C. filed March 7, 2017). (<https://www.justice.gov/opa/press-release/file/952071/download>)

2011: Ayman Joumaa and the Lebanese-Canadian Bank Case

In 2011, the Eastern District of Virginia indicted the aforementioned Ayman Joumaa.³⁷ Joumaa worked with Hezbollah as the kingpin in one of many networks Hezbollah runs globally to sustain its financial needs. Joumaa is a Lebanese-Colombian dual national operating a global network of companies out of Latin America, West Africa, and Lebanon, laundering money for Mexican and Colombian cartels, to the tune of \$200 million a month of drug proceeds.³⁸ Joumaa worked with Hezbollah as the kingpin in one of many networks Hezbollah runs globally to sustain its financial needs.

The indictment was part of a larger strategy targeting Joumaa, the Lebanese-Canadian Bank, which his network used to launder money, and his companies. Measures taken included Treasury sanctions against Joumaa and his front companies,³⁹ a Patriot Act Section 311 designation of the bank as an entity of “primary money-laundering concern,”⁴⁰ and an asset seizure of bank funds.⁴¹

Investigators involved in the case are believed to have identified over 300 used car businesses used by the Joumaa network to buy cars and ship them to West Africa, where they could be sold for a hefty profit, thereby generating more revenue for Hezbollah while laundering the drug money from Colombia. Yet the Joumaa case ended up naming and folding only about 30 of those businesses, leaving the bulk of the money-laundering structure intact and still able to function.⁴²

2014: Ali Fayad, Faouzi Jaber, and Khaled El Merebi

Lebanese-Ukrainian national Ali Fayad, a Ukrainian-based arms trafficker and his two business associates, Lebanese national Khaled El Merebi and Ivory Coast national Fauzi Jaber, were indicted in 2014 for attempting to procure anti-aircraft missiles on behalf of the Colombian FARC. Jaber and Merebi were also indicted on drug trafficking charges. DEA undercover agents posed as arms experts for the FARC and negotiated the purchase of anti-aircraft missiles with Fayad, the ring-leader. All three were arrested in Prague in a sting operation. Fayad and Merebi were released in early 2016 and swapped with five Czech nationals kidnapped in Lebanon the previous summer.⁴³ Jaber alone was extradited to the United States, and eventually sentenced to 15 years in prison. It is not clear why he was left out of the swap, but it is possible that Hezbollah blamed him for the DEA sting of Fayad, since he was the one who introduced DEA undercover agents to Fayad.

The U.S. failure to extradite Fayad left DEA without access to a treasure trove of intelligence they could have gathered from interrogating him in the United States. Nevertheless, the case against Jaber was successfully prosecuted and the Hezbollah crime-terror nexus became more visible as a result.

³⁷ Indictment, *United States of America v. Ayman Joumaa*, No. 1:11-CR-560 (TSE), (E.D.VA. November 23, 2011). (https://www.investigativeproject.org/documents/case_docs/1856.pdf)

³⁸ U.S. Department of the Treasury, Press Release, “Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network,” January 26, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1035.aspx>); U.S. Department of the Treasury, Press Release, “U.S. Charges Alleged Lebanese Drug Kingpin with Laundering Drug Proceeds for Mexican and Colombian Drug Cartels,” December 13, 2011. (<https://www.justice.gov/archive/usao/vae/news/2011/12/20111213joumaanr.html>)

³⁹ 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>). Joumaa’s web of companies included U.S.-based businesses and the Canadian-Lebanese Bank. The combined force of U.S. sanctions, prosecutions, and financial restrictions on the bank eventually crippled Joumaa’s network. Joumaa was indicted in December 2011 but remains at large.

⁴⁰ U.S. Department of the Treasury, Press Release, “Fact Sheet: Overview of Section 311 of the USA Patriot Act,” February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1056.aspx>); U.S. Department of the Treasury, Press Release, “Treasury Identifies Lebanese Canadian Bank Sal as a ‘Primary Money Laundering Concern,’” February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1057.aspx>)

⁴¹ Federal Bureau of Investigation, New York Field Office, Press Release, “U.S. Government Seizes \$150 Million in Connection with Hezbollah-Related Money Laundering Scheme,” August 20, 2012. (<https://archives.fbi.gov/archives/newyork/press-releases/2012/u.s.-government-seizes-150-million-in-connection-with-hizballah-related-money-laundering-scheme>)

⁴² Josh Meyer, “The secret backstory of how Obama let Hezbollah off the hook,” *Politico*, December 18, 2017. (<https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>)

⁴³ Robert Muller, “Czechs release two Lebanese as missing Czechs return from Lebanon, US ‘shocked,’” *Reuters*, February 4, 2016. (<https://www.reuters.com/article/us-lebanon-czechs/czechs-release-two-lebanese-as-missing-czechs-return-from-lebanon-u-s-shocked-idUSKCN0VD1-MU>)

2014: Muhammad Hamdar

Tipped off by foreign intelligence, reportedly the Israeli Mossad,⁴⁴ in October 2014, Peruvian authorities arrested a suspected Hezbollah member, Muhammad Ghaleb Hamdar.⁴⁵ Hamdar entered Peru via Brazil the previous year, using a fraudulent passport from Sierra Leone. Within weeks, he married a dual Peruvian-U.S. national. He may have spent considerable time in Brazil, an important hub of Hezbollah activity in the region, during his time in Latin America. When he was arrested, Peruvian authorities found explosives in his garbage bin—a possible indication he had been tipped off at the last minute.

Despite the presence of explosives at his residence and hundreds of photos of high-value civilian targets on his phone, his trial did not lead to a conviction for terrorism. In April 2017, he was sentenced to 6 years for falsifying his immigration papers.⁴⁶ Nevertheless, the U.S. Department of Treasury identified him as a Hezbollah operative and sanctioned him in 2016.⁴⁷ According to Matthew Levitt of the Washington Institute for Near East Policy, Hamdar's handler for operational planning was Salman al-Reda aka Salman Raouf Salman, the Lebanese-Colombian dual national and Hezbollah member who was the on-the-ground coordinator for the 1994 terror attack on the AMIA building in Buenos Aires.⁴⁸ Hamdar met al-Reda numerous times to plan the attack in Peru eventually foiled by his arrest.

2015: Adham Tabaja

As previously highlighted, Treasury sanctioned Tabaja in 2015, Lebanese businessman Kassem Hejeji, and Husayn Ali Faour of the ESO.⁴⁹ Treasury sanctioned more associates of Tabaja and his company in February 2018.⁵⁰

2015: The Iman Kobeissi Case

While many of the aforementioned cases involve arms procurement attempts, the Fayad case already shows how Hezbollah operatives in charge of technology procurement for Hezbollah's and Iran's military needs are also involved in criminal activities such as drug trafficking. Other cases targeted by Project Cassandra are highly suggestive of a Hezbollah terror-crime nexus. One in particular involves Iman Kobeissi, a Lebanese business executive with French nationality working for Hezbollah, whom U.S. undercover agents entrapped and arrested in 2015. The Kobeissi indictment reveals the extent of relations with criminal cartels and the role Hezbollah financiers play to facilitate procurement not only for their terror group, but for its sponsor, Iran, as well.⁵¹

Kobeissi was indicted for laundering what she believed to be money from drug proceeds (she levied a 20 percent commission), for attempting to smuggle blood diamonds from Africa into the United States, and for trying to procure weapons and airplane parts for Hezbollah and Iran. According to court documents, during her encounters with undercover U.S. agents she boasted of having important Iranian lead-

⁴⁴ Ariel Ben Solomon, "Latest report on Mossad's 'Hezbollah spy' says he gave up details of Burgas bombing," *The Jerusalem Post*, December 22, 2014. (<http://www.jpost.com/Middle-East/Latest-report-on-Mossads-Hezbollah-spy-says-he-gave-up-details-of-Burgas-bombing-385366>)

⁴⁵ "Presunto miembro de Hezbollah fue detenido en Surquillo (Alleged member of Hezbollah was detained in Surquillo)," *RPP Noticias* (Peru), October 29, 2014. (<http://rpp.pe/lima/actualidad/presunto-miembro-de-hezbollah-fue-detenido-en-surquillo-noticia-737561>)

⁴⁶ "Absuelven a Libanes acusado de terrorismo detenido en Surquillo (Lebanese accused of terrorism detained in Surquillo is acquitted)," *El Comercio* (Peru), April 21, 2017. (<https://elcomercio.pe/peru/absuelven-libanes-acusado-terrorismo-detenido-surquillo-415800>)

⁴⁷ U.S. Department of Treasury, Resource Center, "Counter-Terrorism Designations," October 20, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0587.aspx>). According to Treasury, "Hamdar, another member of Hezbollah's ESO, was arrested in Lima, Peru in October 2014 on suspicion of planning terrorist attacks in the country for Hezbollah. Upon investigation, Peruvian authorities discovered photographs of popular tourist restaurants and houses as well as traces of military grade explosives in Hamdar's apartment. Peruvian authorities also found TNT, gunpowder, and detonators in the outdoor trash can assigned to his unit upon investigation. Hamdar admitted to being a member of Hezbollah ESO and that he undertook all of his activities in Peru at ESO's direction."

⁴⁸ Matthew Levitt, "Hezbollah's Growing Threat Against U.S. National Security Interests in the Middle East", The Washington Institute for Near East Policy, March 22, 2016. (<https://www.washingtoninstitute.org/uploads/Documents/testimony/LevittTestimony20160322.pdf>)

⁴⁹ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Hezbollah Front Companies and Facilitators in Lebanon and Iraq," June 10, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0069.aspx>)

⁵⁰ U.S. Department of the Treasury, Press Release, "Treasury Targets Hezbollah Financial Network in Africa and the Middle East," February 2, 2018. (<https://home.treasury.gov/news/press-releases/sm0278>)

⁵¹ Given her access, it is likely that Iman Kobeissi is linked in some personal capacity to the highest echelons of the Hezbollah leadership.

ership connections. She also mentioned Hezbollah ties with criminal groups in numerous African and European countries,⁵² further proof that Hezbollah works globally with crime syndicates, cooperating in illicit business ventures and offering money-laundering services, logistics, and transport.

2016: Operation Cedar

On January 24, 2016, the aforementioned Operation Cedar led to sweeping arrests against Hezbollah operatives across Europe. The arrests were followed by Treasury designations and, within days, a press release by DEA, drawing a direct line between the arrested Lebanese criminals and Hezbollah's senior leadership.

2016: The Ammar, Diab, & Mansour Case

In September 2016, the DEA indicted three Hezbollah members—one, Hassan Mohsen Mansour, was arrested in Paris—who were laundering cocaine proceeds for Colombian cartels. The charges against one of them, Mohammad Ammar, who was extradited to Miami, involved moving half a million dollars of drug money to U.S. banks in order to launder it, but the cash value of their operation was much larger.⁵³ Media coverage of the case mentioned a Hezbollah connection, yet the indictment remains sealed while one of the three suspects is a fugitive.

2016–2017: The Ali Chamas Case

In her conversations with undercover DEA agents, Kobeissi mentioned Puerto Rico as a point of departure for cocaine shipments. This suggests that Hezbollah's criminal networks operate inside the United States.⁵⁴ A more recent case—that of Ali Issa Chamas,⁵⁵ a suspected Hezbollah drug trafficker⁵⁶ extradited from Paraguay to Miami in June 2017—confirms that Latin American drug traffickers, including those with suspected ties with Hezbollah, have a secure way to move cocaine through main U.S. ports and airports.

In June 2017, U.S. authorities extradited Lebanese-Paraguayan national Ali Issa Chamas to Miami on charges of conspiring to ship cocaine to the United States. At the time of his arrest in Paraguay, Chamas was dispatching a shipment of 39 kilograms of cocaine to Turkey from the Guarani International Airport outside Ciudad Del Este in the TBA. Court documents⁵⁷ show that Chamas was part of a larger network of drug traffickers, likely based in Colombia. Had he not been arrested, Chamas would have dispatched a test run of three kilos of cocaine to a business partner in Houston. Upon successful receipt of the test run, Chamas promised his partner that as many as 100 kilos of cocaine a month could be shipped, by air cargo, to the United States. He noted that “it would take 4 to 5 days to Houston, 2 to 3 days to Miami, 4 days to Toronto, Canada,” and indicated that air cargo was the method of transport.⁵⁸

Chamas' arrest eventually led to the detention, by Paraguayan authorities, of three of his associates. On February 4, 2017, two Turkish nationals were detained in their TBA apartment.⁵⁹ There, police found a press, believed to serve the purpose of liquefying cocaine, and 65 large shampoo bottles, which investigators believe were

⁵² Complaint, *United States v. Iman Kobeissi*, No. S(1) Cr. 962 (JO), (E.D.N.Y.). (Accessed via Pacer).

⁵³ David Ovale, “State: Hezbollah-linked group laundered drug money through Miami banks,” *The Miami Herald*, October 11, 2016. (<http://www.miamiherald.com/news/local/crime/article107366182.html>)

⁵⁴ Complaint, *United States v. Iman Kobeissi*, No. S(1) Cr. 962 (JO), (E.D.N.Y.), Page 11. (Accessed via Pacer).

⁵⁵ Jay Weaver, “Paraguayan man linked to Hezbollah faces drug charges in Miami,” *Miami Herald*, June 26, 2017. (<http://www.miamiherald.com/news/local/crime/article158334659.html>)

⁵⁶ “Extraditarán a libanés por pertenecer al grupo terrorista Hezbollah (Lebanese Extradited for Participation in Hezbollah Terrorist Group),” *Paraguay.com* (Paraguay), May 19, 2017. (<http://www.paraguay.com/nacionales/extraditaran-a-libanes-por-pertenecer-al-grupo-terrorista-hezbollah-162907>)

⁵⁷ United States of America's Factual Proffer for Defendant's Change of Plea, *United States of America v. Ali Issa Chamas*, No. 16–20913–Williams (November 24, 2017). (<https://ecf.flsd.uscourts.gov/doc1/051118408644>)

⁵⁸ United States of America's Factual Proffer for Defendant's Change of Plea, *United States of America v. Ali Issa Chamas*, No. 16–20913–Williams (November 24, 2017). (<https://ecf.flsd.uscourts.gov/doc1/051118408644>)

⁵⁹ “Senad detiene a dos turcos con cocaina liquida en CDE (Senad arrests two Turkish nationals with liquid cocaine in Ciudad Del Este),” *Ultima Hora* (Paraguay), February 6, 2017. (<http://www.ultimahora.com/senad-detiene-dos-turcos-cocaina-liquida-cde-n1060868.html>)

meant to be used to carry the drugs.⁶⁰ One of the two individuals arrested had photographs of cocaine powder and packaged cocaine in his mobile phone. 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 local sources indicate that Chamas and his associates are suspected of being part of the same trafficking network and to have ties to Hezbollah.⁶¹

Chamas' connection to Hezbollah, and that of his associates, remains disputed.⁶² But the U.S. Government thought otherwise:

"The defendant has advised DEA agents that he was a global facilitator for Lebanese drug traffickers, that sending cocaine was easy, that he had done it many times from São Paulo, Brazil to Europe and Lebanon, and that he had sent too much cocaine to count.

"The defendant also admitted to agents that some of his family members were Hezbollah and that the Chamas clan was powerful and allied to Hezbollah. The defendant admitted to taking part in a shipment of 31 kilograms of cocaine that was seized by law enforcement in April 2016 at Beirut-Rafic Hariri International Airport in Lebanon, and that he and his associates paid \$10,000 per kilogram to facilitate entry of the cocaine into Lebanon via the airport, knowing that the money was going to Hezbollah."⁶³

By his own admission, then, Chamas paid a fee to Hezbollah to let cocaine into Lebanon, thereby providing material support to the terror organization.

Chamas was eventually sentenced to 3½ years in prison on charges of attempting to ship 3 kilograms of cocaine into the United States, but no narcoterrorism charges were brought against him.⁶⁴ His Houston-based associate, named in the proffer only as "Kuku," is still at large.⁶⁵ Two of Chamas' three associates, Turkish nationals Munir Öztürk and Eray Uç, arrested in Paraguay in February 2017 following leads discovered in Chamas' phone, escaped prison right before Christmas 2017,⁶⁶ and remain at large. Evidence obtained from phones seized at the time of their arrests shows that they utilized social media platforms such as Facebook and Instagram to communicate.⁶⁸ A fourth associate of Chamas, Akram Abd Ali Kachmar, was arrested in April 2017 and remains in jail in Paraguay.

⁶⁰"Caen dos narcotraficantes turcos (Turkish narcotraffickers arrested)," *ABC Color* (Paraguay), February 6, 2017. (<http://www.abc.com.py/edicion-impresa/judiciales-y-policiales/caen-dos-narcotraficantes-turcos-1562260.html>)

⁶¹For more details, see my May 2017 Testimony: Emanuele Ottolenghi, "Emerging External Influences in the Western Hemisphere," Testimony before Senate Foreign Relations Committee, May 10, 2017. (https://www.foreign.senate.gov/imo/media/doc/051017_Ottolenghi_Testimony.pdf); See also: "Extraditarán a Libaés por pertenecer al grupo terrorista Hezbollah (They will extradite Lebanese for belonging to the terrorist group Hezbollah)," *Paraguay Noticias* (Paraguay), May 19, 2017. (<http://www.paraguay.com/nacionales/extraditaran-a-libanes-por-pertenecer-al-grupo-terrorista-hezbollah-162907>); Jay Weaver, "Paraguayan man linked to Hezbollah faces drug charges in Miami," *The Miami Herald*, June 26, 2017. (<http://www.miamiherald.com/news/local/crime/article158334659.html>)

⁶²Defendant PSI Objections, *United States vs. Ali Issa Chamas*, No. 21 Cr. 20913 (KMW), (F.L.S.D. 2017). (Accessed via Pacer)

⁶³United States' Objection to the PSR and Response in Opposition to Defendant's Objections to the Presentence Investigation Report, *United States vs. Ali Issa Chamas*, No. 16 Cr. 20913 (KMW), (F.L.S.D. 2017). (Accessed via Pacer)

⁶⁴Judgment, *United States vs. Ali Issa Chamas*, No. 16 Cr. 20913 (KMW), (F.L.S.D. 2017). (Accessed via Pacer)

⁶⁵Factual Proffer, *United States vs. Ali Issa Chamas*, No. 16 Cr. 20913 (KMW), (F.L.S.D. 2017). (Accessed via Pacer)

⁶⁶"Dos turcos vinculados al terrorismo se fugaron de la cárcel de Misiones (Two Turks connected to terrorism fled from Misiones prison)," *ABC Color* (Paraguay), December 24, 2017. (<http://www.abc.com.py/edicion-impresa/judiciales-y-policiales/dos-turcos-vinculados-al-terrorismo-se-fugaron-de-la-carcel-de-misiones-1661295.html>)

⁶⁷The content of the phones and tablets seized during multiple raids by Paraguayan authorities was obtained from a local source.



Paraguay's Directorate General of Immigration's ID Card of Akram Abd Ali Kachmar⁶⁸

Kachmar worked as an immigration intermediary with Paraguay's ministry of immigration. Local sources say he may have facilitated between 500 and 1,000 applications for Paraguayan permanent residency for Lebanese nationals.⁶⁹

That citizenship in numerous countries in the Western Hemisphere can be easily obtained is beyond dispute, and it remains a problem highlighted in the 2016 State Department's annual report on terrorism. The report noted that Brazil's borders with Paraguay are porous and "irregular migration, especially by aliens from areas with a potential nexus to terrorism, is a growing problem, with Brazil often serving as a transit country."⁷⁰ As things stand, Hezbollah operatives' ability to obtain citizenship with relative speed and ease indicates that lax citizenship laws and citizenship-by-investment programs may constitute one of the main attractions to move and operate in this highly problematic area of the Southern Cone.

2017: Samer Ibrahim Atoui

The case of Samer Ibrahim Atoui perfectly illustrates this problem.⁷¹ Samer Ibrahim Atoui was a senior Hezbollah commander, who died on October 2, 2017, in Eastern Syria,⁷² while driving with another senior Hezbollah Special Forces commander.⁷³ Atoui may well have been a member of Hezbollah's BAC, responsible for its operations in the Southern Cone. Though he died thousands of miles away from Latin America, Atoui held both Brazilian and Paraguayan citizenships.

Based on public records of his dual citizenship, Atoui spent at least 5 years in the TBA during the early 1990's. Based on evidence available on social media, including the fact that the Imam Khomeini mosque in Foz do Iguazu, on the Brazilian side of the TBA, commemorated him 4 days after his death,⁷⁴ FDD's research re-

⁶⁸ Information obtained from a local source.

⁶⁹ Information obtained from a local source.

⁷⁰ U.S. Department of State, Bureau of Counterterrorism, "Country Reports on Terrorism," July 2017, page 281. (<https://www.state.gov/documents/organization/272488.pdf>)

⁷¹ For a more exhaustive discussion of Samer Ibrahim Atoui's background and role within Hezbollah, see: Emanuele Ottolenghi, "Mystery Martyr," *The Weekly Standard*, March 5, 2018. (<https://www.weeklystandard.com/the-mystery-martyr/article/2011702#.WpRWCl1QY-Q.twitter>)

⁷² Ziad El Shoufi, "[NOT TRANSLATED] (Pictures: Khayyam deposed martyr Samer Ibrahim Atwi)," *Khiam Village* Official Page, October 5, 2017. (<http://www.khiyam.com/news/article.php?articleID=25298>)

⁷³ @QalaatAlMudiq, "E. #Syria 2 #Hezbollah commanders killed on road T-3—#Humaymah in E. #Homs: Ashiq Abbas from Elite Force Radwan & Abu Ali Jawad. Airstrike Suspected." *Twitter*, October 2, 2017. (<https://twitter.com/QalaatAlMudiq/status/914821544362332160>). Social media initially identified Atoui with his nom de guerre Abu Ali Jawad.

⁷⁴ Mohamad Moha Ali, *Facebook*, October 6, 2017. (<https://www.facebook.com/photo.php?fbid=227982131067500&set=ecnf.100015671443264&type=3&theater>)

vealed that he had close family ties in Latin America and maintained close relations with Hezbollah TBA Specially Designated Global Terrorists (SDGT) and other prominent members of the TBA-based Hezbollah network.⁷⁵

These ties confirm that the TBA remains a high priority for Hezbollah's funding operations. U.S. sanctions clearly failed to deter Hezbollah in the TBA. In fact, evidence of senior Hezbollah operatives focusing on the TBA and, even more so, relocating there permanently suggests that the opposite is true. U.S. sanctions have lost their edge and unless clear efforts are made to restore their credibility, their deterrent effect will be diminished.

THE PROJECT CASSANDRA CONTROVERSY

The long list of court cases and designations just mentioned constitutes the backdrop for the exposé that *Politico* published last December.⁷⁶ The *Politico* investigation charged that the Obama administration had gone soft on Hezbollah in order to facilitate nuclear negotiations with Iran, the main patron of Hezbollah. Specifically, the investigation found that the Obama DOJ deliberately undermined Project Cassandra.

While veterans of the Obama administration insist that *Politico*'s reporting was downright false and politically motivated, the story spurred the Trump administration to broadcast signals that it was serious about pursuing Hezbollah. Indeed, days after *Politico* published its exposé, Attorney General Jeff Sessions ordered a review of decisions made by the Obama Department of Justice,⁷⁷ and, on January 11, he announced the establishment of an interagency task force entrusted with combating Hezbollah's terrorism finance.⁷⁸

The Washington Institute's Matthew Levitt recently published a lengthy essay seeking to assess the extent to which the *Politico* investigation was correct.⁷⁹ Levitt seems to vindicate the *Politico* piece's central claim, according to which political considerations driven by the Iran deal became a strong disincentive against Project Cassandra cases. The breaking point, for Levitt, appears to be the already-mentioned Operation Cedar, and the press release that announced it. Referring to the already-mentioned DEA press release on February 2, 2016, announcing the operation, Levitt writes:

"Originally, the plan was for a joint press release including Europol and several European countries as well as the DEA. Senior French officials later balked (and the rest of the Europeans quickly followed suit) because Iranian President Rouhani was in Paris at the time and French authorities were reportedly concerned their participation might undermine negotiations for Iran to purchase Airbus airplanes under nuclear-deal provisions expressly allowing such sales."⁸⁰

Although Levitt does not substantiate this claim with any reference to publicly-available information, this episode is consistent with the accusations leveled at the Obama administration—namely that politics got in the way of law enforcement and, in the clash among agencies, governments, and their equities, law enforcement officials and their findings were swept aside or minimized.

Levitt makes this abundantly clear elsewhere in his essay:

"For the DEA, this information was based on clear evidence collected through law enforcement investigations and therefore was nothing remarkable. But the intelligence community felt sandbagged. To its members, the press release was a run-

⁷⁵ Bassam Nader, *Facebook*, October 2, 2017. (<https://www.facebook.com/photo.php?fbid=171139469227524&set=a.561711337195871.1073741825.100000710303599&type=3&theater>).

⁷⁶ Josh Meyer, "The secret backstory of how Obama let Hezbollah off the hook," *Politico*, December 18, 2017. (<https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>)

⁷⁷ U.S. Department of Justice, Press Release, "Attorney General Sessions Reiterates Support of DEA Efforts to Investigate Hezbollah's Drug Trafficking and Related Activities and Orders Review of Prior DEA Investigations," December 22, 2017. (<https://www.justice.gov/opa/pr/attorney-general-sessions-reiterates-support-dea-efforts-investigate-hezbollah-s-drug>)

⁷⁸ U.S. Department of Justice, Press Release, "Attorney General Sessions Announces Hezbollah Financing and Narcoterrorism Team," January 11, 2018. (<https://www.justice.gov/opa/pr/attorney-general-sessions-announces-hezbollah-financing-and-narcoterrorism-team>)

⁷⁹ Matthew Levitt, "In Search of Nuance in the Debate over Hezbollah's Criminal Enterprise and the U.S. Response," *Lawfare*, March 20, 2018. (https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL_Levitt%20Paper.pdf)

⁸⁰ Matthew Levitt, "In Search of Nuance in the Debate over Hezbollah's Criminal Enterprise and the U.S. Response," *Lawfare*, March 20, 2018, page 25. (https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL_Levitt%20Paper.pdf)

around of the process of interagency intelligence consensus that, as far as they were concerned, was still a matter of fierce debate.”⁸¹

It is not clear why this would still be “a matter of fierce debate.” After all, Treasury had just designated the members of the network taken down in Operation Cedar, linked them to Adham Tabaja, and labelled them as Hezbollah facilitators involved in crime for the sake of financing terrorism. Instead, as Levitt notes, “Confusion persisted within the intelligence community as information underscoring the arrested individuals’ Hezbollah bona fides became clear.” Levitt seems to suggest that the pushback against DEA’s Project Cassandra came precisely when the evidence of their 10-year odyssey to prove the Hezbollah crime-terror nexus finally proved the ultimate smoking gun.

Levitt does seek to distance himself from the sweeping headlines of the *Politico* investigation, attributing problems and shortcomings highlighted in the *Politico* exposé more to a lingering firewall between law-enforcement and intelligence agencies. That firewall is no doubt partly responsible for short-circuiting the ability, across Government agencies, to share information and leverage it against hybrid threat networks such as the ones Hezbollah established in Latin America. Nevertheless, his overall assessment is damning. To the intelligence community, the February 2016 press release drawing a thick line “from Tabaja, Nouredine and the Business Affairs Component to the late Hezbollah terrorist mastermind, Imad Mughniyeh” was a red line crossed, a “runaround of the process of interagency intelligence consensus” that “rocked the boat” and left the intelligence community feeling “sandbagged.”⁸² “Operation Cedar,” he concludes, “was a tremendous success, but the intelligence community and the many in the wider interagency became determined to shut down Project Cassandra, at least in its current form.”⁸³

The U.S. apparatus of Government needs to recognize that terror finance targets engaged in illicit activities may facilitate, and when needed, become involved in, terror attacks. Treating these two phenomena as disjointed may not have been the result of political malice, but the consequences of not fixing this problem are that the United States is being less effective at pursuing key policy goals in the fight against terrorism.

That is why a thorough review of Project Cassandra is crucial. As I wrote last January in an article⁸⁴ co-authored with Derek Maltz, who for a decade headed the DEA’s Special Operations Division and was thus privy to many of these cases, a serious review must seek answer to at least five questions.

Our first two questions concern botched extraditions that would have given U.S. investigators access to a treasure trove of information. First, no senior figure at the State Department, Justice Department, or the White House fought for the extradition of the Syrian-Venezuelan national and U.S.-designated drug kingpin Walid Makled García.⁸⁵ Why?

Though not himself a member of Hezbollah, Makled may have been the repository of privileged information about the Venezuela-Hezbollah relationship, as well as Venezuelan government corruption and cooperation with the drug cartels. Makled was arrested in 2010 in Colombia,⁸⁶ a close ally of the United States. Yet President Obama declined to use his prestige, influence, and leverage to bring him to the United States,⁸⁷ instead letting Makled be extradited to Venezuela in 2011,⁸⁸ there-

⁸¹Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018, page 26. (https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL_Levitt%20Paper.pdf)

⁸²Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018, pages 25–26. (https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL_Levitt%20Paper.pdf)

⁸³Matthew Levitt, “In Search of Nuance in the Debate over Hezbollah’s Criminal Enterprise and the U.S. Response,” *Lawfare*, March 20, 2018, page 26. (https://lawfare.s3-us-west-2.amazonaws.com/staging/2018/FINAL_Levitt%20Paper.pdf)

⁸⁴Derek Maltz and Emanuele Ottolenghi, “It’s Time for the Justice Department to Hold Hezbollah Accountable,” *Foreign Policy*, January 19, 2018. (<https://foreignpolicy.com/2018/01/19/its-time-for-the-justice-department-to-hold-hezbollah-accountable/>)

⁸⁵U.S. Department of the Treasury, Press Release, “Recent OFAC Actions,” May 29, 2009. (<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20090529.aspx>)

⁸⁶“Drug Trafficking Suspect Wanted by U.S. Is Arrested in Columbia,” *The New York Times*, August 21, 2010. (<http://www.nytimes.com/2010/08/21/world/americas/21colombia.html>)

⁸⁷Jackson Diehl, “Why isn’t Obama fighting Colombia’s dirty deal?,” *The Washington Post*, August 10, 2011. (https://www.washingtonpost.com/opinions/why-isnt-obama-fighting-colombias-dirty-deal/2011/04/07/AFGdurGD_story.html?utm_term=.edb5080d0c81)

⁸⁸“Accused drug kingpin extradited to Venezuela,” *CNN*, May 9, 2011. (<http://www.cnn.com/2011/WORLD/americas/05/09/venezuela.colombia.extradition/index.html>)

by putting the secrets he could have revealed out of the reach of U.S. law enforcement.

Second, why did the U.S. Government fail to extradite Ali Fayad from the Czech Republic? Recall that Fayad was arrested during a DEA sting that closely resembled the capture of arms dealer Viktor Bout, in 2008, in Thailand. Bout—a Russian national who inspired Nicolas Cage’s character in the 2005 film *Lord of War* and sold weapons to the Taliban, African warlords, and Hezbollah—had friends in high places in Moscow. Russia strenuously opposed his extradition⁸⁹ and slammed his conviction.⁹⁰

The Obama administration was willing to spend considerable political capital to extradite him for trial in the United States. Yet it declined to do so in July 2015, when Hezbollah engineered the kidnapping of five Czech nationals in Lebanon.⁹¹

The third decision to review is the one that prevented charges from being brought against Abdullah Safieddine. Bringing drug trafficking charges against Hezbollah’s most senior leaders, such as Safieddine, would lay bare the toxic ties linking Hezbollah and drug cartels across Latin America. While no country in Latin America recognizes Hezbollah as a terrorist organization, many feel pressure to take action against narcotraffickers. Public revelations of criminality and drug trafficking would also damage Hezbollah’s supposed Islamic principles.

Why, then, would the Justice Department not agree to bring charges against a top Hezbollah criminal? If the answer has to do with politics, rather than insufficient evidence, then the American public has a right to know.

A fourth and related question to ask is why, when the Justice Department did bring charges against other Hezbollah operatives in drug trafficking cases, most of the indictments failed to identify the group. How can our law enforcement community fight an organization if we cannot even call it by its own name?

The fifth question to ask about Project Cassandra concerns unfinished business from the Lebanese Canadian Bank case, which is deservedly known as one of the greatest successes in the history of prosecuting terrorist finance networks. Yet it was not an unmitigated success: Hezbollah leveraged 300 U.S.-based used car dealerships to launder the drug revenues by exporting vehicles to West Africa. But the actions taken against the bank’s network affected only 30 businesses due to lack of interagency cooperation. Most of the remaining 270 businesses are still operating. As the Iman Kobeissi case reveals, the West Africa used car money-laundering scheme is still running. Why has the Justice Department not pursued a network of criminal enterprises of which it is clearly aware?

To date, the Trump administration has not yet provided an answer to these questions.

As of spring of 2018, there are no concrete signs that the Department of Justice is ready to revive Project Cassandra. Attorney General Sessions appointed the acting assistant attorney general, John P. Cronan, to supervise the new task force. In a speech he delivered last week to the 35th International Drug Enforcement Conference, Cronan said, “Our fight against drug cartels and transnational criminal organizations is the very definition of a fight that transcends borders.”⁹²

Boundaries, whether geographic or organizational, do not impede terrorists. They must not impede those who seek to fight them. Terrorism has frequently resorted to crime in the past to finance violence. Hezbollah has vehemently denied any involvement with criminal activities, but given the evidence, their denials are not serious. Besides, the terror-crime nexus is hardly unusual. Terrorist groups such as the Irish Republican Army and the Italian Red Brigades all engaged in criminal activities that included extortion, racketeering, and bank robberies.⁹³ The Islamic State too has engaged in numerous nefarious criminal ventures, such as antiquities smug-

⁸⁹Owen Matthews, “Viktor Bout’s Secrets Frighten the Kremlin,” *Newsweek*, September 2, 2010. (<http://www.newsweek.com/viktor-bouts-secrets-frighten-kremlin-72249>)

⁹⁰“Russia slams U.S. over sentence for arms dealer Viktor Bout,” *CNN*, April 6, 2012. (<http://www.cnn.com/2012/04/06/justice/russia-us-viktor-bout-case/index.html>)

⁹¹Nicholas Blanford, “Five Czechs missing in Lebanon: Kidnapped for money or politics?,” *CNN*, July 20, 2015. (<https://www.csmonitor.com/World/Middle-East/2015/0720/Five-Czechs-missing-in-Lebanon-Kidnapped-for-money-or-politics>)

⁹²U.S. Department of Justice, Press Release, “Acting Assistant Attorney General Jon P. Cronan Delivers Remarks at the 35th International Drug Enforcement Conference,” April 10, 2018. (<https://www.justice.gov/opa/pr/acting-assistant-attorney-general-john-p-cronan-delivers-remarks-international-drug>)

⁹³Lizette Alvarez, “Police Fear I.R.A. Is Turning Expertise to Organized Crime,” *The New York Times*, January 19, 2005. (<https://www.nytimes.com/2005/01/19/world/europe/police-fear-ira-is-turning-expertise-to-organized-crime.html>)

gling⁹⁴ and organ trafficking,⁹⁵ to sustain its Caliphate. Such activities require terror groups to interact with crime syndicates. Sometimes interaction develops into full-fledged partnerships.⁹⁶ Fighting their sources of finance, even as these involve criminal activities, should be an integral part of the war on terror.

As Cronan concluded,

“Money is the lifeblood of any criminal organization, be it a pill mill, a transnational drug cartel, or a terrorist organization. Money is the very reason that criminal enterprises exist and persist. If we can map out, and stamp out, the financial networks through which the money is moving, we will go a long way in paralyzing these criminal organizations well before we have to endure, first-hand, the destructive effects of their poisons in our communities.”⁹⁷

Nevertheless, Cronan did not mention the word Hezbollah once in his remarks, though he focused on transnational organized crime, large-scale international narcotics trafficking, and international money laundering, all activities linked to Hezbollah’s Latin American operation that had been supposedly swept under the rug during the Obama administration.

Chairman King, Ranking Member Rice, Members of the committee:

From a policy perspective, it is important to ask:

- What is the goal of reviewing past conduct, if not learning from past mistakes so that Government agencies can be more effective?
- What should be the next steps in combating Hezbollah’s hybrid threat networks, specifically in Latin America?

The most obvious lesson learned from the debate that followed the publication of *Politico*’s investigation is that even its most fervent detractors did not dispute the underlying assumptions of Project Cassandra’s former officials interviewed for the story, namely that Hezbollah’s terror-crime nexus is significant, on-going, and central to the senior leadership’s strategy of funding its terror activities. Hezbollah, in other words, acts as a global criminal syndicate in addition to being a terror organization currently involved in large-scale atrocities in the Middle East.

Learning from the successes and failures of nearly two decades of law enforcement, sanctions, economic warfare, intelligence gathering, and diplomacy can offer suggestions on how to move forward and more effectively combat Iran’s and Hezbollah’s networks in the Western Hemisphere.

WHAT DO WE LEARN FROM THESE CASES?

1. Iranian and Hezbollah Operatives Seek Dual Citizenship

Iranian agents and Hezbollah’s BAC and ESO operatives prize multiple passports, preferably from Western countries, to cross borders seamlessly, establish companies, and when necessary settle in multiple jurisdictions. Iranians involved in both acts of terrorism and sanctions evasion methodically seek passports of convenience to fly under the radar of anti-money laundering and terror finance monitoring mechanisms. I covered this subject extensively in a February 2016 testimony before the House Committee on Oversight and Government Reform.⁹⁸

Much like Hezbollah, Iran has relied on Iranian expatriates to pursue a variety of nefarious projects. It has dispatched executives of government-owned companies abroad to acquire permanent residence and citizenship. It has also leveraged friendly relations and exploited citizenship-by-investment programs (CIP) to equip its agents with second passports. A non-Iranian passport generally draws less scrutiny at border crossings and makes it easier for a dual-passport holder to open foreign

⁹⁴ Callum Paton, “ISIS Makes up to \$100 Million a Year Smuggling Ancient Artifacts from Iraq and Syria,” *Newsweek*, August 7, 2017. (<http://www.newsweek.com/isis-makes-100-million-year-smuggling-ancient-artifacts-iraq-and-syria-647524>)

⁹⁵ Anne Sheekhard, “ISIS Defector Reports on the Sale of Organs Harvested from ISIS-held ‘Slaves,’” *Huffington Post*, December 6, 2017. (https://www.huffingtonpost.com/anne-sheekhard/isis-defector-reports-on-sale-of-organs_b_8897708.html)

⁹⁶ “Il Patto BR—Camorra (The BR—Camorra Pact),” *La Repubblica* (Italy), June 9, 1987. (<http://ricerca.repubblica.it/repubblica/archivio/repubblica/1987/06/09/il-patto-br-camorra.-html>)

⁹⁷ U.S. Department of Justice, Press Release, “Acting Assistant Attorney General Jon P. Cronan Delivers Remarks at the 35th International Drug Enforcement Conference,” April 10, 2018. (<https://www.justice.gov/opa/pr/acting-assistant-attorney-general-john-p-cronan-delivers-remarks-international-drug>)

⁹⁸ Emanuele Ottolenghi, “The Role of Iranian Dual Nationals in Sanctions Evasion,” Testimony before the House Committee on Oversight and Government Reform, February 10, 2016. (<https://oversight.house.gov/wp-content/uploads/2016/02/2016-02-10-Ottolenghi-Testimony-Bio.pdf>)

bank accounts, incorporate companies, and conduct financial operations overseas. The same is true for Lebanese citizens.

A number of Iranians, for example, were granted citizenship by Bosnia and Herzegovina during the 1992–1995 civil war. According to Shaul Shay, the author of *Islamic Terror and the Balkans*, “The Mujahidin fighters were either recognized as legal citizens following marriage to local women or were granted citizenship for their contribution to the Bosnian Muslim nation during the war.”⁹⁹ These included officials from the Islamic Revolutionary Guard Corps, military, and intelligence.¹⁰⁰

Bosnian passports have provided Iranians with the ability to enter and exit a country bordering the European Union that has since applied for E.U. membership and has enjoyed an Association Agreement with it since 2008. Since 2010, Bosnian citizens with a biometric passport also enjoy visa-free travel within the European Union’s Schengen Area.

Venezuela offers another, more recent instance in which diplomatic ties and Iranian economic largesse provided access to second passports. For over a decade now, Venezuela has provided passports and other identity documents to non-Venezuelan nationals, including many from Middle Eastern countries. In a July 2006 testimony to the Subcommittee on International Terrorism and Non-Proliferation of the House Foreign Affairs Committee, Mr. Frank C. Urbancic, Jr., then-principal deputy coordinator at the State Department’s Office of the Coordinator for Counterterrorism, said:

“Venezuelan travel and identification documents are extremely easy to obtain by persons not entitled to them, including non-Venezuelans. Passports and national ID cards are available for sale in the requester’s identity, or another, if so desired. The systems and processes for issuing these documents are corrupted on various levels: Alien smuggling rings use confederates in the issuing entities to make documents available in large numbers to their clients; freelancers in those entities capitalize on lax or non-existent controls to sell documents for personal gain; forgers alter passports with child-like ease; and most worrisome, Venezuelan government officials direct the issuance of documents to ineligible individuals to advance political and foreign policy agendas.”¹⁰¹

Media reports confirm that these practices are on-going to the benefit of Iranian and Hezbollah agents. The Brazilian weekly *La Veja*¹⁰² reported in 2015 that Lebanese citizens belonging to Iran’s Hezbollah proxy, as well as Iranian nationals, obtained Venezuelan passports at the Venezuelan embassy in Damascus. An exiled Venezuelan police officer formerly seconded to the Venezuelan embassy in Baghdad echoed these reports, claiming that numerous Middle Eastern nationals, mostly Shiite Muslims, obtained Venezuelan documents and birth certificates in exchange for cash during his time in Baghdad.¹⁰³ His story formed the basis of a lengthy 2017 exposé on *CNN*.¹⁰⁴

Venezuelan passports have given their beneficiaries visa-free access to Mercosur and ALBA countries in Latin America and the Caribbean,¹⁰⁵ placing them within easy reach of U.S. soil.

⁹⁹ Shaul Shay, *Islamic Terror and the Balkans*, (New Brunswick: Transaction Publishers, 2011), page 69.

¹⁰⁰ Iranian weapons supplies to Bosnia are well documented. Peter Andreas, “The Clandestine Political Economy of War and Peace in Bosnia,” *Bosnian Security after Dayton: New Perspectives*, Ed. Michael A. Innes, (Abingdon, UK: Routledge, 2006).

¹⁰¹ Frank Urbancic Jr., “Prepared Statement” for “Venezuela Terrorism Hub of South America?” Hearing before the Subcommittee on International Terrorism and Proliferation of the Committee on International Relations of the House of Representatives, July 13, 2006. (http://commdocs.house.gov/committees/intlrel/hfa28638.000/hfa28638_0.HTM)

¹⁰² “Venezuela sold non-existent air tickets for ‘aeroterror’ flight,” *La Veja International*, March 25, 2015. (<http://vejainternational.com/news/venezuela-sold-non-existent-air-tickets-for-aeroterror-flight/>)

¹⁰³ “Diplomatico Venezolano Denuncio la Entrega de Documentos á Terroristas (Venezuelan diplomat denounced the delivery of documents to terrorists),” *Infobae* (Argentina), November 24, 2015. (<http://www.infobae.com/2015/11/24/1772058-diplomatico-venezolano-denuncio-la-entrega-documentos-terroristas>)

¹⁰⁴ “Pasaportes venezolanos en venta? (Venezuelan Passports for Sale?),” *CNN*, accessed April 12, 2018. (<https://www.cnn.com/videos/spanish/2017/02/07/cnnee-conclusiones-pasaportes-en-la-sombra-uno.cnn>); Scott Zamost, Drew Griffin, Kay Guerrero and Rafael Romo, “Venezuela may have given passports to people with ties to terrorism,” *CNN*, February 14, 2017. (<https://www.cnn.com/2017/02/08/world/venezuela-passports-investigation/index.html>)

¹⁰⁵ The 11 member countries are Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Venezuela.

Numerous Western Hemisphere countries provide foreign nationals with the opportunity to acquire citizenship through investment. Iranian nationals (among others) have exploited these schemes in the past. Passports applications are quick—usually with no residency requirements or even presence in the country. Five Caribbean countries currently offer such programs: St. Kitts and Nevis (the oldest and most popular program), Grenada, Dominica, Antigua, and Barbuda, and, since January 1, 2016, St. Lucia.

In 2014, the U.S. Treasury’s Financial Crimes Enforcement Network (FinCEN) issued an advisory “to alert financial institutions that certain foreign individuals are abusing the Citizenship-by-Investment program sponsored by the Federation of St. Kitts and Nevis (SKN) to obtain SKN passports for the purpose of engaging in illicit financial activity.”¹⁰⁶ The advisory made particular reference to Iranian nationals:

“[I]n 2013 the SKN government announced that all Iranian nationals were suspended from participating in the SKN Citizenship-by-Investment program. Despite this public assurance, FinCEN believes that *Iranian nationals* continue to obtain passports issued through the program. As a result of these lax controls, illicit actors, *including individuals intending to use the secondary citizenship to evade sanctions*, can obtain an SKN passport with relative ease.”¹⁰⁷ (Emphasis added)

A case involving three Iranians—Houshang Farsoudeh, Houshang Hosseinpour, and Pourya Nayebi—likely spurred the 2014 FinCen advisory. Treasury designated the trio on February 6, 2014, for facilitating “deceptive transactions for or on behalf of persons subject to U.S. sanctions concerning Iran.”¹⁰⁸ Although they have since benefited from sanctions relief from the Iran deal, in December 2016 a criminal complaint named them as unindicted co-conspirators in a fraudulent scheme to launder \$1.7 billion through South Korea and their companies in the Gulf and the Republic of Georgia in a case prosecuted in Anchorage, Alaska.¹⁰⁹

Just last month, on March 20, U.S. law enforcement agencies arrested Ali Sadr, another Iranian national with a St. Kitts and Nevis passport, on charges of evading Iran sanctions by laundering \$115 million from Venezuela through U.S. banks.¹¹⁰

Second passports are also critical assets for Hezbollah BAC and ESO operatives. Every Hezbollah operative in the TBA that Treasury sanctioned in 2004 and 2006 is a dual national of Lebanon and Paraguay—in some cases, like the aforementioned Samer Atoui, they also held a Brazilian passport. Virtually every indicted Hezbollah operative and facilitator involved in terror plots, terror finance schemes, weapons and technology procurement, trade-based money laundering, and drug-trafficking on behalf of Hezbollah was a dual national of Lebanon and another country:

- Chekry Mohamad Harb, the suspected BAC operative working under Abdallah Safieddine with Colombian cartels identified by Operation Titan, is a dual Colombian-Lebanese national.
- Moussa Ali Hamdan, the ESO operative indicted alongside Hassan Hodroj in 2009 and captured in the TBA in 2010, is a dual Lebanese-U.S. national.
- Kassem Tajideen, sanctioned by Treasury in 2009 and arrested in March 2017 for his material support of Hezbollah through his companies, is a dual Belgian-Lebanese national.
- Sheikh Bilal Mohsen Wehbe, the cleric whom Treasury sanctioned in 2010 as Hezbollah’s chief representative in Latin America,¹¹¹ is a dual Brazilian-Lebanese national.
- Ayman Joumaa, indicted in 2011 for his role in the Lebanese-Canadian bank case, is a dual Colombian-Lebanese national.

¹⁰⁶U.S. Department of the Treasury, Financial Crimes Enforcement Network, “Advisory: Abuse of the Citizenship-by-Investment Program Sponsored by the Federation of St. Kitts and Nevis,” May 20, 2014. (https://www.fincen.gov/statutes_regs/guidance/html/FIN-2014-A004.html)

¹⁰⁷U.S. Department of Treasury, Financial Crimes Enforcement Network, “Advisory: Abuse of the Citizenship-by-Investment Program Sponsored by the Federation of St. Kitts and Nevis,” May 20, 2014. (https://www.fincen.gov/statutes_regs/guidance/html/FIN-2014-A004.html)

¹⁰⁸U.S. Department of the Treasury, Press Release, “Treasury Targets Networks Linked to Iran,” February 6, 2014. (<https://www.treasury.gov/press-center/press-releases/Pages/jl2287.aspx>)

¹⁰⁹Indictment, *United States vs. Kenneth Zong*, No. 2 CR 142 (SLG—DMS) (USAO 2016). (Accessed via Pacer); see also: Zach Dorfman, “The Ayatollah’s Billion-Dollar Alaskan Bag Man” *Politico Magazine*, July 14, 2017. (<https://www.politico.com/magazine/story/2017/07/14/iran-money-laundering-kenneth-zong-215372>)

¹¹⁰Indictment, *United States vs. Ali Sadr Hashemi Nejad*, No. 4 CR 224 (IDD). (S.D.N.Y. 2018). (Accessed via Pacer)

¹¹¹U.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>)

- Hussein Atris, an ESO operative arrested in Thailand in 2012 in conjunction with a cache of 10,000 pounds of urea-based fertilizer and 10 gallons of ammonium nitrate, is a dual Swedish-Lebanese national.
- Mouhamad Hassan Mouhamad El Hussein, the ESO operative who carried out the July 2012 terror attack in Burgas, Bulgaria, where five Israeli tourists and their Bulgarian bus driver were murdered, was a dual French-Lebanese national.
- Hossam Taleb Yaacoub, an ESO operative arrested in Cyprus in 2013 while conducting surveillance for terror targets against Israeli tour buses, is a dual Swedish-Lebanese national.
- Ali Fayad, arrested in Prague in 2014 in a DEA sting operation, is a dual Lebanese-Ukrainian national. His partner Fauzi Jaber, who was subsequently extradited to the United States in 2016, is an Ivorian-Lebanese dual national.
- Hussein Bassam Abdallah, another ESO operative also arrested in Cyprus, in 2015, had 8.2 tons of ammonium nitrate stored in First Aid ice packs in his rented apartment. He is a dual Canadian-Lebanese national.
- Iman Kobeissi, the businesswoman arrested in Atlanta in November 2015 while trying to arrange the sale of African blood diamonds inside the United States, is a dual French-Lebanese national.
- Ali Mohamad Kourani, indicted in May 2017 for giving material support to Hezbollah and plotting terror attacks on U.S. targets, is a dual Lebanese-U.S. national. In his indictment, the role of a second passport becomes evident. One of the first instructions he received from his Hezbollah handler in Lebanon was “to obtain U.S. citizenship and a U.S. passport as soon as possible.”¹¹²

This pattern is impossible to ignore and needs to be taken into account for the purposes of border security and immigration policy. Simply put: Iran and Hezbollah rely on their nationals to fraudulently obtain U.S. permanent residency status or citizenship, and citizenship of other countries so that dual passport holders can enter Western jurisdictions for the purpose of carrying out acts of terrorism, terror finance, or criminal activities. As long as this threat persists, all dual nationals of Lebanon and Iran applying for citizenship, permanent residency, visas, or visa-free entries through Electronic System for Travel Authorization applications must be subjected to enhanced scrutiny. Restrictive measures introduced by the Obama administration in early 2016 already apply to Iranian dual nationals of visa-waiver program countries.

These measures should apply to Lebanese dual nationals of visa-waiver program countries as well. A thorough review of permanent residency and citizenship applications from nationals of Iran and Lebanon should also be undertaken. As long as Western Hemisphere countries harbor extensive Hezbollah and Iran hybrid threat networks run by dual nationals, none of these countries should be able to participate in the visa-waiver program to enter the United States.

Finally, all the aforementioned cases highlight the level of sophistication Iranian and Hezbollah operatives have in both their training and the tools at their disposal. None of those mentioned entered into, dispatched drugs to, or plotted terror attacks against the United States by coming into the country through the backdoor as clandestine, illegal migrants. They exploited weaknesses in immigration policy and airport security systems to travel to, reside in, or transact through the United States. Much like in other jurisdictions, Hezbollah operatives who target the United States or use the United States as a staging ground for trade-based and real estate-based money-laundering come in through the front door, with a legitimate passport and a credible business cover story.

2. Networks Are Global

Another sign of sophistication: Especially when it comes to terror finance and trade-based money laundering, both Iranian and Hezbollah networks are global. Terror finance and terror plotting tend to overlap with the global map of expatriate communities and their commercial activities; networks intersect with communal and religious institutions, whose leaders are deeply involved not just with soft power outreach to both community members and proselytes, but also in supervising hard power activities such as counterintelligence and logistical support for terrorists.

Both the Ayman Joumaa and Tajideen networks spanned several continents. Iman Kobeissi boasted of connections in numerous African and European countries. Trade-based money laundering in the TBA relies on front companies and shipments

¹¹² Indictment, *United States vs. Ali Kourani*, No. 7 CR 417 (AKH) (S.D.N.Y. 2017). Page 12. (Accessed via Pacer)

that originate in China and Florida, as I have discussed in previous testimonies in June 2016,¹¹³ May 2017,¹¹⁴ and November 2017.¹¹⁵

Fayad's associates met undercover DEA agents in Africa, where they had well-established connections they could leverage to run their drug-trafficking operations.

Kourani travelled to Guangzhou, China, in May 2009, likely to procure the ammonium nitrate-based First Aid packs later seized in both Thailand and Cyprus. Hezbollah has a growing commercial presence in Guangzhou, Shenzhen, and Hong Kong, which serves the purpose of buying merchandise for trade-based money laundering scheme, and may have assisted Kourani in his shopping trip.

The aforementioned Bilal Mohsen Wehbe, the cleric whom Treasury named as Hezbollah's representative to Latin America, has overseen Hezbollah's counterintelligence activity in the TBA.¹¹⁶

Sheikh Ghassan Yousif Abdallah, a Lebanese cleric who lives in Foz do Iguassu, is the brother of U.S.-sanctioned Muhammad Yousif Abdallah, who also resides in Foz. Treasury designated Muhammad Abdallah in 2006 and identified him as the owner and manager of the Galeria Pagé in Ciudad Del Este. At the time, Treasury viewed him as a senior Hezbollah leader in the TBA who hosted fundraisers for the terror group, personally carried money to Lebanon, met with Hezbollah's security division to coordinate Hezbollah activities in the TBA, and also engaged in a variety of financial crimes, including "the import of contraband electronics, passport falsification, credit card fraud, and trafficking counterfeit U.S. dollars."¹¹⁷

Chilean government sources personally confirmed to me that, much like his brother, Ghassan Abdallah is linked to Hezbollah. He is active in Chile through the local Shi'a center in the capital Santiago,¹¹⁸ and once ran the Shi'a mosque in Ciudad Del Este,¹¹⁹ which his brother helped establish. Ghassan Abdallah is also associated with the Foz do Iguassu Imam Khomeini mosque and was one of a handful of Latin American-based Shi'a clerics to attend the Ahlul Bayt World Assembly international gathering in Qom in August 2007—an indication of his senior rank and closeness to the office of the supreme leader, under whose auspices the Assembly operates.¹²⁰

The United States is thus confronted by formidable enemies, who are ingenious and versatile in their craft. It needs to respond with ingenuity and versatility, overcoming obsolete conceptions and adapting to the hybrid nature of the threat it faces.

3. Hezbollah Has Deep Ties to Transnational Organized Crime

Project Cassandra's main thrust was that Hezbollah is not just a terror organization. It is also a global criminal syndicate. Aforementioned cases make it abundantly clear. The Harb indictment and the subsequent Treasury designations of 2009 parsed over his Hezbollah connection, but his link to the Medellín cartels through his associate Francisco Antonio Florez Upegui is indisputable.¹²¹ Meanwhile, investigators involved in his case openly acknowledged the Hezbollah connection. The *Los*

¹¹³ Emanuele Ottolenghi, "The Enemy in our Backyard: Examining Terror Funding Streams from South America," Testimony before the House Committee on Financial Services, June 8, 2016. (<https://financialservices.house.gov/uploadedfiles/hrg-114-ba00-wstate-eottolenghi-20160608.pdf>)

¹¹⁴ Emanuele Ottolenghi, "Emerging External Influences in the Western Hemisphere," Testimony before the Senate Foreign Relations Committee, May 10, 2017. (https://www.foreign.senate.gov/imo/media/doc/051017_Ottolenghi_Testimony.pdf)

¹¹⁵ Emanuele Ottolenghi, "Examining the Effectiveness of the Kingpin Designation Act in the Western Hemisphere," Testimony before the House Foreign Affairs Committee, November 8, 2017. (http://www.defenddemocracy.org/content/uploads/documents/11-08-17_Ottolenghi-Written_Testimony.pdf)

¹¹⁶ 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>)

¹¹⁷ U.S. Department of the Treasury, Press Release, "Treasury Targets Hezbollah Fundraising Network in the Triple Frontier Region of Argentina, Brazil, and Paraguay" December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

¹¹⁸ "Sheij Ghassan Abdallah, "Centro Cultural Islamica Chile: Corporacion de Cultura y Beneficencia Islamica (Chile), accessed June 6, 2016. (<http://islamchile.com/home/sheij-ghassan-abdallah/>)

¹¹⁹ Associação Religiosa Beneficente Islamica no Brasil, "Quarto Encontro Internacional da Assembléia Mundial Ahlul Bait (A.S.) (Fourth Meeting of the International World Ahlul Bayt Assembly)," August 18, 2007. (http://www.mesquitadobras.org.br/not_vis.php?op=9&cod=10&pagina=28)

¹²⁰ Associação Religiosa Beneficente Islamica no Brasil, "Quarto Encontro Internacional da Assembléia Mundial Ahlul Bait (A.S.) (Fourth Meeting of the International World Ahlul Bayt Assembly)," August 18, 2007. (http://www.mesquitadobras.org.br/not_vis.php?op=9&cod=10&pagina=28)

¹²¹ U.S. Department of the Treasury, Press Release, "Treasury Designates Medellín Drug Lord Tied to Oficina de Enviagado Organized Crime Group," July 9, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg201.aspx>)

Los Angeles Times quoted Gladys Sanchez, lead investigator for the special prosecutor's office in Bogotá, as saying, "The profits from the sales of drugs went to finance Hezbollah."¹²² Harb was not the only instance where Hezbollah and Colombian cartels interfaced; the 2011 Joumaa indictment revealed that a Hezbollah network was laundering money for Colombian and Mexican drug cartels.¹²³

Connections to organized crime go beyond Colombia. The 2014 *O Globo* aforementioned investigation exposed a link between Hezbollah and the PCC. The Ali Fayad and Iman Kobeissi cases both exposed connections to criminal organizations in Europe and Africa. The Chamas case exposed links to drug-trafficking rings in Turkey and, possibly, Iran.

A more recent January 2017 Italian investigation into organized crime points to another possible Hezbollah connection to organized crime—with the *Ndrangheta*, the southern Italian criminal syndicate from Calabria. Italian authorities arrested dozens of members of a network that intended to bring a record 8 tons of cocaine, hidden under bananas, from Colombia to the southern Italian port of Gioia Tauro.¹²⁴ Local media highlighted the budding partnership between Colombian cartels and the Calabrese mob, but also mentioned a Lebanese national,¹²⁵ whom the Italian prosecutor's indictment names as working for the Colombian side of the deal, though he permanently resides in Italy, specifically as the person in charge of transferring cocaine payments from the Calabrese mafia to the Colombians.¹²⁶ The indictment also indicates that initial payments were made from Lebanon.

Though a Hezbollah link is still unproven, it is unusual for a clan-based, tightly knit criminal syndicate such as the Calabrese mob to rely on outsiders, especially with their money. It is not unusual, on the other hand, for the Colombian cartels to rely on Hezbollah to launder their proceeds.¹²⁷

Another common element: The Lebanese national implicated in this case ran a used car import-export business in Italy. The Joumaa network leveraged used car businesses in the United States to generate profit through sales of cars to West Africa.¹²⁸ Even after the Joumaa case, used cars remained an important part of Hezbollah's money-laundering schemes through West Africa. In an April 20, 2015, conversation recorded in her criminal complaint, Iman Kobeissi told U.S. undercover agents that a money-laundering associate based in Cotonou, Benin, "deals with the sale of thousands of vehicles in Benin and would be able to launder funds for a 15 percent commission rate."¹²⁹ The laundering scheme that the Ayman Joumaa and Canadian-Lebanese bank cases had supposedly stopped is still up and running.

That may again have to do less with political malice and more with a partial disconnect between law enforcement and intelligence sides of the state apparatus. The extensive connections discussed require the U.S. intelligence and law enforcement communities to redouble their efforts to cooperate more closely and work better in de-conflicting and intelligence sharing.

¹²² Chris Kraul and Sebastian Rotella, "Drug probe finds Hezbollah link," *Los Angeles Times*, October 22, 2008. (<http://articles.latimes.com/2008/oct/22/world/fg-cocainering22>)

¹²³ U.S. Department of the Treasury, Press Release, "Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network," January 26, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1035.aspx>); see also: U.S. Department of the Treasury, Press Release, "U.S. Charges Alleged Lebanese Drug Kingpin with Laundering Drug Proceeds for Mexican and Colombian Drug Cartels," December 13, 2011. (<https://www.justice.gov/archive/usao/vae/news/2011/12/20111213joumaanr.html>)

¹²⁴ "Operazione Stammer contro traffico internazionale cocaina, a febbraio la requisitoria del pm (Operation Stammer against international traffic cocaine, in February the indictment of the pm)," *Il Lametino* (Italy), December 4, 2017. (<http://www.lametino.it/Cronaca/operazione-stammer-contro-traffico-internazionale-cocaina-a-febbraio-la-requisitoria-del-pm.html>)

¹²⁵ "Ecco chi tracciava le rotte della cocaina per la 'ndrangheta (Meet those who traced cocaine routes for the 'ndrangheta)," *Il Giorno* (Italy), February 1, 2017. (<https://www.ilgiorno.it/monza-brianza/cronaca/ndrangheta-cocaina-1.2861396>)

¹²⁶ Procura della Repubblica di Catanzaro, Direzione Distrettuale Anti-Mafia, "Fermo di indiziato di delitto del Pubblico Ministero, Procedimento Penale 9444/14 R.G.N.R. mod. 21 ODA—operazione "Stammer". Obtained from confidential source.

¹²⁷ U.S. Department of the Treasury, Press Release, "Treasury Designates A Medellín, Colombia-based Drug Money Laundering Network With Ties To La Oficina De Envigado And Ayman Saied Joumaa," July 1, 2014. (<https://www.treasury.gov/press-center/press-releases/Pages/jl250.aspx>)

¹²⁸ Jack Cloherly and Richard Esposito, "Feds: Hezbollah Gets Into the Used Car Business," *ABC News*, February 11, 2011. (<http://abcnews.go.com/Blotter/hezbollah-car-business/story?id=12893001>)

¹²⁹ Complaint, *United States v. Iman Kobeissi*, No. S(1) Cr. 962 (JO), (E.D.N.Y.). Page 13 (Accessed via Pacer).

4. Hezbollah Network Is Equal Parts Terror and Crime

An obvious point that emerges from court cases and sanctions designations against Hezbollah operatives is that Hezbollah networks are equal part terror and crime. The TBA Hezbollah operation is a perfect example of that—its designated members were cited for multiple activities that included trading in counterfeit goods, including passports and currency, money-laundering, and fundraising for Hezbollah. But they were also engaged in paramilitary activities, offered logistical support to the largest terror operation mounted by Hezbollah outside the Middle East, and gave safe haven to terror fugitives.

That terror attack was the 1994 AMIA bombing. Its perpetrators relied on logistical support from Hezbollah's terror finance networks in the TBA. The close relationship between ESO agents and the terror financiers Hezbollah has permanently dispatched to Latin America was confirmed by Dib Hani Harb, one of the individuals indicted alongside Hassan Hodroj (and Moussa Ali Hamdan) in 2009. In April 2009, Harb, who is the son-in-law of Hassan Hodroj, told an undercover agent he met in Florida that Hezbollah maintains cells throughout the world. He cited the AMIA bombing as an example of the work of one of these cells.¹³⁰ When his partner, Moussa Ali Hamdan, sought to elude capture after his activities had been exposed and he and his associates had been indicted, he found refuge among the Shi'a Lebanese in the TBA.

These cases, where terror planning and financial crimes overlap, are indeed not unique, as evidenced by Samer el Debek's aforementioned indictment. He was dispatched to inspect possible targets in Panama but also asked to familiarize himself with drone components that could be bought in the United States.

The conclusion, for U.S. policymakers, as well as intelligence and law-enforcement agencies, should be that the barrier between counterterrorism and organized crime, which likely never existed in the minds of terrorists, must also come down in the way Government understands its adversaries, organizes itself, and shares information among its components to pursue and neutralize threats to National security.

5. Narcoterrorism and the Terror-Crime Nexus May Be Hezbollah's Principal Source of Funding

This conclusion is even more urgent when the volume of money generated by the crime-terror nexus is fully appraised.

At the time when Treasury sanctioned Hezbollah's TBA networks in 2004,¹³¹ and then again in 2006,¹³² it was estimated that revenue generated through trade-based money laundering and other illicit activities in the TBA yielded roughly \$10 million for Hezbollah, out of an estimated budget of \$100 million a year. A 2004 Naval War College study assessed that "Hezbollah, whose annual operating budget is roughly one hundred million dollars, raises roughly a tenth of that in Paraguay."¹³³ A 2009 RAND study doubled the estimate of money raised mainly in the TBA to \$20 million.¹³⁴ Regardless of the accuracy of these estimates, Hezbollah's operating expenses have mushroomed since the early 2000's. Hezbollah's financial needs have grown significantly since then, mainly due to the damage suffered in its 2006 war with Israel and, since 2011, due to its deepening involvement in the Syrian civil war.¹³⁵ Iran's funding has grown along with Hezbollah's needs, but the ebbs and flows of Iranian support,¹³⁶ combined with pressure from U.S. measures that began

¹³⁰ Indictment, *United States vs. Hassan Hodroj et al.*, No. 4 CR 744 (LS) (E.D.P.A. 2009). (Accessed via Pacer).

¹³¹ U.S. Department of the Treasury, Press Release, "Treasury Designates Islamic Extremist, Two Companies Supporting Hezbollah in Tri-Border Area," June 10, 2004. (<https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx>)

¹³² 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>)

¹³³ 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>)

¹³⁴ Gregory F. Treverton, Carl Matthies, Karla J. Cunningham, Jeremiah Goulka, Greg Ridgeway, and Anny Wong, "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)

¹³⁵ 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/>)

¹³⁶ 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>)

hitting Hezbollah's finances in Lebanon in 2015, have meant that Hezbollah's reliance on alternative funding streams has become more critical to its operational needs. A September 2017 assessment of Hezbollah finances published by two of my colleagues concluded that Hezbollah's overseas financial networks now contribute an estimated 20–30 percent of their overall operating budget, which my colleagues conservatively estimated to be around \$1 billion a year.¹³⁷

In fact, it may be much more.

In her conversations with undercover agents, Iman Kobeissi discussed the typical commission she would levy for helping criminals launder money. When undercover agents gave her cash to launder back into an account she believed to be controlled by narco-traffickers, she retained a 20 percent commission. When she mentioned a business associate involved in the used car business in Benin, she indicated he would levy a 15 percent commission.

With those percentages, the size of Hezbollah's money-laundering operations become much more significant than they were when Treasury first targeted its TBA network in 2004. The Joumaa operation alone was moving \$200 million a month—a 20 percent commission amounts to \$480 million a year. Chekry Harb, according to the *Los Angeles Times*, “washed hundreds of millions of dollars a year.” Again, a 15–20 percent commission would put Hezbollah's revenue just from this operation well above \$100 million a year.

In July 2016, Brazilian authorities arrested Fadi Hassan Nabha, a former Hezbollah Special Forces member wanted for drug trafficking. Brazil did not comment on his Hezbollah links, nor was he prosecuted under terrorism charges, since Brazil does not consider Hezbollah to be a terror group. Nevertheless, Nabha had a long history of drug trafficking—he was first arrested in 2003, in São Paulo, Brazil, in an operation where 42 kilos of cocaine were seized.¹³⁸ Media reports quoting police sources said at the time of the arrest Nabha's group was moving between 400 kilos and one ton of cocaine per month, which he and his associates bought, on the Brazilian side of the TBA, at \$2,000 per kilo and sold in Brazil for \$4,500 or in Lebanon for \$60,000—these are 2003 prices.¹³⁹

Finally, the Chamas case indicated that Lebanese traffickers pay a \$10,000 per kilo of cocaine transit fee to Hezbollah when shipments arrive to Beirut's Rafic Hariri International Airport.¹⁴⁰

Taken together, these are staggering figures. They are the tip of the iceberg. After all, these are just a handful of operations that were thwarted. Besides, Hezbollah's ability to generate hundreds of millions a year, if not more, in revenue from the sale of cocaine alone does not take into account all the other criminal activities Hezbollah is involved in—which include the sale of contraband tobacco,¹⁴¹ the trade in captagon,¹⁴² blood diamonds,¹⁴³ and illicit timber¹⁴⁴ in Africa, among other things. These revenues help the terror group arm its fighters with increasingly sophisticated weapons in Syria's fields of battle; pay pensions to the families of the fallen; rebuild the country after every war with Israel; buy their influence in coun-

¹³⁷ Yaya J. Fanusie and Alex Entz, “Hezbollah Financial Assessment,” *Foundation for Defense of Democracies*, September 2017. (http://www.defenddemocracy.org/content/uploads/documents/CSIF_TFBB_Hezbollah.pdf)

¹³⁸ “Polícia prende dois libaneses com 42 quilos de cocaína (Police apprehend two Lebanese with 42 kilos of Cocaine),” *Folha de S. Paulo* (Brazil), January 23, 2003. (<http://www1.folha.uol.com.br/folha/cotidiano/ult95u67289.shtml>)

¹³⁹ “Denarc apreende cocaína de máfia libanesa (Denarc seizes cocaine from Lebanese mafia),” *Agencia Estado* (Brazil), January 23, 2003. (<http://brasil.estadao.com.br/noticias/geral,denarc-apreende-cocaina-da-mafia-libanesa,20030123p4658>)

¹⁴⁰ Factual Proffer, *United States vs. Ali Issa Chamas*, No. 16 Cr. 20913 (KMW), (F.L.S.D. 2017). (Accessed via Pacer)

¹⁴¹ A 2016 report published by Israel's ministry of health on tobacco issues in Israel States that, “illicit trade of tobacco constitutes an important source of funding for Hezbollah.” Israel Ministry of Health, “[NOT TRANSLATED] 2015 (Report of the Minister of Health on Smoking in Israel),” May 2016, Page 134.

¹⁴² Boaz Ganor and Miri Halperin Wernli, “Hezbollah and the Traffic in Counterfeit Captagon,” *Jerusalem Post* (Israel), June 29, 2015. (<http://www.jpost.com/Opinion/Hezbollah-and-the-traffic-in-counterfeit-Captagon-407513>)

¹⁴³ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” May 27, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg149.aspx>). According to Treasury, the businessman targeted in their designation, Kassim Tajdeen, was arrested in Belgium in connection to “fraud, money laundering and diamond smuggling.”

¹⁴⁴ “US Consumers Buying Millions of Dollars-Worth of Luxury Timber Linked to Hezbollah Financiers, Global Witness Reveals,” *Global Witness*, February 9, 2017. (<https://www.globalwitness.org/en/press-releases/us-consumers-buying-millions-dollars-worth-luxury-timber-linked-hezbollah-financiers-global-witness-reveals/>)

tries where political protection and corrupted officials help their networks operate; plot terror attacks abroad; and much more.

CONCLUSION AND RECOMMENDATIONS

Mr. Chairman, sanctions and designations alone cannot put an end to Hezbollah's financial operations in the Western Hemisphere. However, when combined with other tools, they can be very effective.

With this in mind, the following are a number of policy recommendations to hit Hezbollah with the full arsenal of U.S. sanctions and law enforcement tools:

Update Existing Sanctions Against Hezbollah Terror Finance Networks

While the U.S. Government has, over the years, developed remarkably sharp and effective tools to counteract Hezbollah's terror finance threat, using these tools in a manner that will outsmart Hezbollah and disrupt its cash flows to cause irreparable damage to the terror group's finances remains a challenge.

Congress can help address this challenge by swiftly reconciling the House and Senate versions of the 2017 HIFPAA. This legislation combines and complements in one bill all existing tools from sanctions to designations and prosecutions. By passing HIFPAA, Congress will make the Kingpin Act and other existing tools more effective.

Treasury also needs to update and expand existing sanctions against Hezbollah operatives in the TBA and other Latin American countries. Such sanctions need to be accompanied by vigorous and continuous enforcement, including periodic designations of new individuals and entities and successful prosecutions of cases. In previous testimonies, I highlighted how Hezbollah's TBA businesses may be using front companies in south Florida to launder money. These activities must be investigated and prosecuted. Facilitators must be punished with the full panoply of tools available to the U.S. Government—including visa bans against corrupt officials.

Target Enablers with Global Magnitsky and HIFPAA

Mr. Chairman, another factor behind Hezbollah's success is its reliance on influence and access to local politicians, law enforcement, judges and prosecutors, airport security, and other officials in Latin American countries, to buy their silence and complicity. In my November 2017 testimony before the Subcommittee on the Western Hemisphere of the House Foreign Affairs Committee, I mentioned the case of a possible corrupt official inside Paraguay's government who, in exchange for bribes, allegedly helped companies in the U.S. Treasury-sanctioned Galeria Pagé conceal their public records.

The U.S. Government can use the Global Magnitsky Act of 2016 to punish this official, or any other foreign dignitary engaged in corrupt practices to the benefit of Hezbollah. HIFPAA would also be a very important tool in the arsenal of the United States to punish corruption and complicity through the provision of services with a variety of measures, including the denial or revocation of visas to the United States.

HIFPAA also would reduce the threshold for designating individuals who may not conclusively be members of Hezbollah, yet are clearly facilitators and enablers of its activities. This measure would permit U.S. authorities to go after companies, financial institutions, accounting and legal firms, virtual office service providers, and others who enable Hezbollah's terror finance. For these actors, it will be more difficult to continue to operate outside the financial system once the United States slaps sanctions on them.

Sanction Hezbollah and Its Senior Leadership with TCO and Kingpin Designations

The United States designated Hezbollah as a terror organization in October 1997. However, its activities as a global criminal enterprise dealing in illicit drugs go mostly unrecognized. I strongly recommend that the U.S. administration designate Hezbollah as both a Transnational Criminal Organization (TCO) and a Global Kingpin. Both designations should not only target the terror group at the organizational level, but also extend to Hezbollah senior leadership involved in deciding, endorsing, religiously justifying, coordinating, and benefiting from, the traffic of illicit substances.

These designations are especially important in countries that do not consider Hezbollah a terrorist organization, as is the case with all the countries in Latin America. Local governments reluctant to prosecute terror financiers may respond more positively to U.S. requests to arrest, prosecute, and extradite individuals implicated in drug trafficking and organized crime. The Hezbollah Kingpin Designation

Act,¹⁴⁵ currently under consideration in the House Foreign Affairs Committee, is a good place to start.

Impose 311 Designations on Financial Institutions Assisting Hezbollah in Latin America

The continuing business activities of individuals and entities sanctioned by the United States occur because local governments are either reluctant to implement U.S. sanctions or actively cooperate with the terrorists. The administration should demand that they either comply or face consequences. These should include imposing 311 designations¹⁴⁶ on financial institutions used by Hezbollah financiers to move their revenues, designating banking sectors of countries that facilitate Hezbollah's terror finance as zones of primary money-laundering concern, and working within international forums like the Financial Action Task Force to have such countries blacklisted.

Empower Law Enforcement to go After Hezbollah's Global Financial Networks

Sanctions have had some salutary effect in affecting Hezbollah's financial operations. They have named and shamed individuals, companies, and organizations. They have cut-off terror entities from the U.S. financial system. They have nudged U.S. allies and the global financial system into compliance. Unfortunately, there remain too many countries in disagreement or disregard of U.S. policy. Hezbollah terrorists have found permissive havens for their activities in these jurisdictions where U.S. sanctions alone have limited reach.

This is where law enforcement can complement existing sanctions. The cases I mentioned in my written statement all involve a balance of sanctions and prosecution. The combination of tools always works as a force multiplier with coordination among agencies and a shared goal of disrupting Hezbollah's cash flows drive policy.

It is critical, then, that those involved in law enforcement have both the requisite leadership and resources to complete their mission. While heartened by last week's hearing on the nominee for assistant secretary of state for international narcotics and law enforcement affairs, the fact remains that too many critical positions remain unfulfilled or led by officials in an acting capacity. Chief among these is the DEA administrator post. In the midst of an opioid crisis and with cocaine from Latin America flooding over our borders, it should be of the highest priority for this administration to appoint a candidate with the vision and experience to pursue TCOs such as Hezbollah. Equally important, this individual should also have the skills to coordinate government agencies, navigate bureaucracy and build friendships and alliances internationally to be able to rely on foreign agencies' cooperation in running international investigations.

Earlier this year, Attorney General Jeff Sessions announced the creation of the Hezbollah Financing and Narcoterrorism Team (HFNT)¹⁴⁷, a group tasked with investigating the individuals and networks that provide support to Hezbollah. Congress should support this initiative and ensure it has sufficient human and financial resources to revive Project Cassandra. It should initiate hearings in order to hear about the Task Force's findings as well as its progress rebuilding the toolkit needed to successfully target Hezbollah's terror finance networks.

Provide Additional Resources to Intelligence and Law Enforcement Agencies

Hezbollah hybrid threat networks also require the United States to commit additional resources at the operational level, to support law enforcement and intelligence efforts to overcome the challenge they pose. U.S. agents involved in gathering intelligence as well as evidence for cases need to be able to understand not only the language and culture of the countries where they are assigned, but also be well-versed in the language, religion, and culture of their Iranian and Hezbollah adversaries. This means breaking old barriers and conceptions about regional command structure and area expertise that inform training and assignment of agents and diplomats to serve overseas. DEA outposts in Latin America, by now, should have fluent speakers of Arabic and Farsi seconded to their Spanish-speaking and Portuguese-speaking colleagues.

¹⁴⁵ Hezbollah Kingpin Designation Act, H.R. 5035, 115th Congress (2018). (<https://www.Congress.gov/bill/115th-congress/house-bill/5035>)

¹⁴⁶ U.S. Department of the Treasury, Press Release, "Fact Sheet: Overview of Section 311 of the USA PATRIOT Act," February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1056.aspx>).

¹⁴⁷ U.S. Department of Justice, Press Release, "Attorney General Sessions Announces Hezbollah Financing and Narcoterrorism Team," January 11, 2018. (<https://www.justice.gov/opa/pr/attorney-general-sessions-announces-hezbollah-financing-and-narcoterrorism-team>)

Provide Additional Resources to Treasury

Mr. Chairman, Treasury needs more resources. OFAC cannot work cases through the system without access to more resources that can enable the bureaucracy to work faster and cast its net wider.

Hezbollah, Mr. Chairman, is a global threat. As John Feltman and Daniel Benjamin said in June 2010 joint testimony before the Senate Foreign Relations Committee's Subcommittee on Near Eastern and South and Central Asian Affairs:

"Hezbollah has . . . broadened its sources of financial support in recent years. Hezbollah is now heavily involved in a wide range of criminal activity, including the drug trade and smuggling. It also receives funds from both legitimate and illicit businesses that its members operate, from NGO's under its control, and from donations from its supporters throughout the world."¹⁴⁸

Last month's omnibus package provided funding for the Treasury's Office of Terrorism and Financial Intelligence (TFI) at \$141,788,000, a roughly \$18 million increase from the 2017 enacted level. TFI plays an important role in combating terrorism finance and is crucial to U.S. efforts to maintain effective pressure on Iran. For fiscal year 2019, the White House requested \$159 million for TFI as part of its budget request.¹⁴⁹ Congress should support this increased level of funding as well as other efforts to strengthen TFI and other similar infrastructure within the Treasury Department.

There are also important steps in the diplomatic arena that the United States can take.

Target Financial Holdings and Financial Institutions Used by Hezbollah to Move Money to and from Latin America

U.S. counterterrorism and law enforcement operations against Iranian and Hezbollah networks need to rely on the help and cooperation of multiple foreign governments, in whose jurisdictions these networks operate. This requires coordinating investigations with foreign counterparts, intelligence sharing on a mutual basis, alongside the reliance on incentives and deterrents to ensure that help is rewarded and hindrance is punished. In this respect, the passing of HIFPAA 2017¹⁵⁰ in a reconciled form is an important step forward as it allows the Executive branch to exact a price on those foreign facilitators—be they corrupt officials or conniving financial institutions—who are allowing Hezbollah networks to continue to operate inside their own countries.

The governments of Argentina, Brazil, and Paraguay are more receptive than at any time in the past 10 years to U.S. leadership in the fight against terror finance and terrorists' increasingly brazen cooperation with drug cartels and other criminal groups. The United States should therefore encourage authorities to be more proactive in combating terror finance. Washington should also pursue the same approach adopted by Treasury in the past of reaching out directly to financial institutions.

Based on internal figures that a senior Paraguayan official shared with me, most of the cash flows out of that country go to the United States. Another Paraguayan senior official provided me evidence of dozens of examples of suspicious transactions involving suspect Hezbollah businesses. While I am not able to share these documents publicly due to on-going investigations, it is clear from those documents that illicit traffickers use the U.S. financial system to launder revenue through tools typical of trade-based money-laundering techniques. Banking officials I met during a recent trip to Asuncion expressed anxiety about flaws in their banking system and expressed a willingness to cooperate with U.S. authorities. Facing significant consequences for being on the wrong side of the U.S. Treasury goes a long way toward getting local banks to look at what is happening in their own backyard. The reward of continuing to conduct business with the United States may be leveraged to ensure a higher degree of transparency and information sharing on their part.

¹⁴⁸ "Assessing the Strength of Hezbollah," Hearing before the Subcommittee on Near Eastern and South and Central Asian Affairs of the Senate Committee on Foreign Relations, June 8, 2010. (<https://www.gpo.gov/fdsys/pkg/CHRG-111shrg62141/pdf/CHRG-111shrg62141.pdf>)

¹⁴⁹ Executive Office of the President of the United States, Office of Management and Budget, "An American Budget," February 19, 2018. (<https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf>)

¹⁵⁰ Hizballah International Financing Prevention Act of 2015, Pub. L. 114–102, Page 129 STAT 2205, codified as amended at 50 U.S.C §§ 1701. (<https://www.Congress.gov/bill/114th-congress/house-bill/2297/text>); Hizballah International Financing Prevention Act of 2017, Pub 114–102, Page 129 STAT 2205, codified as amended at 50 U.S.C §§ 1701. (<https://www.Congress.gov/bill/115th-congress/senate-bill/1595/text>)

Build Local Capacity with Regional Allies

Even if the United States were to find areas of cooperation with authorities abroad in combating terror finance, the efficacy of these efforts will rely in part on the capacity of our partners to undertake these operations. Paraguay, for example, needs its armed forces and drug-enforcement agency to build capacity to patrol border areas. The absence of monitoring capabilities through aerial radars in a region where drugs tend to move by small planes is a serious deficiency.

One way the United States can help is to facilitate cross-border cooperation between custom and police authorities. Cooperation and resource sharing are necessary components to combating the threat of transnational organized crime and terrorism. A key area would be intelligence sharing. Terror finance networks thrive in border areas by exploiting weak coordination among governments to patrol their shared borders. The United States can facilitate this cooperation. One important step would be to revive the Regional Intelligence Center established in 2006 to combat transnational crime and corruption in the TBA.¹⁵¹

Improve Controls at Ports of Shipment

As outlined in my testimony, Paraguay's borders may be porous, pointing to significant deficiencies in border and custom controls for shipments into the country by air, land, or sea. Initiating more stringent controls and better monitoring of merchandise is desirable and possible. As noted, most problematic shipments by air reach the TBA from two points of departure—Miami International Airport and Dubai (via Dakar). Planes also return to those destinations with considerable cargo. The United States should immediately institute stricter controls over shipments to Ciudad Del Este leaving from Miami, and perform more effective and timely due diligence on companies shipping to the Paraguayan city. The same applies to cargo arriving in the TBA from Dubai via Dakar. Washington is investing considerable energy working with Gulf allies to fight Hezbollah's terror finance. Seeking greater scrutiny over merchandise and its recipients before the weekly cargo leaves Dubai would go a long way to filter illicit shipments and raise the costs for Hezbollah intermediaries in the TBA.

Mr. Chairman, these are my recommendations. I thank you for the opportunity to testify and I look forward to your questions.

Mr. KING. Doctor, thank you very much for your testimony. Our second witness is Dr. Michael Pregent, an adjunct fellow at the Hudson Institute, where he serves as a senior Middle East analyst.

Mr. Pregent has over 28 years of experience as an intelligence officer. He is an expert in Middle East and North Africa political and security issues. His writings have appeared in *Foreign Affairs*, *the Wall Street Journal*, *CNN*, and numerous other publications.

Mr. Pregent, thank you for being here today, and you are recognized for your testimony.

STATEMENT OF MICHAEL PREGENT, ADJUNCT FELLOW, THE HUDSON INSTITUTE

Mr. PREGENT. Thank you. Chairman King, Ranking Member Rice, on behalf of the Hudson Institute I am honored to testify before you today about Iran's global terrorism network.

Like Secretary Mattis said in December 2017, everywhere you find turmoil in the Middle East, you will find Iran's hand behind it. Iran's destabilizing activities have accelerated under the protections of the JCPOA, the Iran Deal. We have seen increased lethal and financial aid to Hammas, Hezbollah, and the Houthis. As Representative Brad Sherman said, those are just the ones that begin with the letter H.

¹⁵¹ Eric Green, "U.S. 'Pleased' by Creation of South American Intelligence Center," *IIP Digital*, August 24, 2006. (<http://iipdigital.usembassy.gov/st/english/article/2006/08/20060823-1715051xeneerg0.9045221.html>)

Specific to the Houthis, the IRGC is providing an increased capability to fire precision rockets and missiles, a capability the Houthis would not have without IRGC Quds Force advisors on the ground.

The IRGC has increased support to militias in Iraq that have killed Americans in the past and are now pledging to do the same again. IRGC now deploys these very same militias to prop up Assad in Syria and move against our Sunni, Christian, and Kurdish allies in Iraq.

The IRGC has increased lethal aid to the Taliban in Afghanistan, and is behind forming internal sectarian divisions with our Sunni-Arab allies.

The IRGC Quds Force is fomenting sectarian strife in the Shia enclaves of Saudi Arabia and Bahrain. Iran is increasing Hezbollah's capability to target Israel with more advanced and precision-guided rockets and missiles. These missiles are being developed in Syria under the protection of Syrian and Russian air defense networks.

Iran is moving Afghan and Iraqi militias to Syria to shore up Assad and to retake areas cleared of ISIS.

We are not going to be able to stop Iran's global terrorism network without getting Iraq right. I spent 5 years in Iraq working these issues, malign Iranian influence, and we are ignoring too much. In Iraq, where the United States has the most leverage, we are choosing not to use it.

Qassem Soleimani used the Hezbollah model to create loyal proxies in Iraq, and the Badr model, Iran's premier proxy, to infiltrate the Iraqi Ministry of Interior and the Ministry of Defense. The Hezbollah model replaced ISIS with IRGC Quds Force militias throughout Iraq. The Badr model is now being used in Lebanon to co-op the Lebanese Armed Forces.

The building of institutions to counter Iran's strategy is actually building institutions for Iran to co-opt, to infiltrate, and to saturate. Soleimani's proxies have access to U.S. funds and equipment in the Iraqi Ministry of Defense and Iraq's Ministry of Interior. Hezbollah is seeking the same access with the Lebanese Armed Forces.

I would like to—I have a graphic I would like the Members to look at possibly here. It is Iran's land bridge.

[Slide]

Mr. PREGENT. So faith is believing in something you can't see; denial is ignoring something you don't want to see. Call it Iran's land bridge, a permissive environment, or a fast pass to Syria. Whatever you want to call it, it exists. These militias answer to Qassem Soleimani, and this is how Iran has unfettered access across Iraq and into Syria.

These militias are also set to win big in Iraq's May 12th elections, as the Fatah Party. So those units on that map belong to a political party that is set to win big in Iraq to control the MOD, the MOI, the Ministry of Transportation, Oil, and Finance, all places where we send money to.

Fatah answers to Tehran, and they are demanding the immediate exit of U.S. forces from Iraq under the threat of violence.

[Slide]

Mr. PREGENT. The second slide is very busy, and is busy for a reason. What I have done is I have overlaid the IRGC proxy forces over the existing Iraqi Security Forces in Iraq, the same Iraqi Security Forces we are told are supposed to be a bulwark against Iran. They are sharing the same battle space. The Iraqi Security Forces are facilitating Qassem Soleimani's proxies. These proxies brag that they can wear any uniform within the Iraqi Security Forces.

As of now, no Iraqi Security Force unit will impede or engage the IRGC Quds Force militias in Iraq. It is hard to do when they brag they can wear any uniform in the Iraqi military. We have leverage here, and we need to use it now. That is basically covering those two slides. That is one of our biggest things that we are ignoring.

How to fix all this. We can hurt Iran's global terrorism network by focusing on what fuels Iran's malign activities in Iraq, Syria, and the broader Middle East, by focusing on where the regime is hurting.

The Iran protests. Iran's terror network is de-railing the Iranian economy. The Iranian people fault the regime for squandering the economic windfall from the JCPOA on ballistic missile tests, IRGC Quds Force adventurism in Yemen and Bahrain, propping up Assad, and increasing the capabilities of Iraqi militias and Lebanese Hezbollah, all at the expense of the Iranian people.

They need the protections of the Iran deal, and sanctioning the Central Bank of Iran as well as the supreme leader's massive holding company, Setad, or EIKO, the Execution of Imam Khomeini's Order, will hurt the regime and curb its malign activities. You can also do this without killing the Iran Deal, something you mentioned earlier. Go after the CBI and go after the EIKO.

Setad is worth \$95 billion—was worth \$95 billion in 2013. It is now estimated to be worth \$190 billion in 2018. Both the CBI and Setad were de-listed under Annex II of the JCPOA.

Reimposing sanctions on the CBI and Setad will severely impact Iran's ability to fund its terror network and purchase advance military equipment from Russia and China. The regime simply won't be able to afford sustaining its malign activities at the cost of the Iranian people, not when the price of an egg in Iran is the equivalent of paying \$5 for an egg here, in the United States, or \$60 for a dozen, all on a \$6,000-per-year salary. This is Iran today. This is the regime today. It is overstretched and should be made vulnerable.

Thank you for the opportunity to address this committee.

[The prepared statement of Mr. Pregent follows:]

PREPARED STATEMENT OF MICHAEL PREGENT

APRIL 17, 2018

Chairman King, Ranking Member Rice, and distinguished Members of the subcommittee on Counterterrorism and Intelligence, on behalf of the Hudson Institute, I am honored to testify before you today about Iran's Global Terrorism Network and what fuels it.

I am a former intelligence officer with 28 years of experience working security issues in the Middle East and North Africa.

My area of expertise focuses on the Iranian Revolutionary Guard Corps (IRGC) and its Quds (Jerusalem) Force (IRGC-QF) and their destabilizing activities across

the Middle East. Like Secretary of Defense Mattis said in December 2017, “Everywhere you find turmoil [in the Middle East], you find Iran’s hand in it.”¹

Iran’s destabilizing activities have accelerated under the protections of the JCPOA—the Iran Deal. We’ve seen increased lethal and financial aid to Hamas, Hezbollah, and the Houthis, and as Representative Brad Sherman of California said in 2015, during the JCPOA debate, “those are just the ones that begin with the letter H.”²

Specific to the Houthis, the IRGC is providing an increased capability to fire precision rockets and missiles. Missiles recently fired by the Houthis at Riyadh and toward Mecca. A capability the Houthis would not have without IRGC–QF advisors on the ground.

The IRGC has increased support to IRGC–QF militias in Iraq that have killed Americans in the past and pledge to do so again. The IRGC now deploys these very same militias to prop up Assad in Syria and move against our Kurdish allies in Iraq.

The IRGC has increased lethal aid to the Taliban in Afghanistan, and is behind fomenting internal sectarian divisions with U.S. regional Arab allies.

The IRGC–QF is fomenting sectarian strife in the Shia enclaves of Saudi Arabia and Bahrain. Bahrain is concerned about Shia Bahrainis—around 200—who joined IRGC–QF militias in Iraq, and are now bringing explosively formed penetrator (EFP) and improvised explosives expertise back to Bahrain to target its security forces.

Iran is increasing Hezbollah’s capability to target Israel with more advanced and precision-guided rockets and missiles designed to take out Israeli command and control centers, Israeli Defense Forces (IDF) headquarters, and civilian population centers. These missiles are being developed in Syria under the protection of Syrian and Russian air defense networks.

Iran is moving Afghan and Iraqi militias to Syria to shore up Assad and to retake areas cleared of ISIS. They are transporting and paying for Afghan and Iraqi Shia families to relocate to vacated Sunni areas south of Raqqa and Deir Ez-Zor in Syria.

We’re not going to be able to stop Iran’s Global Terrorism Network without getting Iraq right—we are ignoring too much.

IN IRAQ

Qassem Soleimani used the Hezbollah model to create loyal IRGC–QF proxies in Iraq and the Badr model to infiltrate the Iraqi Ministry of Interior and Ministry of Defense. The Hezbollah model replaced ISIS with IRGC–QF militias throughout Iraq, and the Badr model is now being used in Lebanon to co-opt the Lebanese Armed Forces (LAF).

The “building institutions to counter Iran” strategy we hear from academics, diplomats, and National security officials, is actually building institutions for Iran to co-opt, to infiltrate, and to saturate. IRGC–QF proxies have access to U.S. funds and equipment in the Iraqi MOD and MOI and Hezbollah has access to the same with the LAF.

Faith is believing in something you can’t see—Denial is Ignoring something you don’t want to see. Call it Iran’s Land-bridge, a Permissive Environment, or a FASTPASS to Syria—whatever you want to call it—it exists.

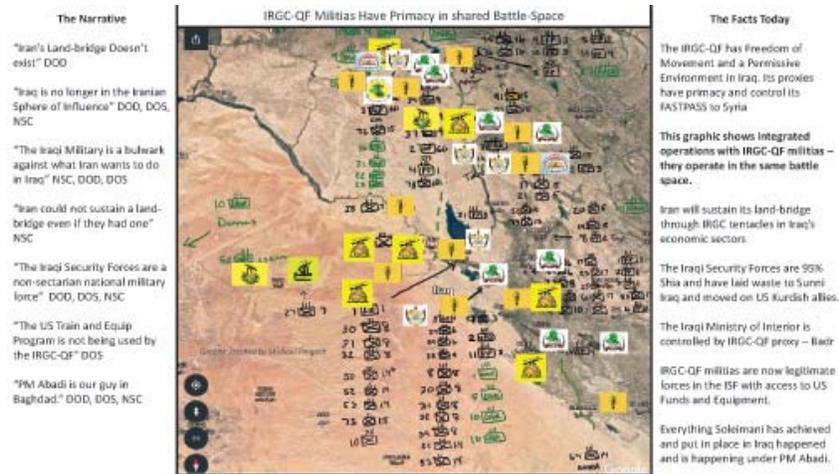
¹Jim Garamone, “Mattis: Iran Working to Destabilize Middle East” *defense.gov*, December 16, 2017 (<https://www.defense.gov/News/Article/Article/1398540/mattis-iran-working-to-destabilize-middle-east/>)

²William Booth, “Iran’s post-sanctions windfall may not benefit Hamas”, *The Washington Post*, August 31, 2015 (https://www.washingtonpost.com/world/will-irans-post-sanctions-windfall-benefit-hamas-maybe-not/2015/08/30/08d0c62c-481e-11e5-9f53-d1e3ddf0cda_story.html?utm_term=.0e3cf2f7ba7e).



Those colored units also form a political party, The Fatah Party. Fatah is positioned to win big in Iraq's elections on 12 May. Fatah answers to Tehran and they are demanding the immediate exit of U.S. forces from Iraq under the threat of violence. If the Fatah Party fields a prime minister, the United States must end the U.S. Train and Equip Program and trigger sanctions on Iraq's economic sectors where the IRGC is already playing—with the goal of making Iraq itself a "shell company" for the Iranian regime.

This graphic challenges prevailing narratives in DC.



It's a busy slide and a crowded one at that—but what it depicts is shared battle-space with IRGC-QF proxies—shared ownership of territory. A permissive environment for Qassem Soleimani and his lieutenants.

As of now, no Iraqi Security Force (ISF) units will impede or engage IRGC-QF militias in Iraq. Today, IRGC-QF militias outnumber U.S. advisors 20:1, and they are now in the Iraqi Security Forces and they want primacy.

The IRGC-QF militias are now officially in the Iraqi Security Forces (ISF) and have access to U.S. Funds and Equipment. The IRGC-QF, through its proxies, are hijacking the U.S. Train and Equip Program. The Peshmerga are no longer in the ISF. There are no Sunni Arab brigades, battalions, or companies left in the ISF. Iran's IRGC-QF has effectively co-opted the MOD and MOI through its premier IRGC-QF proxy BADR—giving IRGC-QF militias primacy.

Again, Iran's IRGC-QF militias moved against our Kurdish allies in Iraq using US M1A1 Abrams tanks a mere 60 hours after the President designated the IRGC a terrorist entity. The tanks used were not captured on the battlefield—they were provided by the Iraqi Security Forces.

We can hurt Assad and Iran's Global Terrorism Network by focusing on what fuels Iran's malign activities in Syria and the broader Middle East.

THE IRAN PROTESTS. IRAN'S TERROR NETWORK IS DERAILING THE IRANIAN ECONOMY.

The Iranian people fault the regime for squandering the economic windfall from the JCPOA on ballistic missile tests, IRGC-QF adventurism in Yemen and Bahrain, propping up Assad, and increasing the capabilities of Iraqi militias and Lebanese Hezbollah all at the expense of the Iranian people.

Ending the protections of the Iran Deal and sanctioning the Central Bank of Iran (CBI) will hurt the IRGC's capability to sustain these activities. Iran's Global Terrorism Network accelerated its destabilizing activities after the JCPOA went into effect—fueled by upwards of \$150 billion in unfrozen assets.

Ending the protections of the Iran Deal and sanctioning the CBI as well as the Supreme Leader's massive holding company Setad or "The Execution of Imam Khomeini's Order" (EIKO) will hurt the regime and stem malign activities. Setad (Persian for headquarters) or EIKO was worth \$95 billion in 2013 and is now estimated to be worth \$190 billion in 2018.

Both the CBI and Setad were delisted under Annex II of the JCPOA. Re-imposing sanctions on the CBI and Setad will severely impact Iran's ability to fund its terror network and purchase advanced military equipment from Russia and China. It will also make Russia and China subject to secondary sanctions for fueling Iran's activities.

The regime simply won't be able to afford sustaining its malign activities. Not when the price of an egg in Iran—under the JCPOA—is the equivalent of paying \$5 an egg in the United States, or \$60 for a dozen eggs all on a \$6,000 annual salary. This is Iran today.

Thank you for the opportunity to address this committee.

Mr. KING. Thank you very much, Mr. Pregent, for your testimony.

A third witness now is Mr. Nader Uskowi, Uskowi? Thank you. A visiting fellow at the Washington Institute.

From 2013 to 2017 he served as a senior civilian policy advisor to U.S. CENTCOM, where he focused on U.S. objectives toward Iran and Shiite militias.

Mr. Uskowi worked at the Department of Defense over a decade in various civilian and contractor positions, with a concentration on Iranian activities. He spent 4 years deployed to Afghanistan as a senior political advisor. He is currently writing a book on Iran's Quds Force.

Mr. Uskowi, you are recognized for your testimony. Thank you for being here today.

STATEMENT OF NADER USKOWI, VISITING FELLOW, THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY

Mr. USKOWI. Thank you, Chairman King, Ranking Member Rice, committee Members. I am grateful for this opportunity to testify about the threat posed by the—by Iranian Revolutionary Guards Quds Force and its world-wide network popularly known as Shia militias, but also referred to by senior IRGC officers as the Shia Liberation Army, SLA.

The IRGC commander, General Soleimani, told us in 2016 that the Quds Force has recruited and organized over 200,000 militant Shia youth across the Middle East. That is 200,000 militant Shia youth across the Middle East. This is the force. This is the Shia militias, or the Shia Liberation Army, SLA.

The all-Shia force is organized under direct command of General Soleimani, the commander of the Quds Force and are organized in brigades normally comprising of different nationalities. To name the major ones: The Lebanese Hezbollah brigades; the Iraqi Shia militia groups, a number of them, five or six major Iraqi Shia militia groups; the Afghan Fatemiyaoun Brigades; the Pakistani Zaynabiyoun Brigades; the Shia militant groups in Bahrain, in Kuwait, in eastern Saudi Arabia, and other parts of the Gulf; and partner with Yemeni Houthis. Also, the Quds Force operates a large network of non-combatant associates across the world in Latin America and in Europe, in Asia, and Africa.

Aside from the—its own Shia Liberation Army, the Quds Force also works with other militant groups who are not Shia, like Hamas in Palestine and Taliban in Afghanistan for their anti-U.S., anti-Western programs and fights.

Please note this is not a rag-tag rebel group. These guys are highly recruited, highly trained. The basic training goes anywhere between 20 days to 45 days inside Iranian camp, very intensive training. Then you have advanced trainings; the best prospects of this group will be sent back to Iran on a number of times. I have counted up to five times for some specific groups going back to Iran for advanced training and on tactics, on the way of war, on warfare tactics.

They are, of course, trained on all kinds of weapons, including advanced weapons: IEDs, EFPs, rockets and, depending to the specialized needs of different groups, different arms are provided to them and they are trained on them, like tanks and personnel carrier—APCs, like in—with regard to Hezbollah, over 100,000 rockets that Hezbollah has, and not the Quds Forces in the process. They call it precision project under—that is not Hezbollah, that is the—

[Laughter.]

Mr. USKOWI. Precision project that they are upgrading these rockets into missiles with the accuracy and with larger range, so they can target all targets within Israel.

With the Houthis, they are giving them cruise missile, anti-ship cruise missile that they have used against our allies in—off Yemeni coast. They give them explosive boats to hit our allies' ships, and actually control the traffic in the Strait of Mandeb.

So this is a well-trained, well-armed, well-equipped, and battle-tested—some of the Iraqi militias have experience in Iraq against—fighting against our forces during their bloody war, and most of other militias have extensive experiences in the Syrian civil war.

This force is, I believe, a clear and present danger to the—to our forces in the region and those of our allies, and potentially a great threat to our—to the security of our homeland. Out of these 200,000 well-trained, well-armed militias, few of those are necessary—all it takes to pose a serious threat to our homeland.

Let me close this. I have gone—in my written testimony I have gone through details of this. But let me say this, that I believe the Quds Force is the largest terrorist network in the world today. The Quds Force and its Shia militias is the largest terrorist network in the world today, and they have—as other witnesses said, they have the logistics and they have the businesses and the finances and the

men, militias, and their arms to even outlast the Islamic Republic, if anything should happen to the regime in Tehran.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Uskowi follows:]

PREAPRED STATEMENT OF NADER USKOWI

APRIL 17, 2018

Chairman King, Ranking Member Rice, committee Members, I am grateful for this opportunity to speak with you today about the threat posed by the Iranian Revolutionary Guard-Quds Force and their world-wide Shia militia network, the Shia Liberation Army (SLA).

The U.S. State Department considers Iran the world's most active State sponsor of terrorism. Iran's direct mechanism for supporting and directing terrorist organizations like Lebanese Hezbollah, the Taliban, and countless anti-American Iraqi militias, is a shadowy extraterritorial unit called the Quds Force. Its army of 200,000 organized, trained, armed, and motivated youth poses a significant threat to the American homeland and especially to U.S. forces stationed abroad. Furthermore, this threat is enduring and ideological, designed to outlast the Islamic Republic itself.

THE QUDS FORCE AND THE DEVELOPMENT OF THE SHIA LIBERATION ARMY (SLA)

The Quds Force, the expeditionary force of Iran's Islamic Revolutionary Guard Corps (IRGC), has a broad and continuing mission to exercise command and control over all militant Shia organizations and groups affiliated with the Islamic Republic and operating outside the Iranian borders. The Quds Force, whose commander reports directly to Iran's Supreme Leader, has evolved into the headquarters of the Shia militancy in the Middle East.

The Quds Force is the most lethal asymmetric fighting force in the Middle East today. The commander of the Islamic Revolutionary Guard Corps (IRGC) declared in 2016 that nearly 200,000 Shia youths from across the Middle East were organized and armed under the command of the Quds Force.

"The upside of the recent (conflicts) has been the mobilization of a force of nearly 200,000 armed youths in different countries in the region."¹

The Shia force, popularly known as the Shia militias, is also referred to as the "Shia Liberation Army."² The SLA is not a ragtag militia force. Its members are recruited by Shia militant groups based on strict military and ideological profiles. The best prospects are sent to one of the Quds Force's military training camps inside Iran. Captured militants have reported that their basic training courses were from 20 to 45 days. They are then enrolled in advanced training courses on logistics and support, explosives, and advanced weapons skills. The more advanced courses cover Explosively Formed Penetrators (EFP), mortars and rockets, tactics and warfare, and sniper skills.³

Arming the Militias

A look at SLA's weaponry tells the story of how the militia groups evolved into the primary land forces of the Quds Force. During the 2003–2011 Iraq War, the Quds Force led Iraqi militia group in a deadly campaign against the U.S. and Coalition forces in the country. The weapons used by the militia came from Iran. The deadliest at the time were the Improvised Explosive Device (IED), a relatively crude bomb and anti-armor weapon, and the Improvised Rocket Assisted Mortar (IRAM), a propane or fuel tank filled with explosives and propelled by a 107mm rocket booster. As the war progressed, they began to use the advanced Explosive Formed Penetrator (EFP), with a charge designed to penetrate armor.

Since 2011, the Quds Force deployed Shia militia groups to the conflicts, civil wars, and insurgencies that erupted in the region. The SLA began to act as the primary land force for Quds Force's military campaigns. The major militia groups were

¹ Jafari, Mohammad Ali. (2016, January 12). *The committed youths is one of the miracles and blessings of the Islamic Revolution* (in Farsi). *Fars News Agency*.

² IRGC Gen. Ali Falaki was first to refer to the force as the "Shia Liberation Army." (2016, August 18). *Fatemiyoum were the vanguards in battle for Syria* (in Farsi.) *Quds Online*.

³ Felter, Joseph & Fishman, Brian. (2008, October 13). *Iranian Strategy in Iraq: Politics and "Other Means."* *Combating Terrorism Center at West Point*. Occasional Paper Series.

supplied with tanks, armored personnel carrier (APC), artillery, UAV, anti-tank guided missile (ATGM), and man-portable air-defense system (MANPADS).

Different groups are also armed with specialized weapons for their specific missions. Currently, the Quds Force is conducting a massive “precision project” to upgrade tens of thousands of the Lebanese Hezbollah’s rockets, making them more accurate and extending their range, for use against Israel. The Quds Force is also supplying the Yemeni Houthis with anti-ship cruise missiles and unmanned explosive boats for use against the U.S.-backed coalition naval forces off the Yemeni coast and in the Bab Al-Mandeb Strait, and is upgrading Houthi SCUD missiles as well as providing the Houthis with advanced Iranian ballistic missiles for use against targets in Saudi Arabia and the UAE.

Organizing the SLA

The SLA-affiliated Shia militia groups are generally organized in independent brigades based on their nationality. Lebanese and Iraqi militant groups make up the core of the SLA. Quds Force’s commander acts as the overall SLA commander, and along with the Quds Force senior officers, provide operational command and advise-and-assist functions across the SLA brigades. The Quds Force and its militias are active in all current conflicts in the region.

The Hezbollah

Founded by the IRGC in 1982 as a resistance movement against the Israeli occupation of southern Lebanon, the military wing of Lebanese Hezbollah (LH) has evolved into the premier element of the SLA, deploying nearly 8,000 fighters into Syria under the Quds Force command to fight Assad’s Sunni opposition. Hezbollah also assists the Quds Force in its program to advise, assist, and train other Shia militia groups, including the Yemeni Houthis. The Hezbollah also functions as the recruiter and trainer for the Quds Force in Arabic-speaking countries, including Iraq, Yemen, and the Gulf. A typical LH member wears insignia resembling the IRGC’s and believes in the primacy of the *velayat-e faghih* religious doctrine, which translates in accepting Iran’s Ayatollah Khamenei as their own supreme leaders.

The Quds Force maintains a joint command-and-control structure with Hezbollah. The Quds Force commander, General Qasem Soleimani, frequently meets with the Hezbollah’s leader, Hassan Nasrallah, and his senior aides. The Quds Force senior officers also participate in Hezbollah’s decision-making process at its highest levels regarding all military and terrorist operations carried out by the organization, almost certainly as part of Quds Force’s larger campaigns. This practice began in the first days of the founding of Hezbollah, with the 1983 truck suicide bombings of the U.S. Marine and French barracks at Beirut International Airport, killing 241 U.S. and 58 French servicemen. Other terrorist attacks carried out by Hezbollah and its affiliates include the bombing of AMIA, the Jewish community center in Buenos Aires, that killed 85 people in 1994, and the 1996 truck bombing of the Khobar Towers in Saudi Arabia, that housed members of U.S. Air Force’s 4404 Wing, carried out by the Saudi-wing of Hezbollah, killing 19 U.S. servicemen.⁴

Iran provides the bulk of Hezbollah’s budget, estimated at \$1 billion a year. The Hezbollah Secretary General Hassan Nasrallah has said, “Hezbollah’s budget, its income, its expenses, everything it eats and drinks, its weapons and rockets, come from the Islamic Republic of Iran.”⁵

The Quds Force provides advanced weaponry to the Hezbollah and is in the process of upgrading LH’s nearly 100,000 rockets for better accuracy and longer range.⁶ Israel considers the weapons manufacturing plants and the Quds Force’s delivery of advanced weapons to the Hezbollah as direct threats to its security. This is heightening tensions in an already conflict-ridden part of the region and is raising the risk of a devastating war between a terrorist group and a U.S. ally.

Iraqi Militias

The Badr Organization, Kata’ib Hezbollah (KH), and Asa’ib Ahl al-Haq (AAH) form the core of the Quds Force militia groups in Iraq. Among the senior leadership of these groups, are long-time IRGC and Quds Force Iraqi operatives who fought on the side of Iran in Iran-Iraq War of 1980’s and during the Quds Force campaign against the U.S. and coalition forces during the 2003–2011 Iraq War. Today, the Quds Force shares close links with an estimated 40 of the 67 largest militias in the

⁴ Levitt, Matthew. (2015). *Hezbollah: The Global Footprint of Lebanon’s Party of God*. Georgetown University Press

⁵ Rafizadeh, Majid. (2016, June 25). *In first, Hezbollah confirms all financial support comes from Iran*. *Al Arabiya English*. You can also watch a BBC video report on Nasrallah’s speech with Farsi translation here.

⁶ Ibid.

Popular Mobilization Forces (PMF), which is now part of the Iraqi security apparatus.⁷ These Iraqi militias are battle-tested, having been deployed to Syria in support of Assad's regime and having fought against ISIS (Daesh) in Iraq. Some of the best leaders of major Iraqi militias are also helping assist and training Shia militant groups in Bahrain and other parts of the Gulf. In the post-Daesh period, the PMF has focused its operations on Iraq-Syria border regions, enabling the establishment of a land corridor connecting Iran through Iraq and Syria to Lebanon and the Israeli front in the Golan Heights.

Like Hezbollah, the PMF has evolved into a hybrid organization with political and military wings, controlling the county's security institutions and having significant presence in the parliament and the Executive branch.⁸

Afghan and Pakistani Militias

In addition to Iraqi and Lebanese fighters, the SLA also incorporates Afghan and Pakistani Shia militants into its ranks. They form the *Fatemiyoun* and *Zaynabiyoun* brigades of the SLA respectively, and both have seen heavy combat in Syria. The Afghan fighters in particular are groomed by the Quds Force for a long-term support role.

The Iranians have used financial aid and offers of Iranian residency to recruit Afghan Shias from the predominantly Hazara refugee community inside Iran.⁹ Each fighter deployed to Syria is paid a salary of \$300–\$500 a month, a promise of Iranian permanent residency for themselves and their immediate families, and payment to families of those killed or severely injured in combat.

At the height of their involvement in the Syrian civil war, the 2015–2016 Battle of Aleppo, the Afghan division had nearly 10,000 Shia fighters. The Pakistani division was comprised of an estimated 2,000 Shia militants. Some of those fighters were deployed on multiple occasions to the battlefronts. In post-civil war Syria, many of the Fatemiyoun and some Zaynabiyoun fighters are expected to be deployed to Syria-Iraq border region to keep the land corridor linking Iraq and Syria open, fulfilling a major Quds Force strategy in the two countries. Those fighters will be based in military camps and forward bases controlled by the Quds Force in Syria.

The Houthis

The Quds Force regards the Shia-Zaydi Houthis as the main element of its Shia Liberation Army in the Arabian Peninsula. To have a well-armed, battle-tested militant Shia force in the Saudi and Emirati backyards, and to have a degree of control over the all-important Bab al-Mandeb Strait, a pathway for international trade and a major choke point for oil transport, along with Iran's own Hormuz Strait, are two major factors in the Iranian calculus for regional hegemony. The Quds Force has supplied the Houthis with anti-ship cruise missiles, which they have used against Emirati and Saudi ships off the coast of Yemen.

The Quds Force technicians have also upgraded the SCUD missiles than came under the Houthi control after they captured Sanaa. The missiles' accuracy and range have improved considerably. The Quds Force has also supplied the Houthis with some of its own ballistic missiles. The Houthis have used their upgraded missiles and those delivered to them by Iran against targets inside Saudi Arabia, including unsuccessful attacks against Riyadh International Airport and the Royal Palace.

The Gulf Militias

In addition to the main core of its Shia Liberation Army, the Quds Force also supports a variety of Shia opposition parties across the region. In Bahrain, where the Shias constitute the majority of the population in a country ruled by Sunni royalty, the Quds Force sponsors militant Shia groups who have attacked government targets with arms and explosives transferred to the country by the Quds Force operatives and affiliates, including Iraqi Shia militia groups. The Bahraini security forces have in recent years intercepted a number of major shipments of arms and explosives, including a 2013 interception of a maritime shipment containing Iranian-made IEDs and grenades.¹⁰

⁷Heras, Nicholas A. (2017, October). *Iraq's Fifth Column: Iran's Proxy Network*. Middle East Institute, Counterterrorism Series.

⁸Eisenstadt, Michael & Michael Knights. (2017, May 9). *Mini-Hizballahs, Revolutionary Guard Knock-Offs, and the Future of Iran's Proxies in Iraq*. *War On the Rocks*.

⁹Zahid, Noor & Jedinia, Mehdi. (2016, January 29). *Iran Sending Afghan Refugees to Fight in Syria*. *Voice of America*. Different reports put the number of Afghan militias from 5,000 to 12,000. The figure of 10,000 was my estimate based on interviews with experts in the field.

¹⁰Levitt, Matthew. (2014, May 16). *Iran and Bahrain: Crying Wolf, or Wolf at the Door*. *The Washington Institute for Near East Policy*. PolicyWatch 2255.

For the Quds Force, the eastern provinces of Saudi Arabia, especially the Qatif province with a significant Shia population, form a target-rich environment. The Hezbollah's affiliate, *Hezbollah al-Hejaz* (Saudi Hezbollah), have been involved in terrorist attacks on Saudi soil with the goal of destabilizing the Kingdom. In 1996, it targeted the Kobar Towers, killing 19 U.S. servicemen. The FBI investigation showed that the group detonated a 25,000-pound TNT bomb under "direct orders from senior Iranian government leaders."¹¹

THE QUDS FORCE AT WAR

The Quds Force and the SLA are involved militarily on three fronts: The western front—the conflicts in Syria and Iraq; the southern front—the conflict in Yemen; and the eastern front—the conflict in Afghanistan.

THE WESTERN FRONT

The Land Corridor

Last year, the Quds Force-led forces completed the so-called land corridor, connecting Iran through Iraq to Syria, Lebanon, and the Israeli northern fronts. Securing this line of communication and logistics connects Iran-led forces in the western front to their supply base in Iran. The Quds Force can now move personnel and materiel, including weapons and military equipment, through the corridor. It simultaneously maintains its "air bridge" to Damascus International Airport and other Syrian airfields, but the land corridor facilitates the movement of heavy military equipment and guarantees the continuation of supply, even if the airfields are taken out if a major war breaks out in the area.

The Syrian Conflict

In Syria, Iran's sought to protect the regime of Bashar al-Assad and defeat Sunni opposition forces. Nearly 8 years after the 2011 uprisings, the Assad regime is increasingly dependent on Iran and is on a trajectory toward becoming a client state. The Quds Force deployed tens of thousands of Shia militias, fighters from Lebanon, Iraq, Afghanistan, and Pakistan, to the Syrian battlefields. Its Shia Liberation Army, augmented by elements of specialized forces deployed from Iran, conducted complex military campaigns on behalf of Assad. The fall of Aleppo in 2016, fought primarily between the Quds Force-led forces and the Sunni opposition, signaled the beginning of the final victory by the regime. The Iranians and their proxies paid heavy price in blood and treasure to make the Aleppo victory possible. But Iran and the Quds Force gained unprecedented influence over Bashar al-Assad himself, his extended family, his tribe, and above all the Alawi-Shia community that saw the Quds Force commander, General Soleimani, as their savior.

The presence of Quds Force-led forces near the Israeli border is part of the Iranian strategy to exert maximum pressure on Israel. The Quds Force is basing its operations and its foreign militia forces in dedicated parts of major Syrian military bases. It was from such a base, the T4 Airfield near Palmyra from which an Iranian UAV flew over the Israeli territory in February in an Intelligence, Surveillance, and Reconnaissance mission. The violation of the Israeli airspace, a first for Iran, was met by an Israeli retaliatory attack on the UAV and the Iranian installations at T4 Airfield. This month, the Israeli Air Force aircraft attacked Iran's UAV operations center at the base, destroying the building and killing seven Iranian personnel, including an IRGC colonel. Israel considers permanent basing of the Quds Force-led forces on the Syrian soil as an existential threat.

With projects like establishing permanent bases and building manufacturing plants to upgrade Hezbollah rockets in Syria, and continuing its delivery of weapons to Hezbollah through Syrian territory, Iran is on a trajectory of a major direct military conflict with Israel in Syria.

The Iraqi Conflict

Iran has always maintained close relations with the Shia community in Iraq. When the U.S.-led coalition forces toppled Saddam Hussein's regime in 2003, the Quds Force senior officers crossed the porous border into a chaotic Iraq and brought along a large contingent of Iraqi exiles who had fought alongside the IRGC against their own country's military during the Iran-Iraq War of 1980's. They recruited the Shia youths, especially in Shia-majority southern Iraq, and staged a bloody war against American forces during the occupation years with the goal of establishing the Islamic Republic of Iraq, mimicking the Iranian experience. Most of American combat deaths in the years after the initial invasion came from Quds Force-con-

¹¹ Freeh, Louis J. (2006, June 23). *Khobar Towers. The Wall Street Journal.*

trolled militia groups. When the U.S. forces left Iraq in 2011, the Quds Force-led Iraqi Shia militia forces were tens of thousands strong, well-armed, and battle tested. The Quds Force's Iraqi operatives were also in leading roles in the Shia-dominated government in Baghdad and in its newly reconstituted security forces. The road to establishing a full-fledged Islamic Republic of Iraq was clear.

Then came the Arab Awakening. Iraqi Sunnis joined the movement and staged protests in predominantly Sunni regions of Iraq against the discrimination they had suffered in the hands of the Shia-dominated government in Baghdad. The Arab Spring soon spread to Syria, with the Sunni opposition protesting against the Alawi-Shia dominated government in Damascus. The Quds Force now had to fight Sunni opposition in both countries. It deployed a large number of Iraqi Shia militias across the border into Syria to join other Quds Force-led forces to help save Assad.

In June 2014, ISIS forces crossed the border back into Iraq, joined by its fighters from Fallujah and Ramadi areas, and captured Mosul and staged their thunderous march along the now-famous land corridor to capture Baghdad and points south, coming as close as 19 miles to the Iranian border. The Quds Force mobilized all its forces in defense of Baghdad. The Quds Force-led Shia militias, along with Iraqi and Kurdish security forces, and U.S.-led coalition forces eventually rolled back ISIS advances and recaptured lost territories. The Shias saw the Quds Force and its Shia Liberation Army as the defenders of their Shia-led government, their capital Baghdad, and their Shia south—from Karbala and Najaf to Basra. The Iranians and their operatives cemented their position within the government and the country's security institutions. A full-fledged Islamic Republic of Iraq has not yet materialized, but Iraq increasingly looks and acts like a client State of Iran.

Not only does a Quds Force-dominated Iraq undermine nearly 15 years of American stabilization and humanitarian efforts in the country, but it also means that U.S. forces will continue to face danger and be the target of the Quds Force, as they have been since the 2000's.

THE SOUTHERN FRONT

The Arabian Peninsula

In Yemen, the Quds Force is taking advantage of the civil war and the Saudi and Emirati military interventions to forge a close relationship with the Zaydi-Shia Houthis, who captured Sanaa, the capital, in the aftermath of the Arab Awakening upheavals that rocked the Middle East. The Houthis had always been close to the Iranians, with their leaders traveling to Tehran and Qom in the first days of the 1979 Islamic Revolution to undergo political, theological, and military training. They brought back to Yemen a radical interpretation of Shia Islam. During long years of struggle against the Yemeni government, they received arms and financial support from the Iranians. Now countering the Saudi and Emirati-led forces, more than ever indebted to the Quds Force's support. When they captured Sanaa airport, Quds Force General Qasem Soleimani established an air bridge to the city, supplying the Houthis with advanced weaponry, including anti-ship cruise missiles and short- and medium-range ballistic missiles. Using these weapons, the Houthis were able to attack Saudi and Emirati ships with the anti-ship cruise missiles, and attack Riyadh International Airport and other targets inside the Kingdom with the ballistic missiles.

By supplying advanced weaponry to the Houthis in the war against the Saudi-led coalition and the former Yemeni government, the Iranians are gaining strong support of the Zaydi-Shia community in Yemen, and also the Zaydi-Shia communities across the border in Saudi Arabia. The Quds Force is also on its way to flip its relations with Houthis from a long-time partner into a client organization, strategically located in the Arabian Peninsula, capable of causing trouble for Iran's nemesis, Saudi Arabia, and helping Iran to gain a degree of control over the Red Sea chokepoints.

The Bab el-Mandeb

Bab el-Mandeb, or the Mandeb Strait, is a waterway off the coast of Yemen that connects the shipping route between the Mediterranean through the Suez Canal to the Arabian Sea and the Indian Ocean. More than 20,000 ships cross the 20-mile chokepoint annually. The Quds Force has trained and armed the Houthis, providing them with its most advanced anti-ship cruise missiles, explosive boats, and floating mines. Iran can already control the shipping through the Strait of Hormuz in the Persian Gulf, a major chokepoint for global oil transport. By gaining ability to control the Mandeb Strait as well, Iran could cripple the shipping in the Eastern Hemisphere.

Afghanistan

In the very first days of the revolution in Iran, the Islamic Republic recruited and organized Afghan Hazara refugees in Iran to take part in popular rebellion against the Socialist government in Kabul and later against the Soviet invasion of Afghanistan. Those early recruits and their militia brigade were the predecessors of today's Fatemiyoun, the Quds Force-led Afghan brigade, which saw heavy combat during the civil war in Syria, some four decades later.

In 2001, the Quds Force officers led the Afghan Shia militia units alongside Afghan Mujahedeen and U.S. and British Special Forces to fight the Taliban and liberate Herat and western Afghanistan. The post-Taliban period, however, turned into a complicated political landscape for the Iranians, with the Taliban becoming the principle force fighting the U.S. and NATO forces. Iran's anti-U.S. instincts soon led the Quds Force into a tactical coalition with the Taliban. The Quds Force strategy became raising the cost of U.S. presence in Afghanistan, both in blood and treasure, through the Taliban.

The depth of Iran's ties to the Taliban became public in 2016 when a U.S. drone struck a vehicle transporting the Taliban chief, Mullah Mansoor, from Iran to Pakistani Baluchistan.¹² Mansoor was in Iran to manage tactical cooperation in their new offensive against the U.S.-backed government. Later that year, three Quds Force officers were killed in a U.S. airstrike against Taliban positions in Farah province, on the Iranian border.

The Quds Force has organized more than 15,000 Afghan Shia militants under the Fatemiyoun Brigade and deployed the brigade to Syria to fight alongside pro-Assad forces against the Sunni opposition. They have seen heavy combat in Aleppo, Daraa, and Palmyra. The Afghan recruits receive a salary of about \$500 a month and the promise of Iranian residency paperwork after a deployment to Syria.¹³ More than 600 Afghan militants have been killed in action in Syria.¹⁴

The Fatemiyoun fighters could at any time of Quds Force's choosing be deployed back to Afghanistan, especially in a post-Syria conflict. Such move would significantly increase Iran's influence in the country, and the militants could become a force inside Afghanistan, following the Iraqi PMF and Hezbollah model.

EXPANSIVE LOGISTICS INFRASTRUCTURE

The Quds Force has developed and expanded its logistic and operational infrastructure beyond Iran's conventional forces like the Army and IRGC. Inside Iran, it maintains logistics depots near major airports, moving personnel and cargo, including weapons and equipment into Iraq and Syria via military and commercial aircraft. It also moves a large amount of military cargo through border crossings on Iran's western border into Iraq. The Quds Force has also established a land corridor between Iraq and Syria by capturing territories west of Mosul.¹⁵ The corridor will allow the Quds Force to transfer arms and personnel through Iraq into Syria and Lebanon, all the way to the Israeli front and the Mediterranean.

The Quds Force maintains its own facilities in the region. In Iraq, it controls logistics depots and uses PMF-controlled military camps, which are also used for basic training venues for the newly-recruited Shia militants as well bases for its UAV operations.¹⁶ In Syria, the Quds Force maintains logistics areas at Damascus International Airport for deployment of foreign Shia fighters and weapons and equipment into the country.¹⁷ The Quds Force also uses Syrian air fields for its UAV operations in the country.

THE VOLATILE AND TURBULENT REGION

The situation in Middle East is highly unstable. Nearly a decade after the 2010–2011 Arab Awakening, failed political transitions and broken social contracts fuel

¹²Gall, Carolotta & Khapalwak, Ruhullah. (2017, August 9). *Taliban Leader Feared Pakistan Before He Was Killed*. *The New York Times*.

¹³Mashal, Mujib & Faizi, Fatima. (2017, November 11). *Iran Send Them to Syria. Now Afghan Fighters are a Worry at Home*. *The New York Times*.

¹⁴Mashal, Mujib & Faizi, Fatima. (2017, November 11). *Iran Send Them to Syria. Now Afghan Fighters are a Worry at Home*. *The New York Times*.

¹⁵Indyk, Martin S. (2017, March 28). *US strategy toward Iran*. *Brookings Institution*. Testimony.

¹⁶Gordon, Michael R. (2014, June 24). *Iran Secretly Sending Drones and Supplies Into Iraq, U.S. Officials Say*. *The New York Times*.

¹⁷Simons, Jake Wallis. (2016, August 30). *Inside 'the Glasshouse': Iran 'is running covert war in Syria costing billions from top secret spymaster HQ near Damascus airport'*. *Daily Mail*.

continued unrest. Endemic state corruption, weak economic growth, poverty, and unemployment add to these woes. These issues have created an environment that is susceptible to radical ideologies and extremist organizations. Insurgencies, civil wars, and terrorist campaigns have in turn fueled sectarianism, with Shias and Sunnis vying for power and influence across the region.

The militant Shias have formed a united bloc led by Iran's Quds Force, which now has years of experience and expertise in support of sectarian-political organizations across the Middle East. Its proxies and partners include the Twelver-Shia Lebanese Hezbollah; Twelver-Shia Iraqi militia groups; Zaydi-Shia Yemeni Houthis; and Afghan, Pakistani, and Bahraini Shia militants.

Reacting to the changing situation in the region, especially in the volatile and turbulent post-Arab Awakening period, the Iran military is shifting its strategy to preemptive, as opposed to its long-standing strategy of deterrence. The Quds Force is the expeditionary army of the new strategy, supported by IRGC's ballistic and cruise missile force, the largest in Middle East. The Quds Force is involved in all current conflicts in the region, and the domestically-produced missiles are capable of hitting land and sea targets anywhere in the Middle East. Advances in development of UAVs, naval assets, radar and satellite navigation systems, and electronic warfare adds to Iran's growing military power. The mix of asymmetric and symmetric military capabilities is designed not only to deter foreign interventions against Iran that could threaten regime's existence, but also be used in preemptive and offensive operations in the near abroad, as witnessed in the Quds Force-led operations in Iraq, Syria, and Yemen.

SLA IN PERSPECTIVE

The Iranians use the Shia Liberation Army as a key component of their regional project. In March 2017, the Iranian supreme leader, Ayatollah Ali Khamenei, said the "far-reaching strategic depth of the Islamic Republic, particularly in (the Middle East), is of most significant progress in the last four decades."¹⁸ The progress is particularly evident in terms of the Quds Force-led SLA military victories on the battlefields in Iraq and Syria, the Iranian dominance of the Iraqi and Lebanese politics, and its growing influence in Damascus and Sanaa. Together this amounts to dominance and influence in four Arab capitals. If there were ever a Shia crescent, 2017 and 2018 have been its greatest years.

If the Shia Liberation Army is the manifestation of the Quds Force's military prowess in the region, its vast network of associates and supporters manifests its global reach. A large number of religious, cultural, or academic conferences that popped up in Tehran or other major Iranian cities in the past decade provided the Quds Force with a pool of individuals, influential in their communities, who could be recruited to support its operations outside Iran.

The Quds Force network, with operators across the globe, controls dozens of front businesses, including air, sea, and ground transportation companies, banking and foreign exchange firms, and import/export entities across the Middle East. The Quds Force also uses its local presence to store large caches of arms in Shia enclaves across the region.

The Quds Force's vast and ever-expanding logistics and operational network supports the Shia Liberation Army operations. With 200,000 committed armed Shia youths across the Middle East, associates across the globe, a vast logistics network, and arms stored in different countries in the region, the Quds Force is organized to last for decades as the headquarters of the Shia militancy in the region, and if necessary to outlast the Islamic Republic.

The Quds Force and its network will remain an enduring threat to the U.S. interests and personnel in the region. And its thousands of armed militants and their zealously anti-American ideology could become real threat to the security of the homeland, especially as the current conflicts in the region evolves.

It is in our vital National interests to counter the Quds Force activities and expansion in the Middle East. As time goes on, our lack of action will only increase the threat to the United States, our forces stationed across the Middle East, and our regional allies.

Mr. KING. Are we under attack? I was going to—

[Laughter.]

Mr. KING. OK. Thank you very much.

¹⁸Khamenei.ir. (2017, March 9). *Tweet. Twitter.*

The final witness is Mr. Brian Katulis. Did I get that right? A senior fellow with the Center for American Progress. He focuses on U.S. National security strategy and counterterrorism policy.

Under the Clinton administration he worked at the National Security Council and in both the State Department and Department of Defense. His articles appeared in the *New York Times*, *Washington Post*, and *Wall Street Journal*, and he has published two books.

Mr. Katulis, you are recognized for your testimony, and I appreciate you being here. Thank you.

**STATEMENT OF BRIAN KATULIS, SENIOR FELLOW, CENTER
FOR AMERICAN PROGRESS**

Mr. KATULIS. Great. Thank you, Chairman King and Ranking Member Rice. I want to thank both of you and all of the Members of the committee for your leadership and everything you have done on this committee to keep Americans safe. The investments that have been made over the past 15 years or so in our National security infrastructure really has saved lives.

My co-witnesses and my written testimony, I think, covers adequately the analysis of Iran and what motivates them and what they do. What I would like to focus the balance of my remarks here today is to try to answer the question that Ranking Member Rice raised, the assessment of the Trump administration thus far, and then hopefully some recommendations that would spark a conversation about what to do about this challenge.

Because, fundamentally, Iran, I think, is motivated by a multiplicity of factors. It operates with a multi-faceted strategy. At this point I think the real gap in the U.S. approach has been to develop an equally multi-layered strategy that addresses how they project power in the region.

First and foremost, I think the No. 1 thing that the United States should continue doing—and I want to highlight continue doing—is strengthen the intelligence and law enforcement cooperation, both within our agencies, but then I want to highlight with partners in the Middle East. Israel, Saudi Arabia, Jordan, Egypt, a number of our partners work every day to try to counter these terror networks, including those sponsored and supported by Iran. I highlight Hezbollah and its particular role in this—in these developments.

But stressing the need and the urgency to continue this cooperation with our partners in the Middle East I think is essential, because we know more because of them. We know what Hezbollah and other terrorist groups are doing because of them. I think it is important to continue those investments.

Fifteen months into the Trump administration—to your question, Ranking Member Rice—it is my assessment that the Trump administration has talked a good game, and has had strong rhetoric. But I would characterize its approach vis-à-vis Iran as one of passive appeasement. When you look at the multiple theaters of competition, and where I would hope the United States would seek to counter Iran's de-stabilizing influence, we simply have not shown up in a meaningful way. In my testimony—and I will highlight here ways that I think we could do that.

But if you look at, for instance, recent events in Syria, notwithstanding the strike on Friday night, which I largely supported, we have, by and large, stood on the sidelines and let other actors—especially Iran and Russia—to gain a foothold inside of Syria. Our friends and allies know this. The week after President Trump gave a speech on Iran in October of last year I was in Israel. The reaction that I heard from Israeli top officials in the security establishment about that speech was, “We like the tone, we like what the President is saying, but we see the gap between the rhetoric and the policies.”

I think we can look at our friend and ally, Israel, and its actions inside of Syria just in recent weeks, and the threats it faces.

In February, on February 10, the fact that an armed drone penetrated Israeli airspace—and this was a drone produced by Iran and operated by Iran. The strike that I think could have stronger impact in the strategic dynamics than the one that we took with the United Kingdom and France was the one that Israel felt necessary to conduct on the T4 base inside of Syria. They see threats, in large part, because, again, the United States has not yet responded beyond the rhetoric in actions on the ground.

Michael and other witnesses talked about what Iran does in various theaters, including Iraq. Three of the key actions that I think are necessary, moving forward, which I highlight in my testimony to put us on a stronger footing is, No. 1, to maintain and then upgrade the partnerships that we have with security partners in the Middle East, from Israel to the GCC States, and to countries like Jordan. There are a number of things that we have talked about for years, essentially, since 2015, when President Obama brought some of our partners to Camp David to talk about countering Iran’s influence in the region. A lot of these actions are just in words and not yet manifested on the ground.

There are things that we can do, diplomatically. Conflicts like Yemen and Syria, where we are not simply showing up in part because we don’t have diplomats working these positions, or filling these positions. These sort of conflicts are exploited by Iran to expand its influence. Resolving those conflicts, in addition to the military moves we need to make in partnership with our allies, I think, is essential.

Last, I would like to highlight, I think, the need in places like Iraq and Lebanon, two countries that will have elections in the next month, where the United States simply has not shown up for years. This is, I think, been a fact under the Obama administration and now under the Trump administration in the places where influence matters.

The competition for power in places like Lebanon and Iraq takes place, yes, in the security arena, but also in politics and in strategic communications. Frankly, gutting and cutting the State Department and our capacities to actually compete with adversaries like Iran for the hearts and minds, and to boost our partners in those countries, is not an effective strategy.

So, to close, again, I thank this committee for the opportunity to appear, and I thank them for the investments you have made in defending the homeland from terrorist networks supported by countries like Iran. But what we are lacking, and we have been lacking

for more than a decade, is a coherent Middle East strategy that competes with adversaries like Iran.

Thank you.

[The prepared statement of Mr. Katulis follows:]

PREPARED STATEMENT OF BRIAN KATULIS

APRIL 17, 2018

Chairman King, Ranking Member Rice, and Members of the committee, thank you for this opportunity to appear before you today to discuss Iran's role in the Middle East and its support for terrorist networks such as Hezbollah.

This testimony is structured around three main points:

1. An assessment of Iran's role in the strategic environment of the Middle East and South Asia;
2. An analysis of the role Hezbollah plays in the Middle East in Iran's efforts to project power and influence; and
3. Recommendations for the next phase of U.S. policy to address the challenges posed by Iran's terrorism network.

My bottom line assessment is that the integrated work of U.S. intelligence, law enforcement, diplomatic and military agencies have kept Americans and the U.S. homeland safe in recent years from the threats posed by a wide range of terrorist networks, including those supported by Iran.

But the lack of a cogent and integrated U.S. strategy for the Middle East hinders America's ability to confront Iran's support for terrorism. This lack of a clear regional strategy has allowed Iran and its partners to continue to destabilize the Middle East and undercut U.S. interests and allies.

The remedy is to advance a more proactive strategy using the full spectrum of U.S. National security tools, including: Diplomacy, cooperation with partners on the military, intelligence, and law enforcement fronts, targeted U.S. military action, financial sanctions, and strategic communications. An integrated strategy to counter and compete adversaries like Iran and reassure allies will help enhance regional stability and make America safer.

IRAN'S ROLE IN THE BROADER STRATEGIC LANDSCAPE OF THE MIDDLE EAST AND SOUTH ASIA

The Middle East remains in a decades-long struggle for power and influence among key countries of the region, particularly Iran and Saudi Arabia. This competition between states has contributed to the weakening of the region's nation-state system. States such as Iraq, Syria, and Yemen have become arenas for this regional competition as governing authorities have broken down in internal struggles for power and legitimacy.

The collapse of state structures has facilitated the growth in power and influence of a wide range of non-state terrorist networks with a regional reach. Quasi-state terrorist organizations such as Hezbollah in Lebanon and the Islamic State have emerged as important actors in this environment. These groups have exploited the chaos created by sectarian conflict and civil war to deepen their roots in the fault lines of fractured societies. Some of these groups, including Hezbollah, have worked in concert with state actors like Iran to project power and shape events in other countries.

For nearly 40 years since the Islamic revolution in 1979, Iran has worked to develop a wide-reaching global network of terrorist organizations, criminal networks, political partners, and proxies stretching from Afghanistan to West Africa and Latin America. This network has engaged in terrorism, supported militias, and fomented instability.

Iran has funded and armed groups that have challenged state authority and advanced propaganda that has used religious symbolism and sectarian appeals in public communications. These media campaigns are aimed at shaping popular perceptions across the region and often seek to challenge the political legitimacy of neighboring countries.

Iran works through three main organizations to project influence: The Islamic Revolutionary Guard Corps—Quds Force, or IRGC-QF; the Iranian Ministry of Intelligence and Security; and Lebanese Hezbollah. The U.S. State Department has identified the Quds Force as the "regime's primary mechanism for cultivating and supporting terrorists abroad," but all of these organizations have worked to expand Iran's influence in the region.

Iran's primary strategic focus has been on its immediate environment in the Middle East and neighboring countries like Afghanistan. Its efforts have been under way for decades, but Iran's influence and reach expanded after the United States removed two of Iran's chief adversaries, the Taliban in Afghanistan and Saddam Hussein in Iraq. The 2003 Iraq war ended the U.S. policy of dual containment of Iran and Iraq and enabled a historic rise of Iran's influence. Since then, Iran stepped up its efforts to shape the regional environment with a multi-faceted strategy of support to political forces sympathetic to Iran in five key countries:

Afghanistan.—In the immediate aftermath of the Afghanistan war in 2001, Iran initially played a key role in helping the international community bring together different factions in Afghanistan in diplomatic and political discussions that led to the formation of the Afghan government. In recent years, Iran has provided covert support, including funds, weapons, and training, to insurgents opposed to the Afghan government. It has also reportedly recruited Afghans to serve in Shia militias currently fighting in Syria's civil war.

Iran's Revolutionary Guards have benefited financially from the illicit drug trade flowing out of Afghanistan, the world's largest producer of opium. In addition, Afghan members of parliament and security officials say that Iranian intelligence operatives bribe Government officials and offer visits to Iran to receive medical care and conduct business. As the United States steps up its military engagement in Afghanistan, Iran could increase its efforts to undermine the Afghan government.

Iraq.—Iraq remains a key center of gravity for Iran's engagement in the broader Middle East. In the more than 15 years since the 2003 invasion, Iran has engaged in a multi-faceted effort to shape and influence the future of Iraq. Iran has cultivated strong political ties with key figures across all levels of Iraq's government, and it has also offered funding and weapons to militias operating in coordination with Iraqi security forces. In addition to political and security engagement, Iran has funded media outlets and campaigns inside of Iraq that portray Iran in a positive light. Iran has also increased its investments in efforts to deepen economic, cultural, and religious ties with Iraq.

Iraq's national elections next month represent a key test of Iran's influence just as Iraq is seeking to bridge internal political divisions in the wake of the military defeat of the Islamic State.

Syria.—Iran and Syria have been strategically aligned for decades; the bilateral relationship between the two countries has deepened in the 7 years since the start of Syria's civil war. Iran's intervention has been vital in sustaining the regime of Bashar Al-Assad with funding, weapons, troops, irregular militias, and propaganda support.

Iran has used Syria's territory to establish military bases that have threatened U.S. interests and allies, including Israel. In February 2018, Israel intercepted an Iranian-armed and -operated drone that penetrated its airspace from Syria and responded with a number of targeted military strikes in Syrian territory against Iranian and Syrian targets.

Yemen.—Iran has offered support to the Houthi movement battling the internationally recognized government in Yemen. Yemen's geographic location along the Bab El-Mandeb straits in the southeast of the Red Sea makes it a vital chokepoint for global commerce between the Horn of Africa and the Middle East. This location leads into the Suez Canal and the Mediterranean Sea south of Europe.

In Yemen, Iran has an opportunity to support forces that have taken actions that have undermined the security of Iran's regional rival, Saudi Arabia. In January 2018, a United Nations panel of experts faulted Iran for violating an arms embargo on Yemen by failing to prevent Iranian-made missiles from falling into the hands of Houthis. A number of these missiles have been fired from Yemen into Saudi territory in recent months.

Lebanon.—Iran has deep ties with Lebanon's Shia community, particularly Hezbollah, the Party of God. Iran has supported Hezbollah since its creation in 1982 and has used Hezbollah to advance its regional agenda and challenge its adversaries, including Israel and the United States. Iran has provided funding and arms to Hezbollah for decades, and in recent years it has supplied increasingly sophisticated missiles and rockets that target Israeli territory.

The upcoming elections in Lebanon in May present another opportunity to test the reach and influence of Hezbollah inside Lebanon's political system, although most observers expect Hezbollah to maintain its strong influence.

HEZBOLLAH'S ROLE IN IRAN'S EFFORTS TO PROJECT POWER AND INFLUENCE

Hezbollah was founded with support from Iran in the early 1980's in reaction to Israel's military operations in Lebanon. Over the years, Hezbollah has supple-

mented Iran's support with additional streams of revenue from commercial enterprises and charitable networks with a global reach.

In its early years, Hezbollah engaged in a range of terrorist attacks and acts of violence, including the 1983 bombings at the U.S. embassy and Marine barracks in Lebanon. Since then, Hezbollah has developed into the most powerful political force in Lebanon's deeply divided coalition government. It has also invested in a deep social and economic support network inside of the country.

In the region, Hezbollah remains focused on its foundational goal of leading the resistance to what it sees as U.S. and Israeli imperialism. Hezbollah has built a network of tunnels, bunkers, and launch sites for missiles and rockets along Lebanon's southern border with Israel. Maintaining its capacity to threaten Israel remains a primary focus of Hezbollah, and eliminating Israel remains a primary goal of Hezbollah.

In recent years, Hezbollah has expanded its area of operation across the Middle East in cooperation with Iran. As an Arab organization, Hezbollah has been able to transmit and echo the ideology of Iran with wider credibility among Arab audiences. It has become increasingly engaged in the civil wars in neighboring countries and proxy fights between Iran and Saudi Arabia, in three main arenas:

Syria.—Hezbollah has played a pivotal role in fighting those opposed to the Assad regime and preventing the spread of the Islamic State from Syria into Lebanon. From 2011–2013, Hezbollah played a limited role in Syria's civil war, sending some forces to bolster the security of the Assad regime and defend religious sites revered by Shia Muslims. In 2013, Hezbollah substantially boosted its direct military engagement, working closely with Iran and Shia militias to turn the tide of Syria's conflict. Hezbollah played a prominent role in key battles inside of Syria, including Al-Qusayr in 2013, Zabadani in 2015, and Palmyra in 2016.

Iraq.—Hezbollah has been engaged inside of Iraq since the 2003 Iraq war, playing an advisory and coordination role with Iran-backed Shia militias. The rise of the Islamic State and its seizure of Mosul in 2014 motivated Hezbollah to step up its engagement inside of Iraq focusing on the threat posed by the Islamic State.

Yemen.—Evidence has surfaced that Hezbollah has offered covert training and support to help the Houthi movement fighting the internationally recognized government of Yemen and the Saudi-led military coalition. Houthi fighters have received training at Hezbollah camps in Lebanon, and Houthi casualties of the Yemen war have been treated and even buried in Lebanon.

Along with its broadening and deepening engagement in the Middle East, Hezbollah has maintained its global network to finance its operations and position itself to conduct possible terrorist attacks. Conducting attacks on the U.S. homeland does not appear to be a top priority for Hezbollah, particularly in recent years with the uncertainties in the Middle East dominating the movement's focus.

Nevertheless, Hezbollah continues to cultivate a network for funding its overall operations and preparing for possible contingencies that could involve future attacks on American targets. Individuals and organizations connected to Hezbollah have funneled money from charitable organizations that raise funds in the United States to leaders in Lebanon. In addition, U.S. officials have uncovered evidence of Hezbollah-linked money laundering, smuggling, drug trafficking, and counterfeiting operations in the Western hemisphere, including in the United States.

Hezbollah has never directly attacked the U.S. homeland, but there is some evidence of efforts to position sleeper cells to develop operational capabilities in America. In June 2017, an individual in New York was arrested and charged with casing John F. Kennedy Airport for a possible Hezbollah attack. Also in 2017, a Michigan man was arrested and charged with traveling to Panama to conduct surveillance against Israeli targets and the Panama Canal.

These limited incidents demonstrate a possible effort by Hezbollah to prepare for contingencies in which the terrorist movement might want to conduct attacks against U.S. interests and even the U.S. homeland.

RECOMMENDATIONS FOR U.S. POLICY

Iran's strategy to project power and influence in the Middle East and beyond is motivated by a wide variety of factors—its ideology and worldview, its perceptions of threats and opportunities, and its own internal political debates. Its support for terrorist networks with a regional and global reach like Hezbollah is one critical component of a multi-layered strategy that has military, diplomatic, political, economic, and ideological elements.

In order to meet the challenges posed by Iran, the United States needs a multi-faceted strategy on several fronts. For years, the United States has protected the U.S. homeland and American citizens from a wide range of terrorist threats. Where

U.S. policy has been deficient across several administrations in developing a clear and integrated strategy that impacts Iran's immediate environment in the Middle East.

A more effective U.S. policy to address the challenges posed by Iran and its global terrorism network would operate on five key fronts:

Strengthen intelligence and law enforcement cooperation inside U.S. agencies and with regional and global partners.—The United States has not suffered another devastating terrorist attack on its homeland since the 9/11 attack, and this is in large part due to the strong investments made in building the capacities and enhancing the coordination of America's intelligence and law enforcement agencies. Advancing their institutional capacities in an evolving threat environment is vital. Equally important is avoiding the unnecessary and counterproductive politicization of these agencies in America's domestic debate. This politicization can undermine the security of all Americans.

U.S. security institutions' coordination with allies and partners in the Middle East on intelligence collection, terror finance, and targeted actions keeps Americans safe. The cooperation between the United States and its Middle East partners on counterterrorism financing is essential. The United States has put in place a number of sanctions and regulations targeting Hezbollah and Iran's material support for terrorism and related financial assets. These should continue to be strictly enforced.

Defend and enhance military and security partnerships in the Middle East.—The United States has maintained a deep military footprint and a broad array of regional security partners. In addition to long-standing bilateral military and intelligence cooperation efforts across the region, the United States built an international coalition working to counter the Islamic State in 2014.

All of these streams of conventional military support and cooperation should be synchronized and coordinated. Since 2015, the United States increased its efforts to coordinate with its partners in the Middle East on addressing the destabilizing role Iran and its regional partners such as Hezbollah play. In a series of meetings beginning at Camp David under President Obama in 2015, the United States has held a dialog with regional partners on joint mechanisms to deal with Iran's role in the region. The United States should continue to work with partners in the Gulf and key allies such as Israel and Jordan on a number of measures, including:

- Enforcing and implementing arms embargos aimed at reducing the flow of weapons to conflicts such as Yemen and Syria;
- Enhancing joint efforts to defend against cyber attacks sponsored by Iran and its partners;
- Developing greater coordination on ballistic missile defense interoperability in the Middle East;
- Stepping up efforts to share information and interdict illicit arms smuggling in maritime operations.

Increase diplomatic efforts to resolve conflicts in Yemen and Syria.—Iran continues to play a destructive role in Yemen and Syria. At the same time, some of America's key regional partners have taken uncoordinated and unilateral actions that have also escalated conflicts and undermined the state system in the Middle East. Terrorist organization such as Hezbollah and state sponsors of terrorism like Iran tend to thrive in environments of conflict—the Syria conflict has enabled Iran and Hezbollah to punch far above their weight in the region.

The United States should work closely with its regional allies and partners to link joint military and security operations with a more coordinated diplomatic effort to resolve conflicts on terms favorable to U.S. interests and values. This means investing in stepped-up diplomatic efforts to resolve the conflicts in Yemen and Syria and linking on-going security operations in those conflicts to efforts to advance de-escalation, deconfliction, and long-term conflict resolution.

Increasing U.S. diplomacy on resolving these conflicts is hindered by the recent proposed budget cuts in U.S. foreign operation and several unfilled positions at the State Department including the assistant secretary of state for near eastern affairs and key ambassadorial positions in the Middle East.

Compete with Iran in political engagement and strategic communications efforts to shape the political landscape in Iraq and Lebanon.—The United States should work with partners to compete in key countries where Iran and Hezbollah are key actors in the political landscape. This requires substantial investments in the State Department and other elements of U.S. power projection outside of the military. This political engagement should work to enhance the national sovereignty of these countries and support new coalitions that bridge old sectarian and ethnic divisions exploited by external actors such as Iran.

Politics and the competition for power among different political factions remains a central front in the effort to address Iran's influence in the Middle East. Iran has

seen its influence grow in places that are fragile and divided, and any U.S. engagement that further undermines national unity will likely backfire.

These efforts should also include strategic communications and media efforts, such as bolstering the impact of U.S.-funded Voice of America and Middle East Broadcasting Networks aimed at increasing awareness and transparency about corruption and funding flows from external actors like Iraq.

Maintain the Iran nuclear deal and ensure Iran's strict compliance.—At a time of wide-spread regional instability, the 2015 Joint Comprehensive Plan of Action (JCPOA) nuclear agreement with Iran produces very important and tangible benefits for U.S. and international security. It has severely restricted Iran's ability to produce a nuclear weapon into the next decade. It has established an inspections regime that increases the international community's knowledge of Iran's nuclear program and enhances the ability to detect any possible move by Iran to start a new weapons program. The JCPOA's provisions should be strengthened over time, and doing so effectively requires a substantial investment in diplomacy with close U.S. partners in Europe and the Middle East.

If the United States withdraws from the deal, the net effect would increase security tensions in the region while unilaterally disarming the United States from a key tool that blocked Iran's path to a nuclear weapon for the coming years.

CONCLUSION

During the past 15 years, the United States has confronted terrorist networks overseas and prevented another major attack on the U.S. homeland. But the strategy it has implemented in the Middle East has not produced sustainable results and it has not yet effectively dealt with a range of endemic challenges in the region, including Iran's destabilizing role.

To turn the tide, the United States needs to adopt a more comprehensive and integrated strategy that engages beyond military operations in diplomatic and political efforts in coordination with key partners in the Middle East.

Currently, the United States risks ramping up military operations in a way that could contribute to the fragmentation of the Middle East's state system and open the space for the continued rise of non-state actors. Without a broader regional strategy that links military approaches to diplomatic efforts in conflict resolution, tactical and operational shifts in U.S. military policy in the Middle East could make the region even more unstable.

Mr. KING. Thank you, Mr. Katulis. Thank all of you for your testimony.

I just at the outset—not to start a debate, Mr. Katulis, because you made a lot of good points, but the fact is that Russia is a major problem in Syria. Basically, they were invited in by President Obama back in 2013. They had been ejected 40 years before that by Sadat from the Middle East. I think they had one tiny base in Syria. They were out of the Middle East all together. They were no longer a factor until the President invited them in when he failed to enforce the red line and he invited them in to get rid of the chemical weapons. Well, today we still have the chemical weapons and we have Russia, which I think adds to that.

So I just put that on the record, and—but my first question would be I have been getting briefings now for 10, 12 years on Hezbollah. The general theme was that Hezbollah is probably the most experienced and professional terrorist organization in the world, certainly much more than al-Qaeda, much more than ISIS.

From a homeland security perspective, if we did have a conflict with Iran tomorrow, how much of a threat do we face here at home from Hezbollah? I know they have a number of people here in the country, but are they primarily fundraisers or could they be ordered to carry out terrorist activities?

We will start and go across, Mr. Ottolenghi.

Mr. OTTOLENGHI. Thank you for your question. I think it is an important point. The answer is absolutely we do face a threat.

Their networks are present in the United States. As I pointed out, these networks are multi-tasking. The fact that a lot of their operatives may be currently involved in managing either illicit financial activities that are designed to raise funds for Hezbollah through commercial real estate and other endeavors—

Mr. KING. I just ask you—are cigarette sales involved in that?

Mr. OTTOLENGHI. Well, there is a case from 2008 involving a scheme to exploit price differentials between high-tax and low-tax States within the United States that was funding Hezbollah. There is definitely an involvement by Hezbollah in contraband of cigarettes in the Middle East. There is growing evidence in Latin America where the contraband of cigarettes is very, very significant, that the routes to move drugs, people involved in human—victims of human trafficking, and cigarettes are pretty much the same routes. The criminal networks involved are the same networks.

So it is likely—although I haven't seen the smoking gun yet—that Hezbollah may be involved in laundering money for the illicit cigarette traffic, as well.

Mr. KING. Mr. Pregent.

Mr. PREGENT. What I would say about this is I look at indicators of what Hezbollah is going to do, based on recent actions. If you look at the recent actions in Syria, Israel—if you believe the reports, they have been able to conduct attacks not only against the IRGC Quds Force, but also Hezbollah without a response. Normally the calculus that constrains U.S. actions in Iran or against Hezbollah is, what will Hezbollah do to Israel? We haven't seen that, at least in these strikes in Syria that you mention, and direct engagement with Hezbollah.

As far as the United States goes, I look at it more as a, what can Hezbollah do from a high-profile attack perspective? What would they most likely be able to do? They are as good or better at explosive devices than ISIS is. They are better at assassinations, you know, developing assassination cells. They are better at targeting, they are better at looking at things. They are also good at outsourcing these attacks to Sunni groups to be able to do these things.

So Hezbollah is smart. Iran is smart, they keep a distance from Hezbollah by saying it was Hezbollah that did it, and they did it without our guidance. Hezbollah can do the same thing with, you know, foreign fighters that are sympathetic to ISIS.

I mean the one thing about Omar Mateen that, as an intelligence officer, bothered me is the FBI dropped him because Omar Mateen didn't know the difference between Hezbollah and ISIS. He didn't know that Hezbollah was a Shia terrorist group and ISIS was a Sunni one. Because of that, the FBI dropped him because they deemed he was too dumb to be a terrorist. Well, this is exactly who Hezbollah is looking for, people like this, who simply want to join a cause to do something to hurt America.

The best part about Hezbollah's operations and the worst thing for us is they are very good at keeping their communications secure, keeping their operational security secure. Again, from a high-profile attack perspective, they would be good at improvised explosive devices or something like that. But again, we have not seen

Hezbollah react to strikes in Syria, and I believe Iran wants to hold that capability for something bigger than a strike against a specific site in Syria. Thank you.

Mr. KING. Mr. Uskowi.

Mr. USKOWI. Sir, Hezbollah and other members of the Quds Force-led militia groups pose immediate danger to us in the Middle East, to our forces, to our forces stationed in Iraq, in Afghanistan, and in Syria.

That is what it—it is worrisome, and it could—if any—if the—if, let's say, any kind of a conflict breaks out in the region involving Iran—for example, the trajectory of the Iran-Israel relations inside Syria is going in—seems to be it is inevitable that we are going to have an armed conflict between Iran and Israel inside Syria. If those things happen, our forces are in danger of being attacked by the Quds Force militias, including Hezbollah.

The homeland also, when we are talking about 200,000 militants, 50- or 60,000 of them have gone in different times deployed inside Syria and have seen—and are battle-tested inside Syria. It doesn't take many of them to penetrate this country and be a major threat. Yes, I do think they can impose major threat to our homeland.

Mr. KING. Mr. Katulis.

Mr. KATULIS. The two incidents, the arrests that you cited in Michigan and New York I think offer evidence that there is at least a motivation and a potential for sleeper cells, and placing sleeper cells. The other witnesses, I think, rightly noted the United States is used as a fundraising base for the group Hezbollah.

It is my assessment that that—those sleeper cells—potential is there, but that movement's center of gravity and its focus is largely in the region. It actually has helped quite a lot in Syria turn the tide in alliance with the Assad regime and Iran and Russia, as well, and it—we see evidence also of its involvement with Iraqi Shi-ite militias, and then more recently in providing some sort of training capacities in the war in Yemen.

So I think it is more regionally focused, but the way I assess its strategy as a movement is trying to prepare for possible contingencies.

You are certainly correct in the remark that you made about President Obama and the red line. I would say, going forward, that a real challenge is how do we craft U.S. policy in such a way to impose costs on our adversaries. That is where I think the talk that we heard—at least this weekend—of additional sanctions on Russia for its activities in Syria and supporting Syria were encouraging. But now, as we see from the administration, it is not clear if they are moving in that direction.

Mr. KING. So we end up on the same page.

Ranking Member.

Miss RICE. Thank you, Mr. Chairman. So I am just going to ask three questions and then put it to the panel to address.

So I wanted to say that this is not a political—we have had a failure in Syria under both administrations. The Trump administration has no comprehensive policy as to what we are going to do in Syria, and there were legitimate criticisms about how Obama handled that, as well. So let's just take the politics out of this and

say, as a country, we have failed, not just from a National security interest, but also a humanitarian interest, for sure.

So the effect of Nikki Haley coming out and saying sanctions are going to be—additional sanctions are going to be imposed very soon against Russia, and the President saying absolutely not because he saw the reaction, what effect will that have on the bad actors there? Or not just Russia, but obviously Iran, as well, No. 1.

No. 2, we currently don't have a Secretary of State or a Senate-confirmed assistant secretary of state for near eastern affairs. The Trump administration has actually also failed to even nominate people to be ambassadors for many of our key allies in the Middle East, including Jordan, Egypt, Saudi Arabia, Turkey, the UAE, and Qatar. So how is it possible to—for the United States to conduct comprehensive foreign policy in the region without these critical diplomatic positions, No. 2.

No. 3, what is the effect of this, the Trump administration's freezing of \$200 million in the counterterrorism and stabilization assistance money? It seems to me that that is just going in the wrong direction.

So just opening it up to the panel, those three areas.

Mr. KATULIS. Sorry. On the last one, that was for the Syria reconstruction? The freezing?

Miss RICE. Yes.

Mr. KATULIS. I just wanted to clarify, because they have frozen a lot of different pockets from time to time.

Miss RICE. Well, I mean, I think it is—throughout the entire Middle East is the proposed—

Mr. KATULIS. Region.

Miss RICE [continuing]. Overall cuts.

Mr. KATULIS. Right.

Miss RICE. But certainly in Syria, where it is needed most desperately right now.

Mr. KATULIS. Yes. If I could begin, I fully agree with your overall statement. I don't think we need to be partisan when it comes to Syria or Iran. In fact, it weakens us and hampers our ability, actually, to develop a more effective strategy.

I think the statements by Ambassador Haley—and that is not the only example; you see multiple statements by the President himself or other administration officials just on the Syria front that contradict each other—it sends a signal of a lack of resolve and a lack of focus. Our allies in the region, whether it is Israel or Saudi Arabia or others that we are trying to work with, they see that. Our adversaries see it, as well. I think our adversaries have exploited those gaps, and they will continue to do so.

I think the second point about the State Department, no Secretary of State and other positions, I see that as something that is both a challenge peculiar to this administration that has seemed to want to unilaterally disarm itself on some of the key tools of U.S. power, but it is also a function of what I have seen across several administrations, starting with the George W. Bush administration, of a militarized approach to the Middle East, of the downgrading of diplomacy.

That is where, in my written testimony, I highlighted, I think, the essential need and the role that diplomats play in trying to

stitch together strategies to try to advance conflict resolution. Again, mind you, with strategies that link our military operations to some sort of hope for an end in sight, we have this overly militarized approach.

Then, frankly, the freezing of these funds, again, sends a signal to the region at a time when I think we are trying to get others in the region to pull their weight that we are not willing to even show up any more. I actually think it is a good idea to try to work with our partners in the Gulf that have a lot of resources to put more funding into refugees and humanitarian assistance.

But I think if you are looking at it from Riyadh or Abu Dhabi, and you see that move, you are going to basically say, "OK, if you are not in America, then why should we?" I think it is, again, an abdication. It signals an abdication of leadership and retreat.

Mr. USKOWI. I also do agree that our policy in Syria, or lack of policy in Syria, it is very much in evidence than when we see the positioning of the Iranian forces on the Israeli border in Syria.

They have been able to build the land bridge which connects the Iranian forces in Syria to the supply base in—back to Iran through Iraq and Syria, Lebanon, and very close to Israeli front forces in Golan.

In November I was in Golan. Even with a small binocular you could see a formation of Lebanese Hezbollah and Iranian Quds Force and IRGC forces just across the Israeli front formation. So that shows that—how we have failed in Syria that allowed Iran to have such a domineering position and such a threat to our greatest ally in the region, Israel.

The—on sanctions, I do believe that the sanctions can play a major role if they are part of a larger policy toward Iran. The European Union's European allies' rejection of putting sanctions on non-JCPOA items like ballistic missiles and Iran regional activities is incomprehensible, and we have to pursue those lines because Iran is the country that, more than anybody else, has told us, has told everybody, that JCPOA has nothing to do with the ballistic missile program.

As a matter of fact, the day after they signed JCPOA they tested two ballistic missiles, the very same day after JCPOA signing they tested two ballistic missiles. So if they believe it has nothing to do with ballistic missiles, why should anybody else doubt that it does is not part of that. So is the regional activities.

So we have to put pressure on our allies, in Europe especially, to go over for those sanctions, because they can play a major role, not in—they are not into themselves, but they can play a major role within a cohesive policy toward Iran and in the region.

The—I cannot agree with you more that we need to fill in all the diplomatic positions. A colleague of mine at the Washington Institute has been nominated for the assistant secretary of state for near east. Hopefully he will be confirmed soon. But we do need to fill in all those positions, because they are sorely needed. Yes, ma'am.

Mr. PRESENT. I will be brief. With regard to Russian sanctions, so we saw the President take action in Syria that actually embarrassed Russia, Tehran, and Damascus the day after the strikes—would be asking why—what is Russia doing here if they are not

here to defend these types of activities? Then Nikki Haley comes out with a strong message on Russian sanctions.

We need to align our strategic communications to our allies. The allies need to know that when they are hearing the U.N. Ambassador say something, or Secretary of State, or Secretary of Defense, that it is coordinated, that it is a strategic communication that is synched, and it is not.

When you have a speech like the President gave on October 13, where he designated the IRGC and its entirety as a terrorist organization for supporting Qassem Soleimani's Quds Force, 60 hours later Qassem Soleimani rolled in against a Kurdish ally in northern Iraq with U.S. M-1 A-1 Abrams tanks, and he did that 60 hours after the President gave his speech de-certifying the Iran deal, and designating the IRGC. So there is strong rhetoric, like Brian said, and then there is no actions. In the case of Syria, there was actions without the sanctions.

So the strategic communications are off, and our allies are listening. But more importantly, our enemies are listening.

With regards to the freezing of the funds, we have intelligence gaps. Our intelligence officers are not on the ground in Iraq and Syria. We are relying on atmospheric reporting. But some of the best intelligence out there is what State Department officials bring back from their meetings, from their engagements, from the consulates. Nothing better than reading an 8-page paper from a meeting. I wish they made them, you know, shorter, but it is always a good breakout of what is actually going on on the ground. Especially with our existing intelligence gaps today, they can be filled, in a lot of these cases, with diplomatic postings.

I will just leave it at that.

Mr. OTTOLENGHI. I would like to just add a couple of points to what my colleagues just said.

The first point is that even if the Trump administration had come out in favor of the JCPOA and had pledged to uphold it, the arsenal of non-nuclear sanctions that the U.S. Government has would still allow a very vigorous policy to push back against Iran and its nefarious activities.

We were told during the debate on the nuclear deal in 2015 by the Obama administration that this was just about the nuclear issue, and that all of the other outstanding issues, from terrorism to human rights to the war in Syria to missiles, would still be the object of very vigorous pressure.

Now, I think that when we look at how the administration has handled this file since January 2017, there is some good and some bad. Let me give you an example.

The Trump administration has designated 174 entities, Iranian entities, under a variety of authorities—WMD, missiles, proliferation, and terrorism. But it has not touched one single financial institution in Iran as of yet. Now, none of these entities involved in procurement for the missile program is buying their advanced technology by sending suitcases of cash to their suppliers in Asia and Europe. They are using the financial system. So here is an example where the Trump administration's rhetoric and practice are mismatched.

The other example is the issue of aviation and the contracts that have been signed under the JCPOA to supply commercial aircraft to Iran. Iran continues to use commercial aircraft to move personnel, military personnel, and weaponry to Syria. Just a couple of weeks ago Reuters actually had an incredibly interesting and revealing expose of how an—a Syrian airline that is under U.S. sanctions is actually ferrying Russian mercenaries from Russia into Syria. So commercial aviation sector is an issue, and the Trump administration has not delivered the kind of compelling intelligence and evidence to actually review those deals.

Now, the Trump administration took only a handful of days, if not weeks, to find the evidence that Korean—North Korean ships and Chinese ships who are transferring crude oil in violation of sanctions by showing satellite imagery. In 2012, Treasury, to back up its designations of Iranian airlines, similarly produced that satellite imagery evidence pretty quickly.

So again, my question—this is really a question—is this a failure of imagination or lack of strategy, or benign neglect, or the willingness—the unwillingness to take action?

Last, but not least, on the issue of humanitarian aid, we should first recognize—and this should be an integral part of U.S. policy—that what the Assad regime is doing in Syria is, put very simply and bluntly, ethnic cleansing of the—you know, the ethnic groups that are not aligned and not loyal enough to the regime. They are using this as leverage on neighboring countries and also Western allies.

The refugee crisis has upended the European political order, has created enormous amount of leverage to the rising authoritarianism of Erdogan vis-à-vis Europe. These are all crises that require more than just providing humanitarian aid. They require a comprehensive strategy to push back against a tyrant who is, frankly, a war criminal running Syria, and the allies of that tyrant who are backing his heinous policies.

Thank you.

Miss RICE. Thank you, Mr. Chairman.

Mr. KING. Before I recognize Mr. Perry I just wanted to put it on the record for myself that I do believe that Ambassador Haley's sanctions she proposed should definitely be implemented, and also it is a mistake to say we are going to be pulling troops out of Syria.

With that I yield to Mr. Perry.

Mr. PERRY. Thank you, Mr. Chairman.

Mr. Katulis, I don't have a question for you, but I do have a couple of comments. I was—I am going to say actually stunned by your—what I view as unilateral and myopic view of the two administrations. While I think there is fair criticism to go around, that you would characterize the current administration as passive appeasement versus what I would characterize as active appeasement, if not aggressive collaboration over the last 8 years while this President has been in office for 16, 17 months now, it just seems completely and wholly lopsided.

He has got a lot to do, and a lot of what he has to do, this current administration, this current President has been caused by the previous administration. As the Chairman has indicated, administrations prior to keeping Russia out of the Middle East for decades

and decades was all washed away in one fell swoop, and now we are struggling our—to find our way out of this in the midst of crises all around the globe.

I guess that while I find that I think that there are plenty, like I said, criticism to go around between the rhetoric and the actions, I would remind everybody that there are plenty I think that agree with your viewpoint that have been highly critical of the President's recent actions in Syria, and some on my side, so to speak, that would be highly and are highly critical.

But your characterization of a lack of resolve or a lack of focus—let me tell you what. There might have been a lack of resolve and a lack of focus in the last administration, and there might be some in the current administration, but there is no lack of getting someone's attention when rounds are impacting in your country around your cities. None of that happened under the last administration. While it might be—while there might be shortcomings, and it might fall short under the current administration, at least it is damn well something.

Let's move on here. Mr. Pregent—is that how you pronounce your name, sir? Tell me—I am frustrated, irritated, and a bit angered that the taxpayers' dollars are headed toward the Quds Force and the IRGC because of what Iran has done and what we have in fact, in some ways, helped facilitate.

What would be the implications or the impact of us, the United States, stopping that funding all together, or diverting it to the Kurds, so to speak? What would be the impact for the Iraqi Government? What would be the impact with our relationship with that government and with Turkey?

Then, what would be the impact, generally speaking, from a strategic and tactical standpoint on the ground in Iraq?

Mr. PREGENT. Thanks for the question. Stopping the U.S. train-and-equip program would give the United States leverage the day after we did that, leverage with Baghdad. We cannot let Baghdad keep incubating these existential threats to the world, such as al-Qaeda and ISIS.

The U.S. train-and-equip program now is being hijacked by the IRGC Quds Force. Not by the Hash'd al-Shaabi or the Shia militias, but through the Badr Corps, who is in control of the MOD and the MOI. But now—and this is something that is shocking to me—we have actually integrated IRGC Quds Force militias into the Iraqi military, meaning they now are official legitimate units in the Iraqi military with access to U.S. funds and equipment.

We should get—we would get leverage day one if we ended the U.S. train-and-equip program, moved it to Erbil, built a Sunni Arab and Sunni Kurdish force to not only go after the remnants of ISIS and the future iteration of ISIS, but also to curb Iranian influence in Iraq. It is something we should do.

We cannot continue to ignore what is happening, because we are simply handing this country over to Iran, where, when 10-year-old Americans have to go back in 10 years to fight the next iteration of ISIS, they will not be invited in like we are now. We will be in a serious situation where we are the uninvited guests in a conflict because these areas, the northern Middle East, keep incubating these existential threats. It won't only be a Sunni terrorist group,

it will also be these Shia groups as they develop Hezbollah-like capabilities.

The—Turkey needs to be reminded it is a NATO ally. I think a lot of our problems in the northern Middle East is our acquiescence, in some cases, to what Erdogan wants to do in northern Syria, and also with his ability to go into northern Iraq without being invited in by Baghdad to do things. We should remind Turkey they are a NATO ally, address Turkey's legitimate concerns. But again, the biggest problem with Iraq is we have levers. We have levers. May 12 we risk losing that leverage if Fatah wins.

The one thing I would say, because it is a contrarian position. Everybody says Prime Minister Abadi is our guy in Baghdad. Well, Soleimani says the same thing. Everything Qassem Soleimani has been able to do in Iraq has been—he has been able to do under Prime Minister Abadi. Qassem Soleimani has been quoted as saying, "Abadi gives us the United States." I prefer that one of these IRGC Quds Force candidates actually wins the premiership, so we can actually unmask Iraq for what it really is.

It is becoming an Iranian client state. It is becoming that because we are denying this exists. This map here, this is—this exists. I have worked for Secretary Mattis. I have worked for him at CENTCOM, when he said he went to bed at night thinking about three things: Iran, Iran, and Iran. Secretary Mattis, as of December 17, says this doesn't exist. The land bridge doesn't exist, Iran does not have unfettered access across Iraq and into Syria. They do, because these Iraqi militias who have answered directly to Qassem Soleimani are in Damascus, have stepped into Jordan, are starting to threaten Israel, and they are using Iraq to do so.

The Iraqi Security Forces are not there to stop it. They have been built by the IRGC Quds Force to facilitate it. That is my biggest issue as a veteran of this war and a veteran of the intelligence community that focused primarily on Iranian influence in Iraq.

Mr. PERRY. Mr. Pregent, the only thing I would disagree with in your statement is the word "becoming."

With that, Mr. Chairman, my time has expired. I yield.

Mr. KING. Thank you, Mr. Perry. My preference is that we withdraw from the nuclear agreement, but I understand also the points that Mr. Katulis is making.

So if the other three witnesses could comment on that—then Mr. Katulis, obviously, I will come back to you also—as to what are the pluses and minuses, and what would happen if we withdraw from the agreement?

Mr. PREGENT. Right. Well, we have actually crafted a plan for the day after, based on best case and worst-case scenarios for the administration. These—this strategy has been sent to the National Security Council, Department of Defense, and Department of State.

I argue that the day after we withdraw from the JCPOA, we have leverage once again. I would only say this. Everything that Iran has done to further destabilize the Middle East and northern Middle East has been done under the protections of the JCPOA.

If all parties abide by the JCPOA, Iran still becomes North Korea in 10 years. With the JCPOA in place, Iran is 6 months away from a nuclear weapon. With the JCPOA with us walking out of it, Iran is 6 months away from a nuclear weapon. The JCPOA

insulates the regime. It allows it to become an economic power, a conventional military power, it continues to do—improve its ballistic missile capability. At the end of the sunset clause put a nuclear weapon on top of one of those ballistic missiles, whether it can range Israel or whether it is an intercontinental ballistic missile, to be able to gain leverage with the United States.

If we don't do something now, we will be facing a more aggressive and more empowered Iran that not only has the IRGC Quds Force, but also has a conventional military that can threaten its Sunni regional allies.

If we walk away, we have leverage the next day. If we simply put sanctions—and even if we don't walk away, if we put sanctions on the Central Bank of Iran, if we put sanctions on the EIKO, just like my colleagues have said, we have not gone after the regime's financial institutions. Walking away from the Iran Deal immediately gives this administration leverage, in my opinion, based on what Iran has been able to do under the protections of the JCPOA.

One final point. Europe hasn't invested heavily in Iran under the JCPOA. Why would they, when we walked away? They are worried about secondary U.S. sanctions, they are worried about picking a \$400 billion that is shrinking over a \$19 billion economy.

The United States will not be isolated. Iran is not worth it to our European allies. Walking away from the Iran Deal and sanctioning key parts of Iran's financial infrastructure will also give us leverage with Russia and China, as they engage. We can also use secondary sanctions against Russia and China, as well. Thank you.

Mr. OTTOLENGHI. In my perspective and opinion on the whole issue of the Iran—the quest for nuclear capability by the regime in Tehran, I think the two policies, or the two events that would ultimately prevent that scenario from materializing are, A, a military strike; or B, a regime change.

Now, neither are necessarily policies that the United States and its Western allies want to pursue. But everything in between is containment, is trying to contain Iran from reaching a nuclear weapons capability. That is what the JCPOA is, it is an imperfect tool to try and contain Iran.

Now, if the JCPOA is buying the United States and its allies time to pursue the other two options: To develop a credible military option and, on the other hand, to engage in policies that can undermine the regime domestically, then that time is welcome. If the JCPOA is to collapse, I would prefer to see a collapse caused by the Iranians, where the Iranians are blamed, and not where the United States is blamed, because the consequences of the United States taking the blame, I think, put the United States in a more disadvantageous position than the other way around.

But I think that the bottom line here is this. The United States has time to build a strategy with its allies to deny Iran the economic benefits that are inherent in the JCPOA. By and large, by the way, Iran has not greatly benefited from the JCPOA until now. All you got to see—got to do is look at their economy.

When I was debating the sanctions policy with European interlocutors prior to moving to the United States about a decade ago, the standard line you would get from foreign ministries in Europe was that the, you know, sanctions would only contribute 20, 30 per-

cent to Iranian economic dysfunction because the biggest threat to Iranian economy is the regime itself, is the way they run their own economies, the lack of transparencies, the corruption, is the penetration of the economy by the deep state, by the IRGC, by the religious foundations linked to the supreme leader, and so on. It is the lack of rule of law, it is the lack of transparency, all things which we can actually enhance and make more unbearable to the Iranian economy through sanctions, which are possible outside of the limited sphere of nuclear sanctions, as the JCPOA said.

So my suggestion would be to actually devise a strategy which keeps the JCPOA in place for now, but denies the benefits, economic benefits, to Iran in such a way that either the regime collapses and therefore there are strategic perspective changes, or the Iranians themselves walk away from the agreement.

Mr. KING. Mr. Uskowi.

Mr. USKOWI. Mr. Chairman, the JCPOA is like any other arms control agreement. It needs to be revised and looked at as the time goes on, because the situation changes.

The Iranians did not live up to their expectation that they are going to hold the testing and the allotment of the ballistic missiles after the JCPOA signatures. So definitely this treaty needs to be revisited and elements of the ballistic missiles should be added to that.

Sunset clause is also the other part of—very flawed part of this agreement.

Now, can we do that through the—through our European allies to revise this JCPOA or come to some agreement in addition of JCPOA on ballistic missiles and on Iran regional activities. I am not sure, with what happened yesterday at the European Union. If we walk off the JCPOA, however, I see a danger. The danger is not just because Iran is going to claim to be the victim here. The danger is on us, is that we are going to equate exiting JCPOA as our tough stand, as our tough line against Iran. That is not going to cut it.

If we really want to counter Iran, it is not just through JCPOA. The main thing is Iran's regional activities. The main thing is Iran's presence in Syria, the immediate and—danger that Iran is presenting to our Israeli allies in Syria. If we cannot stop that, if we cannot stop the Iraqi Shia militias inside Iraq, as my colleague here mentioned, those are the elements that we have to counter Iran. Is not just about JCPOA. The danger would be that we use that JCPOA, we think that we have done our work, and we have countered Iran. No, we have a lot of work above and beyond JCPOA.

Mr. KING. Mr. Katulis.

Mr. KATULIS. I agree with the urgency of the moment on the region. I think if the United States pulls out of the JCPOA, which is a deal that should be strengthened, and strengthened over time, but if we pull out it would be yet another example of the Trump administration's passive appeasement. It would essentially unilaterally disarm us from a key tool that has given us good intelligence, good insight on what Iran has been doing.

The two factors that I would worry about is the distraction already of, I think, trying to rush some sort of fix to the JCPOA. Be-

cause, as some of my colleagues have mentioned, we have time. It would further distract us from this absence of a regional—creating a coherent regional strategy to counter Iran and the region.

The second would be the timing of this, if it happens this spring, while we are also trying to secure a deal in another theater with North Korea, which is a very urgent issue right now. I think it would undermine further our diplomatic credibility on maintaining these deals if we are blamed for blowing up the deal, and not Iran.

So I think, again, the move is one of these—what I have seen in this administration, the suggestion of it, one that is rhetorical and saying—the assertion that it would give us more leverage. But this is where I actually—I understand what my friend Michael has said, but I respectfully disagree. I actually think it would tend to isolate the United States, and could further inflame the Middle East and set off a regional arms war.

Mr. KING. Thank you.

Ranking Member. No?

Mr. Keating.

Mr. KEATING. Thank you, Mr. Chairman.

I am just curious what your views are. You know, Iran and Russia, they have similar goals, in terms of Syria. Yet do you see any areas where there could be fissures or any kind of stress points that might occur between Tehran and Moscow as a result—in my own view—and it is my own, that Moscow can't be pleased with Syria and their actions, much as they are steadfast, as much as they are loyal.

The actions do—and I think will create greater conflicts, greater problems for Moscow, going forward, with the current leader, at least. But do you see any of these points of stress that might occur between those two powers?

Mr. PREGENT. Yes, I do. I do, Congressman. I actually was approached after one of my panels by somebody from the Russian Federation, and I suggested we meet at Trump Hotel, just to make it, you know, a good meeting environment. I wrote down all the notes for my counterintelligence brief in the future, and I have actually met with somebody from the embassy who was a military attaché and he was talking about Syria.

I asked him, I says, “Oh, why are these Iranian militias moving on to U.S. special operations mission in Al-Tanf? What is with Wagner moving on U.S. forces?” In both cases, they were to test U.S. resolve. The United States responded, and Russia sat on its hands.

I would argue that last year we missed out on an opportunity to exploit those schisms and fissures that happened after the 59 cruise missile attack. Russia didn't launch one missile to stop it. Again, Russia didn't launch one missile to stop this last attack. Damascus and Tehran a year ago were wondering what Russia was doing in Syria, if not to stop the United States from doing things like this.

This attack embarrassed Putin, but we are not very good at exploding the day after. We are not good at identifying these schisms and fissures and putting out our own disinformation. You know, we should not go out of our way to say we didn't coordinate with the

Russians on this strike in Syria. We should say absolutely we coordinated with the Russians, and they allowed us to do this.

We said we—what is the word we used? Basically, dividing the battle space, made everybody aware of where we were operating. I know we should absolutely take advantage of these fissures. Russia has said, and they—what is that? Yes, yes, deconflict, deconflict the battle space. Russia has said that they are not very impressed with the Iranian militias. They are not very impressed with the Shia militias.

It is the same thing that happened in Iraq. Shia militias, when they first moved on Tikrit, before the United States joined the air campaign against ISIS, could not dislodge 1,000 ISIS fighters. They lost upwards of 8,000 men. The ISIS campaign has taught us that the only way ISIS loses terrain is with an effective battle of—force on the ground and U.S. air power.

Russia is not impressed with the Iranian militias in Afghanistan, and there are a lot of places where we can actually conquer and divide. We are just not good at it, and we should be, because it is fairly easy—

Mr. KEATING. But what is Tehran's view with the—of the Kurds along those lines? I mean—

Mr. PREGENT. Well, it is interesting, because they moved on the Kurdish ally in Iraq, with U.S. tanks after the President designated the IRGC as a terrorist group, and yet they sent militias to Afrin to protect the YPG west of the Euphrates. Erdogan hit them. Erdogan struck Shia militias and Quds Force advisors. Iran didn't do anything, and neither did Russia.

Israel has actually conducted a number of strikes, if you believe the reports, to show us how easy it is to do. Because again, Russian air defense assets in Syria are there to protect Russian bases. They are not there to protect Assad. But now they are talking about moving S-300's into Syria in order for Assad to develop a better capability. Now that is something we should stop. We should prevent the Assad regime from getting those 300's, because we are trying to prevent Iran from doing it.

Now, one of the fixes is Iraq is trying to purchase S-400's. This is not for Iraq's air defense. This is for an integrated air defense system that the Russians and the Iranians can use. Underneath all of this is a pact between Moscow, Tehran, Baghdad, and Damascus to form a defense pact, and no one is talking about this. This defense pact exists the United States.

The biggest issue here is Baghdad, Tehran, and Damascus are wondering why Russia didn't do anything. The more we say that we coordinated, or deconflicted battle space with the Russians, the more those divisions are open for us to do something. Again, we are not very good at it. We should be.

Mr. KEATING. Thank you very much.

Mr. PREGENT. Thank you.

Mr. KEATING. I yield back.

Mr. USKOWI. Congressman, on the question of Russia, I believe Iran's strategy in Syria is to wait out patiently for the U.S. forces to get out, because they believe as soon as the U.S. forces gets out of Syria, Russians will draw down on their involvement in Syria

and keep it only to their naval and probably air force base there for long-term.

So, their really long-term strategy in Syria is totally different than Russia. Iranians want to stay in Syria for long-term. They want the United States to pull out, Russia to draw down the forces in Syria. When they do that, the plan is to make Syria like Iraq, to another, really, client state, this time on the border of Israel, the dream of the Islamic revolution, to have forces on the borders of Israel.

On the Kurds, especially in Syria, they are doing the same thing. They are waiting for the United States to get out so they can contain the Kurdish forces. Of knowing the Kurds in Syria when I was at CENTCOM, they were the only—really, the only real fighters in all of—in that—that were on our side. Losing them as an ally is the biggest mistake that we can do. Iranians are waiting for that.

Thank you.

Mr. KING. Mr. Katulis.

Mr. KATULIS. If I could add one point where I think there is a gap between Iran and Russia—and I think it is important analytically—is that their relations with some of our Gulf partners, Saudi Arabia and the UAE in particular, are quite different. Saudi Arabia and the UAE view Iran as their biggest enemy and adversary in the region. They also have cultivated good ties with Moscow and Russia.

So if I were in the Trump administration—and I credit the Trump administration with some good things in what they have done in the Middle East. In the first year it tried to reduce the trust and confidence gap with some of our close partners, like Saudi Arabia, like Israel, and things like this.

Given what we know about these Gulf countries' concerns about Iran, why not try to leverage our relationship with them to try to split Moscow's activities with Iran? I don't think they will get very far. Moscow has invested deeply in some of these relationships in Syria and Iraq and other places.

But my main point is that statecraft is not simply about the military assets and what we can put into place. It is also how we can use the relationships and confidence that we have built with some of our key partners to isolate some of these countries like Russia, which I think the net effect of their disastrous incursion into Syria has been to make the states weaker, and also exacerbate the terrorist threat, region-wide.

Mr. KEATING. Thank you. Thank you very much.

Mr. KING. Thank you, Mr. Keating. I want to thank the witnesses for their valuable testimony. I was just telling the Ranking Member I have no particular questions now.

Having said that, we can do it—there is probably—for 2 or 3 weeks nonstop. I mean it is just incredible wealth of knowledge from all of you, and I want to thank you for that very much.

Anyway, the Members of the subcommittee may have some additional questions for the witnesses, and we will ask you to respond to those in writing. Mr. Barletta's question will be included for the record.

[The information follows:]

QUESTION FOR THE RECORD FROM HONORABLE BARLETTA FOR MR. MICHAEL
PREGENT

Question. For years, we in Congress have worked to cripple the Iranian regime. Yet, they are still able to contribute close to \$16 billion in funding for terrorist organizations annually. Mr. Pregent, how has the Iran deal allowed the Iranian regime to continue to sponsor world-wide terror, and is Iran close to developing a nuclear arsenal?

Mr. KING. Pursuant to committee rule VII(D), the hearing record will be held open for 7 days.

I hate to end such an informative meeting on such a technical statement here. But anyway, without objection, the subcommittee stands adjourned.

[Whereupon, at 11:26 a.m. the subcommittee was adjourned.]

