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EMERGING EXTERNAL INFLUENCES IN THE WESTERN HEMISPHERE

HEARING

BEFORE THE

SUBCOMMITTEE ON WESTERN HEMISPHERE, TRANSNATIONAL CRIME, CIVILIAN SECURITY, DEMOCRACY, HUMAN RIGHTS, AND GLOBAL WOMEN'S ISSUES

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CONTENTS

	Page
Rubio, Hon. Marco, U.S. Senator From Florida	1
Menendez, Hon. Robert, U.S. Senator From New Jersey	3
Emanuele Ottolenghi, Ph.D., Senior Fellow, Foundation for Defense of Democracies, Washington, DC	5
Prepared statement	7
Eric Farnsworth, Vice President, Council of the Americas, Washington, DC	34
Prepared statement	36

EMERGING EXTERNAL INFLUENCES IN THE WESTERN HEMISPHERE

WEDNESDAY, MAY 10, 2017

U.S. SENATE,
SUBCOMMITTEE ON WESTERN HEMISPHERE,
TRANSNATIONAL CRIME, CIVILIAN SECURITY, DEMOCRACY,
HUMAN RIGHTS, AND GLOBAL WOMEN'S ISSUES,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:24 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Marco Rubio, chairman of the subcommittee, presiding.

Present: Senators Rubio [presiding], Gardner, and Menendez.

OPENING STATEMENT OF HON. MARCO RUBIO, U.S. SENATOR FROM FLORIDA

Senator RUBIO. Good morning. This hearing of the Subcommittee on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights, and Global Women's Issues will come to order. The hearing today is entitled, "Emerging External Influences in the Western Hemisphere."

I apologize to the witnesses and to the members. It has been an interesting morning, and navigating the hallways was quite an adventure. But I appreciate your patience in being here.

The panel today is going to feature Emanuele Ottolenghi, the senior fellow at the Foundation for Defense of Democracies, and, of course, Eric Farnsworth, the vice president of the Council of the Americas. I welcome the opportunity to have them testify here today.

I also want to thank all of you here today in attendance at this hearing.

It is my hope that we can examine external political and economic influences on our hemisphere from traditional state actors such as Russia, China, Iran, and North Korea.

We will also consider the potential terrorist threat posed by external terrorist groups such as ISIL, who are potentially radicalizing susceptible individuals in small countries throughout the hemisphere and, in particular, the Caribbean. Some of these individuals are motivated to travel to join the fight in Syria and Iraq, and others may pose a risk for conducting attacks in their home countries, or even seeking to enter the United States to do the same.

Countering radicalization online within a small factor of the Muslim community and corresponding threat of homegrown violent

extremism is perhaps one of the greatest challenges that we face in protecting innocent Americans at home from lone-wolf terrorist attacks like those we have seen in Boston, San Bernardino, and Orlando.

The fact that this terrorist threat is spreading to other nations in our hemisphere should concern us all. For instance, Trinidad and Tobago is a prime example of a small Caribbean nation currently struggling with the threat of radicalization.

According to a New York Times article from 21 February of this year, the Trinidadian Government recently introduced a series of amendments that would criminalize membership in the Islamic State and other extremist organizations. That is an obvious legal reform that the United States must demand and hope to achieve from other countries in the hemisphere for the safety of their own citizens and our own. According to the New York Times, this new Trinidadian law would stipulate people who travel to certain regions would be presumed to be doing so for terrorism.

Trinidad has a population of just 1.3 million, but it had 130 of its citizens travel to Syria to fight for ISIL. The U.S. with 321 million people has seen 250 citizens travel to join ISIL, by comparison.

I want to hear from our witnesses about what the United States can do to work with Trinidad and other nations in the region struggling with these challenges. In particular, I want to hear what roles should the Departments of State, Justice, Homeland Security, and the Southern Command and the Defense Department be playing to reduce and confront radicalization.

This hearing is also an opportunity to consider the continued illicit financial activities of Hezbollah, Iran, and other actors enabled by some governments in the region with a history of antidemocratic postures. I also want to hear the current status of illicit financing and the financing of Hezbollah, in particular.

What is its posture in Latin America today? How are activities of Hezbollah supported by travel from Iranian officials, particularly MOIS and the Quds Force?

More broadly, it is important to examine how our adversaries in countries like Cuba, Venezuela, and Nicaragua through new diplomatic military and intelligence cooperation are affecting our standing in the region.

We will also examine the links between external actors and the production of trafficking and selling of illegal drugs in the Western Hemisphere and the bankrolling of global terrorist activities. For instance, with the peace agreement in Colombia, how are Mexican transnational criminal organizations filling the void potentially left by the FARC?

In 2014, I led in the Senate the Hezbollah International Financing Prevention Act of 2014 to prevent Hezbollah and associated entities from gaining access to international financial institutions, but there is more to be done, and I look forward to hearing from our witnesses.

With that, I turn it over to the ranking member, Senator Menendez.

STATEMENT OF HON. ROBERT MENENDEZ, U.S. SENATOR FROM NEW JERSEY

Senator MENENDEZ. Thank you, Mr. Chairman. I am glad we are keeping the subcommittee active, exploring the myriad pressing issues that we have in our own hemisphere even as we are challenged by events elsewhere in the world.

Let me welcome our witnesses, Dr. Ottolenghi and Mr. Eric Farnsworth, the vice president of the Council of the Americas who has a great deal of expertise in the hemisphere that I have found valuable over time.

As you and I both know, Mr. Chairman, this body and, indeed, most of the headlines out of the foreign policy community often overlook our own hemisphere and, by extension, our closest neighbors and some of our most important allies.

Over the course of its history, the United States has certainly influenced our neighbors to the south. And I will acknowledge that this history, with some countries in particular, is complicated and imperfect. Looking inward, it is impossible to tell the history of the United States without the immense influence of immigrants and migrants from the rest of the hemisphere.

In general, over the past few decades, we have witnessed relative stability between nations and the general trend toward embracing democratic values that protect fundamental rights, empower people, promote opportunity for citizens throughout the hemisphere.

While we certainly cannot take full credit, the United States' active engagement in the region in support of governments transitioning from dictatorship to democracy, of partnerships, training, and shared responsibility for supporting democratic institutions, combating criminal networks, of economic development programs that help foster resilient communities, has served our national security interests in tandem with supporting a stable and prosperous hemisphere in general.

To consider external influences on the whole hemisphere is, of course, ambitious in one subcommittee hearing, but there are trends we see throughout. The United States is a constant.

So I hope we can use this hearing as an opportunity not just to hear from our esteemed witnesses on their particular expertise but to use this as an opportunity to highlight the importance of American and, in this subcommittee let me say, United States' leadership and engagement.

There are, of course, a few notable exceptions to the trends I have spoken about. We have watched with horror and frustration as Nicolás Maduro continues to oppress the people of Venezuela, drag its economy and future further into the quagmire that the Chavez legacy created. Bolstered by shady bond purchases, Russia seems more than willing to help him in this effort.

In Cuba, despite diplomatic efforts from the past administration, people are still jailed for expressing their opinions, still unable to earn meaningful incomes to improve their lives.

As the Washington Post reported last month, Russia is increasing its presence in Nicaragua into the welcoming arms of Daniel Ortega. While I am not convinced we are living in a new Cold War, we certainly have not yet fully escaped Russia's influence here in the United States or in the hemisphere. It is no coincidence that

these countries in which citizens are suffering, and whose fundamental human rights are oppressed, all share an affinity for a particular country and the failed ideology pushed in the middle part of last century.

On the other side, China, whose foreign policy objectives in the region seem confined to trade deals, has also steadily increased its presence in the region. China, however, notoriously cares little for the rule of law, governance structure, or environmental and labor protections that ultimately secure long-term economic interests for a nation.

As we build our own trade relationships, we must prioritize these components to best facilitate long-term mutually beneficial relationships. Bloviating about reneging on trade deals or throwing around threats of tariffs does nothing to improve the economic outlook of American business. In the worst case, it pushes our would-be partners toward other countries.

I recognize there are those who would look to Chinese or Russian presence in our hemisphere and point out that the United States maintains an active presence well beyond our borders. Our interests, however, and intentions are clear. It is rooted in our principles and values, defensively supporting our allies in Europe, Asia, and the Middle East; seeking investment opportunities for American businesses overseas; supporting nations who actively seek that support; and building democratic institutions and governance structures.

So I look forward to hearing from our witnesses their assessments of the intentions and motivations of some of the primary external actors in Latin America.

Mr. Farnsworth, in your written testimony, you note that most of China's actions do not pose a direct "threat" per se to the United States, but influence in soft power can be very commanding tools.

Mr. Ottolenghi, I am curious to hear your assessment about whether some of the actions you have studied are confined to country-specific goals or are in pursuit of broader regional ambitions.

I will conclude by saying that, as with the rest of the world, American engagement, investment, and aid to the Western Hemisphere is in our own national interests. It is our economic interest to support the growth of vibrant middle classes around our hemisphere who are more eager to do business with the United States than they are with China. It is in the interests of our national security to support stable and resilient countries that share our democratic values and our sense of shared security against external threats.

With that, I look forward to hearing from our witnesses. Thank you, Mr. Chairman.

Senator RUBIO. Thank you, Senator Menendez.

Dr. Ottolenghi, we will begin with you. I would, just for the witnesses' purposes, and it is the pot calling the kettle black as a Senator about to say this, but if we could limit to about 5 minutes, because it gives us more time for questions. We have your written statements. I imagine all three of the Senators here and others who may not be in attendance have already read it. But it is important, as there may be other points you may want to raise throughout the testimony.

But the question-and-answer part is the one where we really get to the heart of the matter. I know members have other engagements as well, and you are both veteran witnesses at these hearings.

So, Doctor, we will begin with you. Thank you for being here.

STATEMENT OF EMANUELE OTTOLENGHI, PH.D., SENIOR FELLOW, FOUNDATION FOR DEFENSE OF DEMOCRACIES, WASHINGTON, DC

Dr. OTTOLENGHI. Chairman Rubio and Ranking Member Menendez, members of the subcommittee, I thank you for this opportunity.

The convergence of Iran-sponsored radical Islam with transnational organized crime in Latin America should be recognized as a serious threat to the national security of the United States and the integrity of its financial system.

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

In his 2015 posture statement before Congress, General John Kelly lamented that, and I quote, "Our limited intelligence capabilities make it difficult to fully assess the amount of terrorist financing generated in Latin America or understand the scope of possible criminal terrorist collaboration."

To date, there is still no accurate assessment of how much Hezbollah makes from illicit activities in Latin America, but this involvement is known and growing. That needs to change.

Hezbollah's involvement in illicit trade is not just a law enforcement problem. Behind Hezbollah stands Iran, which seeks to leverage the group's networks to gain political influence while helping it expand its base of supporters and protect their illicit activities.

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

In my written testimony, I discuss specifically the case of four Hezbollah suspects recently arrested on drug trafficking charges in the tri-border area of Argentina, Brazil, and Paraguay, otherwise known as TBA. They may also have been involved in human trafficking, counterfeiting, and immigration fraud. This adds to the growing evidence of Hezbollah's involvement in multibillion-dollar illicit trade schemes that often generate from the TBA and whose revenue Hezbollah seeks to launder through the U.S. financial system.

That should be a wake-up call to Congress to make the necessary means available for intelligence-gathering and assessment of what is a significant national security threat.

The recent designation of Venezuela's Vice President Tareck El Aissami under the Kingpin Act is a stark reminder of our vulnerabilities. El Aissami was designated alongside 13 U.S. companies he allegedly used to run his fraudulent activities through the U.S.

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

Part of the problem with U.S. policies is that U.S. sanctions against Hezbollah operatives in the TBA, the hub of Hezbollah's illicit finance, are more than a decade old, and those targeted are still able to travel, transact, and conduct business as if there were no sanctions.

It is important that the U.S. rectify this state of affairs for two reasons. Sanctioned operatives may continue to engage in nefarious activities, and lack of sanctions enforcement undermine their credibility in deterrence.

Another problem the U.S. needs to address, in Latin America, Hezbollah has benefited from a permissive environment where corrupt local officials connive with Hezbollah's illicit finance for their own gain.

A November 2017 $1.2 billion money laundering investigation, which a 2017 State Department report cites as evidence of corruption in Paraguay, offers proof of ongoing trade-based money laundering in the TBA and cover-up by local authorities. Local sources told me that the investigated companies were given 48-hour advanced notice about the search warrants against them.

U.S. officials familiar with the case privately complained of subsequent obstructionism at the highest levels of power, preventing attempts by U.S. law enforcement agencies to gain access to files. U.S. offers to cooperate were politely but decisively rebuffed.

In such a corrupt environment, Hezbollah thrives. The U.S. should demand that local governments put an end to this type of impunity or face consequences. These could include: one, impose designations under Section 311 of the Patriot Act on financial institutions known to be used by Hezbollah financiers to move the revenues; two, designate banking sectors of countries that facilitate Hezbollah's terror financing zones of primary money laundering concern; three, work with allies potentially through international forums like the Financial Action Task Force to blacklist government entities that cooperate with Hezbollah; revoke or deny visas from those implicated in Hezbollah activity, including local politicians who facilitate or fail to prevent Hezbollah's illicit finance in their own jurisdiction; engage Latin American governments to ensure they have adequate legislative tools to investigate terrorist activities and combat terror finance; and, finally, persuade allies in the region to list Hezbollah as a terrorist organization.

I thank you for your attention, and I very much look forward to your questions.

[The prepared statement of Mr. Ottolenghi follows:]

PREPARED STATEMENT OF EMANUELE OTTOLENGHI

CONGRESSIONAL TESTIMONY: FOUNDATION FOR DEFENSE OF DEMOCRACIES

Senate Foreign Relations Committee
Subcommittee on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights, and Global Women's Issues

Emerging External Influences in the Western Hemisphere

DR. EMANUELE OTTOLENGHI

Senior Fellow
Foundation for Defense of Democracies

Washington, DC
May 10, 2017

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Emanuele Ottolenghi May 10, 2017

INTRODUCTION

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

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

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

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

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

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

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

IRAN'S MISSIONARY NETWORK

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

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

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

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

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

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

The Origins of the Network

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

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

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

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

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

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

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

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

[3] "Al Mustafa University, Iran's global network of Islamic schools," *Iranian American Forum,* April 12, 2016. (http://iranian-americans.com/irans-export-of-islamic-fundamentalism-al-mustafa-global-training-centers-2/); Iranian-American Forum, "Iran's export of Islamic fundamentalism: Al Mustafa global training centers," *YouTube*, April 3, 2015. (https://www.youtube.com/watch?v=-FOFUWzWGuw)

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

[5] Rabbani claims that publishing efforts began around 2002. See Mouhadi, Mohammad Mehdi, "۷۰۰ میلیون اسپانیولی زبان چشم انتظار روحانیت شیعه (700 Million Spanish Speakers Await The Shi'a Clergy)," *Hawzah News Agency*, November 4, 2015. (http://hawzahnews.com/detail/News/361236)

[6] Mouhadi, Mohammad Mehdi, "۷۰۰ میلیون اسپانیولی زبان چشم انتظار روحانیت شیعه (700 Million Spanish Speakers Await The Shi'a Clergy)," *Hawzah News Agency*, November 4, 2015. (http://hawzahnews.com/detail/News/361236)

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

Sheikh Taleb al-Khazraji

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

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

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

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

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

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

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

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

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

and regularly hosts high-profile visitors from Iran and from among Lebanon's Shi'a clergy to his institutions.[13]

Abdul Karim Paz

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

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

Sheij Ali Qomi

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

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[13] Sheikh Taleb Hussein al-Khazraji, *Facebook*, June 8, 2015. (https://www.facebook.com/TalebKhazraji/photos/a.1389633647968536.1073741827.1389592864639281/1580567742208458/?type=3&theater)

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

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

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

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

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

[19] "تشرف ۶۷ تازه مسلمان آمریکای لاتین به حرم مطهر رضوی
(67 newly converted Muslims come to worship at Reza Shrine)" *ABNA* (Iran), March 7, 2017. (http://fa.abna24.com/news/716922_ابنای-شهرستان-ها/تشرف-۶۷-تازه-مسلمان-آمریکای-لاتین-به-حرم-مطهر-رضوی.html)

[20] "Un Viaje con musulmanes latinos (A Trip with Latino Muslims)," *HispanTV* (Iran), June 7, 2016. (http://www.hispantv.com/showprogram/un-viaje-con-musulmanes-latinos/242)

[21] "El Cristianismo en Latinoamérica" (Christianity in Latin America)," *IBNA* (Iran), August 28, 2013. (http://www.ibna.ir/es/doc/report/178152/el-cristianismo-en-latinoam%C3%A9rica)

[22] Images are available upon request.

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

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

Edgardo Ruben Suhail Assad

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

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

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[23] "Las Charlas del Sheij Qomi (Lectures of Sheikh Qomi)," *IVoox*, accessed May 4, 2017. (https://www.ivoox.com/podcast-charlas-del-sheij-qomi_sq_f1176942_1.html)

[24] ""El Cristianismo en Latinoamérica" (Christianity in Latin America)," *IBNA* (Iran), August 28, 2013. (http://www.ibna.ir/es/doc/report/178152/el-cristianismo-en-latinoam%C3%A9rica)

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

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

[27] *Iran's Strategic Penetration of Latin America,* Eds. Ilan Berman and Joseph Humire, (Lexington Books, 2014). (https://books.google.com/books?id=oqDYBAAAQBAJ&pg=PA36&lpg=PA36&dq=edgardo+suhail+assad&source=bl&ots=k74qx0Wkno&sig=HZVqEjlbGerSv8_ucoIxV30wImQ&hl=en&sa=X&ved=0ahUKEwidut7f89bTAhWGQyYKHfkGCEI4ChDoAQgwMAI#v=onepage&q=edgardo%20suhail%20assad&f=false)

[28] Information accessed from Transcription of Interview with Soheil Assad from September 28, 2016. Transcription available upon request.

[29] Information accessed from Transcription of Interview with Soheil Assad from September 28, 2016. Transcription available upon request.

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

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

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

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

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

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

[32] *Iran's Strategic Penetration of Latin America,* Eds. Ilan Berman and Joseph Humire, (Lexington Books, 2014). (https://books.google.com/books?id=oqDYBAAAQBAJ&pg=PA36&lpg=PA36&dq=edgardo+suhail+assad&source=bl&ots=k74qx0Wkno&sig=HZVqEjlbGerSv8_ucoIxV30wImQ&hl=en&sa=X&ved=0ahUKEwidut7f89bTAhWGQyYKHfkGCEI4ChDoAQgwMAI#v=onepage&q=edgardo%20suhail%20assad&f=false)

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

[34] "Islam Basico, (Basic Islam)," *Comunidad Islamica de Chile* (Chile), accessed May 8, 2017. (http://www.islam.cl/islam-basico/)

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

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

[37] HispanTV, "Latinos en Iran (Latinos in Iran)," *YouTube*, February 24, 2014. (https://www.youtube.com/watch?v=I8BkFAPXZOE&t=94s)

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

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

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

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

HEZBOLLAH'S GROWING THREAT AS A TRANSNATIONAL CRIMINAL ORGANIZATION

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

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

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

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

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

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

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

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

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

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

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[39] John F. Kelly, "Posture Statement," *Posture Statement before the 114th Congress Senate Armed Services Committee,* March 12, 2015. (http://www.defenseinnovationmarketplace.mil/resources/SOUTHCOM_POSTURE_STATEMENT_FINAL_2015.pdf)

[40] Conversation with the author, Brazil-Paraguay border, November 9, 2016.

dollars, raises roughly a tenth of that in Paraguay."[41] A 2009 RAND study estimated the amount of money raised mainly in the TBA at double that amount: $20 million.[42] Assuming these assessments are accurate, Hezbollah's remittances from Latin America, especially the TBA, have doubled in the 2004-2009 period.

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

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

HEZBOLLAH'S IMPUNITY IN LATIN AMERICA: THE CASE OF UNENFORCED U.S. SANCTIONS

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

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

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

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[41] 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)

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

[43] 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/)

[44] 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)

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

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

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

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

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

I. Sobhi Mahmoud Fayad

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

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

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

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

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

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

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

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

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

II. Bilal Mohsen Wehbe

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

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[48] Facebook photos show Sobhi Fayad flying from Foz do Iguaçu to São Paulo, 29 August 2016: Sobhi Fayad, *Facebook*, August 29, 2016. (https://www.facebook.com/photo.php?fbid=1180631028626251&set=pb.100000380942311.-2207520000.1473973571.&type=3&theater)

[49] Sobhi Fayad, *Facebook*, accessed May 5, 2017. (https://www.facebook.com/sobhif1/places_recent)

[50] Sobhi Fayad, *Facebook*, August 30, 2016. (https://www.facebook.com/sobhif1/posts/1181410128548341?pnref=story).

[51] Sobhi Fayad, *Facebook*, September 3, 2016. (https://www.facebook.com/sobhif1/posts/1184034418285912?pnref=story)

[52] Sobhi Fayad, *Facebook*, November 28, 2015. (https://www.facebook.com/photo.php?fbid=1015351825154173&set=pb.100000380942311.-2207520000.1474041934.&type=3&theater)

[53] Sobhi Fayad, *Facebook*, November 24, 2015. (https://www.facebook.com/photo.php?fbid=1015442808478408&set=pb.100000380942311.-2207520000.1493994894.&type=3&size=960%2C720)

[54] 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)

[55] Lecture at the Brazilian Association of Islamic Charity, May 2, 2017. Bilal Wehbe, Facebook, May 2, 2017. (https://www.facebook.com/100001550997469/videos/vb.100001550997469/1423895684338784/?type=2&theater)

[56] Bilal Wehbe, *Facebook*, March 23, 2015. (https://www.facebook.com/photo.php?fbid=871182302943461&set=pb.100001550997469.-2207520000.1473430163.&type=3&theater); Arresala, *Flickr*, "Sua Eminencia Seyyed Hassan Khomeini no Centro Islamico no Brasil Junho/2015 (Our Eminence Seyyed Hassan Khomeini at Islamic Center of Brazil on June 2015)." (https://www.flickr.com/photos/arresala/albums/72157654222225772)

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

III. Hatem Barakat

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

IV. Hamze Ahmad Barakat

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

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[57] Arresala – Centro Islamico do Brasil, *Flickr,* February 3, 2017. (https://www.flickr.com/photos/arresala/32745076245/in/photostream/)

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

[59] Hatem Barakat, *Facebook*, accessed September 13, 2016. (https://www.facebook.com/profile.php?id=100008314491434&sk=about)

[60] Infornet Princesa, *Facebook,* March 13, 2013. (https://www.facebook.com/InfornetPrincesa/photos/a.148099262011675.33296.147243702097231/162926040528997/?type=3&theater); Infornet Princesa, *Facebook*, January 30, 2013. (https://www.facebook.com/InfornetPrincesa/photos/a.148099262011675.33296.147243702097231/149452198543048/?type=3&theater); Infornet Princesa, *Facebook*, January 28, 2013. (https://www.facebook.com/InfornetPrincesa/photos/a.147997282021873.33264.147243702097231/147997285355206/?type=1&theater)

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

[62] Hamze Ahmad Barakat, *Facebook*, accessed September 13, 2016. (https://www.facebook.com/goldshoescalcadosxv); Hamze Barakat, *Facebook*, accessed September 13, 2016. (https://www.facebook.com/profile.php?id=100003744833939); Hamze Barakat, *Facebook*, September 13, 2016. (https://www.facebook.com/profile.php?id=100004543359651); Hamze Barakat, *Facebook*, accessed September 13, 2016. (https://www.facebook.com/hamze.barakat.779); Hamze Barakat, *Facebook*, accessed September 13, 2016. (https://www.facebook.com/hamze.barakat.77)

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

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

V. Mohammad Tarabain Chamas

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

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

Business card of Mohammad Tarabain listed as administrator of Galeria Conquistador from June 2016 with Kemel Tarabain.[71]

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[64] "Hamze Ahmad Barakat," *ConsultaSocio.com* (Brazil), accessed September 19, 2016. (http://www.consultasocio.com/q/sa/hamze-ahmad-barakat)

[65] "H.H. Yassine & Cia Ltda." *Find the Company*, accessed September 19, 2016. (http://publicacoes.findthecompany.com.br/l/148455018/H-H-Yassine-And-Cia-Ltda-em-Curitiba-PR)

[66] "Gold Shoes," *CPNJ Brasil*, accessed September 19, 2016. (http://www.cnpjbrasil.com/e/cnpj/gold-shoes/09391146000180)

[67] 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)

[68] Paraguay Gabinete Civil de la Presidencia, "Gaceta Oficial de la República del Paraguay (Official Gazette of the Republic of Paraguay), February 23, 2006. (http://www.gacetaoficial.gov.py/uploads/pdf/2014/2014-02-14/gaceta_2240_HIEGDIIAEBKGKKHBIDAFFJAFCIGHGGKCDDJHBGIF.pdf)

[69] "Cars Estacionamento | Mohamed Tarabain Chamas – Me," *CPNJ Info* (Brazil), accessed September 15, 2016. (http://cnpj.info/CARS-ESTACIONAMENTO-MOHAMED-TARABAIN-CHAMAS-ME-Tr-Julio-Pasa-74-Foz-Do-Iguacu-PR-85851370ALiCC)

[70] Emanuele Ottolenghi, "What Netanyahu should ask Paraguay's president," *The Jerusalem Post* (Israel), July 17, 2016. (http://www.jpost.com/Opinion/The-question-Netanyahu-should-raise-to-visiting-president-of-Paraguay-460664)

[71] Image was received from confidential source.

VI. Mohammad Fayez Barakat

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

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

Mohammad Fayez Barakat, guest of honor and featured speaker at the November 2016 Embassy of Lebanon Independence Day reception in Asuncion.[74]

[72] 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)

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

[74] Photo obtained from a local source.

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

VII. Galeria Pagé AKA Galeria Uniamerica

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

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

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

[76] "Seprelad confirma "operaciones sospechosas" de empresario libanes (Seprelad confirms "suspicious operations" of Lebanese businessman)," *ABC Color* (Paraguay), November 30, 2008. (http://www.abc.com.py/edicion-impresa/policiales/seprelad-confirma-operaciones-sospechosas-de-empresario-libanes-1125542.html)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[88] Based on conversations with the author.

HEZBOLLAH'S INVOLVEMENT IN THE ILLICIT TOBACCO TRADE

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

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

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

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

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

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[89] Israel Ministry of Health, "דו"ח שר הבריאות על העישון בישראל 2015 (Report of the Minister of Health on Smoking in Israel)," May 2016, page 134

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

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

[92] Elizabeth Allen, "The Illicit Trade in Tobacco Products and How to Tackle It," *The International Tax and Investment Center*, accessed May 6, 2017. (http://iticnet.org/images/The%20Illicit%20Trade%20in%20Tobacco%20Products%20and%20How%20to%20Tackle%20It%20-%20Second%20Edition2.pdf)

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

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

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

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

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

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

HEZBOLLAH'S DRUG TRAFFICKING

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

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

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

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

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

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

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

[102] 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)

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

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

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

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

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

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[104] "Interagency Cooperation on Tri-Border Area," *WikiLeaks Cable: 07Asuncion688_a,* August 20, 2007. (https://wikileaks.org/plusd/cables/07ASUNCION688_a.html)

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

[106] U.S. Department of the Treasury, Press Release, "Recent OFAC Actions," June 1, 2006. (https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20060601.aspx)

[107] "Libanés cae con 500 kilos de cocaína en aeropuerto Guaraní (Lebanese caught with 500 kilos of cocaine in Guarani airport)," *La Nacion* (Argentina), August 19, 2016. (http://www.lanacion.com.py/2016/08/19/cocaina-aeropuerto-guarani-minga-guazu/)

[108] Daniel Gallo, "Acopiaban más de 80 toneladas de precursores a metros de la frontera (Collected more than 80 tons of precursors a few meters from the border)," *La Nacion* (Argentina), July 25, 2016. (http://www.lanacion.com.ar/1921575-acopiaban-mas-de-80-toneladas-de-precursores-a-metros-de-la-frontera)

[109] "Libanés cae con 500 kilos de cocaína en aeropuerto Guaraní (Lebanese caught with 500 kilos of cocaine at the Guarani Airport)," *La Nacion* (Paraguay), August 19, 2016. (http://www.lanacion.com.py/2016/08/19/cocaina-aeropuerto-guarani-minga-guazu/)

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

[111] "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)

[112] Images can be shared upon request.

Soleimani, Iran's Islamic Revolutionary Guards Corp's Quds Force commander, on the front lines in Syria.[113]

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

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

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

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[113] Information obtained from local source. Video available on request.
[114] Zulma Caceres, Facebook, accessed March 27, 2017.
(https://www.facebook.com/zulma.caceres?fref=pb&hc_location=friends_tab)
[115] Information obtained from local source.
[116] Ömer Erdem, "Eroin çetesi kıskıvrak!. (Heroin gang is cornered)," *Yasam* (Turkey), accessed May 8, 2017.
(http://www.milliyet.com.tr/2001/03/26/yasam/yas07.html)
[117] "Salto del Guaira: Confiscan cargamento de 25.000 kg de billetes venezolanos (Salto del Guaira: Cargo of 25,000 KG of Venezuelan bills confiscated)," *ABC Color* (Paraguay), February 13, 2017.
(http://www.abc.com.py/730am/notas/salto-del-guaira-confiscan-cargamento-de-25000-kg-de-billetes-venezolanos-1564620.html)
[118] "SENAD, Incauto Armas y Municiones en Saltos del Guaira (SENAD aprehended arms and munitions in Salto del Guaira)," *SENAD Comunicación* (Paraguay), March 13, 2010.
(http://senadcomunicacion.blogspot.com/2010/03/senad-incauto-armas-y-municiones-en.html)
[119] "Venezuela's 100-Bolivar note withdrawal causes chaos," *BBC* (United Kingdom), December 17, 2016.
(http://www.bbc.com/news/world-latin-america-38339479)
[120] Henry Pierson Curtis, "Secret Service Tracks Mystery of Fake Fortune," *Orlando Sentinel*, March 1, 2003.
(http://articles.orlandosentinel.com/2003-03-01/news/0303010421_1_counterfeit-currency-secret-service-counterfeit-100-bills); Jonathan Franklin, "'Counterfeiting is an art': Peruvian gang of master fabricators churns out $100 bills," *The Guardian* (United Kingdom), March 31, 2016.
(https://www.theguardian.com/world/2016/mar/31/counterfeiting-peruvian-gang-fabricating-fake-100-bills)
[121] "Paraguay Seizes 25 Tons of Venezuela Currency," *Insight Crime*, February 14, 2017.
(http://www.insightcrime.org/news-briefs/paraguay-seizes-25-tons-of-venezuela-currency)

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

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

There may be connections to human trafficking as well.

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

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

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[122] "Bolívares incautados se ofrecían en mercado negro de ciudad paraguaya (Bolivars seized on black market in Paraguayan city)," *Noticiero Digital* (Spain), February 14, 2017. (http://www.noticierodigital.com/forum/viewtopic.php?t=60099); U.S. Department of the Treasury, Press Release, "Treasury Designates Islamic Extremist, Two Companies Supporting Hizballah in Tri-Border Area," June 10, 2004. (https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx); U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay," December 6, 2006. (https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx)

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

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

[125] Information obtained from local source.

[126] Recording of the speech obtained from local source.

[127] "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)

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

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

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

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

RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

In addition, the administration should consider the following:

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

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

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

Senator RUBIO. Thank you very much, with one second on the clock. Excellent.

Just as a reminder to members, the minority, as is their right under our rules, has invoked the two-hour rule, so we will have to conclude this hearing at 11:30. So we are going to chop through it fairly quickly here, but I think we will have plenty of time.

Mr. Farnsworth, thank you.

STATEMENT OF ERIC FARNSWORTH, VICE PRESIDENT, COUNCIL OF THE AMERICAS, WASHINGTON, DC

Mr. FARNSWORTH. Mr. Chairman, thank you, Mr. Ranking Member, thank you for the invitation to appear before you.

Let me also upfront thank you for your leadership on addressing the most salient issues in the hemisphere, including Venezuela, which is a humanitarian crisis developing before our eyes. So thank you for your leadership in highlighting those issues.

As requested, I will address the issue of China in the Americas.

Let me give you, if I may, the bottom line first. China's entrance into the Americas has been one of the most significant developments of hemispheric affairs in this century. While there are other important developments such as populist governance, which may be on the way out, China's engagement is, if anything, intensifying.

China's dramatic economic rise has necessitated new commercial and economic partners worldwide. This has broad implications particularly for the commodities-producing nations in South America. Nations such as Brazil, Chile, and Peru count China as their top trade partner. China's the second largest trade partner of Argentina, Colombia, and others.

This has helped a number of nations to diversify their trade relations, proving beneficial, for example, during the global economic crisis of 2009. But because the Chinese approach to date has been overtly mercantilistic, it has also negatively impacted regional producers who now face supercharged competition in manufactured products while weighting the balance toward the production of primary goods just when Latin America is looking to move up the value chain.

China's activities on the investment side are also having an impact, particularly in sectors including energy, mining, and agriculture, where China feels the need to lock in access to supplies which sustain its economy. Of particular interest is energy, where China is an active participant most recently in the deep water off the Gulf of Mexico but also from Argentina to Venezuela and virtually every regional energy producer in between.

Increasingly, China is also looking to expand its regional investment portfolio with a heightened focus on infrastructure development.

Mr. Ranking Member, as you mentioned, this is not necessarily a security threat per se to the United States, although it does change the competitive framework; and it does have broader implications for U.S. policy interests, particularly as China looks to dominate industries that will increasingly form the backbone of the global economy, including artificial intelligence, cloud computing, and clean energy.

The Chinese investment model differs from others. To oversimplify, Chinese entities often pay a premium above market value for purchases in order to lock in assets. Once an investment is confirmed, Western investment values of job creation on the local economy, technology and management transfer, corporate governance, respect for labor rights, environmental protection, anticorruption, and corporate social responsibility are not necessarily priorities.

There are larger implications as well. Progress in Latin America to solidify democratic governance has been uneven but generally

positive. It is unquestionably in the U.S. interest to support these efforts. China's entry into the Americas has complicated this agenda.

For example, efforts to promote labor and environmental reforms through sound business practices and formal trade agreements are undermined when nations sign agreements with China that do not include similar provisions, and Chinese businesses are not expected to operate necessarily under the same prevailing conditions.

Multilateral lending agencies, like the World Bank, IMF, and Inter-American Development Bank that promote financial reforms and good governance, become less relevant if borrowing nations can receive funds from China or Chinese-led institutions without conditionality.

China's huge purchases of commodities and the provision of credits on favorable terms allow regional leaders the flexibility to postpone necessary economic and policy reforms consistent with open market, democratic governance, or to take actions that even harm democracy itself. They can also embolden anti-American leaders.

The best example, of course, is Venezuela, which today is in the midst of a humanitarian crisis. The so-called Bolivarian Revolution has been enabled at least in part and until recently by high oil prices as well as plentiful external financing from sources other than the United States and traditional international financial institutions. Financial support from China of well in excess of $50 billion, according to some estimates, has allowed the Venezuelan regime to accelerate its antidemocratic repressive course.

At the same time, China's vision for the region is expanding. While engagement heretofore has primarily been economic and educational, such as language training through exchanges and its regional Confucius Institutes, there are indications that political and security considerations, especially on cyber issues, are also growing in importance.

China issued its latest policy paper on Latin America and the Caribbean on November 24, 2016, which is a serious and ambitious effort to strengthen ties with the region from trade and economic development to space cooperation, to health care and global epidemics, and global governance.

This means that the United States must do a better job contending for the region. We need a more strategic approach based on the values that we hold dear and that we share with the majority of citizens across the Americas.

Let me put this as succinctly as I can: The street protesters in Venezuela who seek outside support to end repression and restore democracy do not write their banners in Chinese or Russian or Persian. Protesters against the Castro regime do not fly the Chinese or Russian or Iranian flags during May Day parades.

The example of the United States remains powerful for the citizens of the Americas. That is, so long as we do not forget that the promotion of our traditional values supports rather than undermines U.S. national security efforts, and we work to promote them.

In many cases, Latin Americans and others prefer the United States as a more natural partner than China. But as is often said, you cannot beat something with nothing. China is playing a multidimensional game. The United States should seek to compete on

the playing field of greatest advantage to us, namely democratic governance and meeting the common aspirations of the people of the region.

Meanwhile, we would also do well to reactivate an ambitious economic partnership agenda for the hemisphere focusing on, among other things, energy and agriculture, as well as the rule of law and anticorruption.

We also need to reconsider the regional paradigm, frankly, that limits actions to the lowest common denominator as a means to achieve regional consensus on most issues, which has become essentially a straightjacket to U.S. policy implementation.

Broadly speaking, a reenergized approach to the region, in my view, is required.

Mr. Chairman, thank you again for the opportunity, and I look forward to your questions.

[The prepared statement of Mr. Farnsworth follows:]

PREPARED STATEMENT OF ERIC FARNSWORTH

Good morning, Chairman Rubio, Ranking Member Menendez, and Members of the Subcommittee. It is a privilege to appear before you again today. Let me also thank you, up front, for your strong, bipartisan leadership to promote hemispheric democracy and to address the worsening political, economic, and humanitarian crisis created by the Chavista regime in Venezuela.

As you know, the Council of the Americas ("Council") is a leading policy voice on Latin America, the Caribbean, and Canada. For over 50 years, our mandate has been to promote democracy, open markets, and the rule of law throughout the Americas.

Thank you for the invitation to appear before you to discuss the very important topic of emerging external influences in the Western Hemisphere. As requested, I will address the issue of China in the Americas.

CHINA'S PRESENCE IN THE AMERICAS IS RECENT BUT ALREADY WELL ESTABLISHED

Mr. Chairman and Mr. Ranking Member, let me give you the bottom line first: China's entrance into the Americas has, in my view, been one of the most significant developments in hemispheric affairs this century. And, while other important developments such as the siren call of populist governance may be on the wane, China's engagement is, if anything, intensifying.

China's dramatic economic rise has necessitated new commercial and economic partners worldwide, to procure the raw materials needed to fuel China's domestic growth while opening new markets abroad both to sell finished products and also to invest significant dollar and other international hard currency reserves. This has broad implications particularly for the commodities producing nations of South America, which have benefited from sales to China and other developing markets. Nations such as Brazil, Chile, and Peru count China as their top trade partner; China is the second largest trade partner of Argentina, Colombia, and others. This has helped a number of nations to diversify their trade relations, proving beneficial, for example, during the global economic crisis of 2009. But because the Chinese approach to date has been overtly mercantilistic, it has also negatively impacted regional producers who now face supercharged competition in manufactured products from China, while weighting the balance toward the production of primary goods just when Latin America is looking to advance upward along the value chain.

China's activities in Latin America on the investment side are also having an impact. In the first instance, some of the promised investment has not yet materialized, leading to unmet expectations. Still, investment is flowing and it is increasing, particularly in those commodities sectors including energy, mining, and agriculture, where China feels the need to lock in access to supplies which sustain its economy. Of particular interest is energy, where China is an active participant, most recently in the deep water of the Gulf of Mexico, but also from Argentina to Venezuela and virtually every regional energy producer in between. China is also looking to expand its regional investment portfolio with an increasing focus on infrastructure development.

ALL INVESTMENTS ARE NOT MADE EQUAL

This is not at this point a security threat *per se* to the United States, although it does change the competitive framework for investors and it does have broader implications for U.S. policy interests particularly as China looks to dominate industries that will increasingly form the backbone of the global economy, including artificial intelligence, cloud computing, and clean energy.

The Chinese investment model differs from others. To oversimplify, Chinese entities often pay a premium above market value for purchases, in order to lock in assets. Once an investment is confirmed, Western investment values of job creation on the local economy, technology and management transfer, corporate governance, respect for labor rights, environmental protection, anti-corruption, and corporate social responsibility are not necessarily priorities. This can unfairly put U.S. and other companies at a disadvantage by lowering the costs of Chinese production vis-á-vis the competition.

But there are larger implications, as well. Since the end of the Cold War, Latin America has worked diligently to promote democratic governance. Progress has been uneven but generally positive; it is unquestionably in the U.S. interest to support these efforts. Open market democracies that broadly share values tend to make the best long-term partners of the United States in the promotion of shared interests. China's entry into the Americas has complicated this effort, not just in the conduct of business but also in the conduct of foreign policy.

CHANGING THE CALCULUS FOR POLICY IMPLEMENTATION

For example, efforts to promote labor and environmental reforms through sound business practices and formal trade agreements are undermined when nations sign agreements with China that do not include similar provisions, and Chinese businesses are not expected to operate under the same prevailing conditions. Multilateral lending agencies like the World Bank, IMF, and Inter-American Development Bank that promote financial reforms and good governance become less relevant if borrowing nations can receive funds from China or Chinese-led institutions without conditionality. China's huge purchases of commodities and the provision of credits on favorable terms allows regional leaders the flexibility to postpone necessary economic and policy reforms consistent with open market, democratic governance, or to take actions that harm democracy itself. It also emboldens anti-American leaders to pursue policies at home and across the region contrary to U.S. interests.

The best example is Venezuela, which today is in the midst of humanitarian crisis. While it is clearly the responsibility of Hugo Chavez and the course that he and his followers including Nicolas Maduro have set, nonetheless the so-called Bolivarian Revolution has been enabled, at least until recently, by high oil prices as well as plentiful external financing from sources other than the United States and traditional international financial institutions. Financial support from China of well over $50 billion, according to some estimates, has allowed the regime to accelerate its anti-democratic, repressive course.

At the same time, China's vision for the region is expanding. The upcoming May 14–15 Belt and Road Initiative meeting is just the latest high level diplomatic initiative that will include Latin America; at the APEC meetings last November in Lima, Peru, which I attended, China's leader Xi Jinpeng went beyond the usual methodical courting of the region by publicly laying out a strategic approach to Latin America that, if fully realized, would position China as a new guarantor of open markets and international governance in the Asia-Pacific region. During the November visit, Xi strongly supported renewed progress toward the long-stalled Free Trade Area of the Asia Pacific, an initiative until recently subsumed by the now-shelved Trans-Pacific Partnership, he worked to build momentum toward the Beijing-led Regional Comprehensive Economic Partnership which is a roadmap for trade and economic linkage within Asia that excludes the United States, and he offered the Asian Infrastructure Investment Bank as a partner for infrastructure and other initiatives in Latin America, adding to pre-existing Brazilian membership in the BRICS Bank. In addition to his State Visit to Peru, he also declared Ecuador and Chile to be "comprehensive strategic partners" of China. Soon after, on November 24, 2016, China issued its latest Policy Paper on Latin America and the Caribbean, a serious and ambitious effort to strengthen ties with the region from trade and economic development to space cooperation to healthcare and global epidemics to global governance.

A COMPETITIVE COMMERCIAL ENVIRONMENT CALLS FOR A MORE STRATEGIC APPROACH

China's interest in the Americas will continue to develop rapidly, as it has since the beginning of the century. And, while China's engagement heretofore has pri-

marily been economic and educational, such as Chinese language training through exchanges and also its regional Confucius Institutes, there are indications that political and security considerations, especially on cyber issues, are also growing in importance. This means that the United States must do a better job contending for the region. We need a more strategic approach based on the values that we hold dear and that we share with a majority of citizens across the Americas. Let me put this as succinctly as I can: the street protesters in Venezuela who seek outside support to end repression and restore democracy do not write their banners in Chinese or Russian or Persian. Protesters against the Castro regime do not fly the Chinese or Russian or Iranian flags during May Day parades. The example of the United States remains powerful for the citizens of oppressive regimes in the Americas. That is, so long as we do not forget that the promotion of our traditional values supports rather than undermines U.S. national security efforts and we work to promote them.

THE UNITED STATES REMAINS THE PREFERRED REGIONAL PARTNER

In many cases Latin Americans and others prefer the United States as a more natural partner than China, given history, economic opportunity, geography, culture, language, and values, but circumstances going forward will dictate policies and actions. As is often said, you can't beat something with nothing. The APEC meetings in Lima clearly showed that strategic economic and political re-evaluation if not realignment is underway. China is playing a multi-dimensional game. That is even more reason why we should seek to compete on the playing field of greatest advantage to us, namely, democratic governance and meeting the common aspirations of the people of the region. And we should not be shy about speaking out on principle when required, ideally with the coordination and support of regional allies and also the Organization of American States.

Meanwhile, the United States would also do well to deepen further not alienate our economic relations with Canada and Mexico, nations that engage in common business practices with the United States and Europe, as partners in the promotion of a common agenda that share common values. More broadly, we also need to reactivate an ambitious economic partnership agenda for the hemisphere. Rethinking U.S. support for the Trans-Pacific Partnership gives us an opportunity now to reenvision a strategic initiative for the Americas, not just Asia. Initiatives would include stronger emphasis on energy and agriculture partnership, as well as the rule of law and anti-corruption. We also need to reconsider the regional paradigm that limits actions to the lowest common denominator as a means to achieve regional consensus on any issue, a paradigm that has become more of a straightjacket to U.S. policy implementation. And, we need to build on previous bi-partisan successes, including movement toward full and lasting peace in Colombia, and also a more effective approach to addressing the deep security, economic, and social concerns in Central America while maintaining security commitments to Mexico and the Caribbean.

The battle for the soul of Latin America continues. If anything, the United States is potentially better positioned than we have been for some time given recent changes in regional governance and the decreasing allure of populism. But China's entrance into the Americas has changed the game. The United States must engage in a positive, pro-active manner to offer the region a vision for cooperation consistent with our values. A re-energized approach to the region is required.

Mr. Chairman, thank you again for the opportunity to testify before you this afternoon. I look forward to your questions.

Senator RUBIO. Thank you, Mr. Farnsworth. You have shamed yourself here today. You went a minute over. The doctor was a second under. Of course, I am joking.

Again, I thank you both for your testimony. I am going to defer to the ranking member.

Let me just say I am glad that Senator Gardner is here. He has numerous responsibilities today. He has been a leader on the issues of the Asia-Pacific region. What is interesting is the interplay between the Asia-Pacific region and the Western Hemisphere, in particular with China. So I know he has another meeting he has to get to, but his presence here today shows how all these things are interlinked.

The ranking member.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you both for your testimony. There are so many avenues here to pursue.

I know that listening to you, Mr. Farnsworth, about China, it sounds like we are in a competition in economics. I get that, but in some respects, whether purposely or not, China's engagement in investments are more nefarious, in my mind. For example, they do not observe the Foreign Corrupt Practices Act, which American companies do. And in that reality, as well as in giving money without conditionality, it changes the dynamics of what we want to see countries do in the hemisphere, so that while I have always been an advocate for American business and investment in our hemisphere, in the interests of U.S. businesses and the jobs that are created from them and the profit that can be derived, I also have always viewed a corollary to that is the better business practices that U.S. businesses bring, the preserving of the Foreign Corrupt Practices Act, in essence, all of those elements of good governance, in a sense, that they contribute in the countries that they engage in. China does not really care about that.

So when we are competing with the Chinese in the hemisphere, the challenge is not just, in my mind, an economic one, but it is the influence that they extend undermining the very essence of principles that we want to see countries build.

Is that a fair concern?

Mr. FARNSWORTH. Thank you for the question. I think that is a keen observation. I would say that is not the intent of Chinese investment into the Western Hemisphere. I mean, their intent is to, in some cases, deploy the massive reserves of foreign capital that they have and to put it to productive use, whether it is in Latin America or Africa or East Asia or what have you.

That is legitimate, but the implications of that are, Mr. Ranking Member, as you implied. So what we are seeing across Latin America is, in countries with strong institutions, we see a recognition that sometimes the investment might look good on paper but the implications for some of the values of Latin Americans that we hold dear as well can be undermined. So you are seeing some pushback. You are seeing some legislation. You are seeing some recognition that all investment is not created equal.

You are also seeing the Chinese, in my view, move up the learning curve. They recognize that Latin America is different from other parts of the world and that there are expectations along the lines that you are indicating. So it is an evolving process.

Senator MENENDEZ. It is challenging when you want to have the Inter-American Development Bank and the World Bank promoting some critical core values in governance and rule of law opportunities as well as economic development. If I have to live with the burden of this and I can have this without the burden, human nature is it is going to go to the least consequential response. I look at this, and I look at it in a combination of different ways.

Why does China, and for that fact Russia, make huge investments in a country like Venezuela who clearly is on a huge downward spiral economically, as well as in terms of civil unrest and human rights and democracy of its people?

Senator Rubio and I recently sent a letter to the Treasury Department about Russia's state-owned oil company Rosneft's stake in Venezuela's state-owned oil company, PDVSA. But China has also provided financial support to Venezuela, as you mentioned in your remarks.

So when you see a country that is ultimately taking its most significant national asset, which is its oil, to PDVSA, sells nearly 50 percent of it, potentially, to Russia, to Rosneft, if it defaults, Rosneft will own 49.9 percent plus whatever they purchase on the open market, which very well could lead to a 50, 51 percent ownership. And they own Citgo in the United States of America, which has very significant oil infrastructure in our country. And then that is just the Russian side. Now the Chinese come in and invest a lot of money.

Other than raw material, are there other concerns that we should have? I invite either one of you to make a comment about that.

Mr. FARNSWORTH. Let me just make a brief comment, and then if my colleague would care to as well.

I think the China and Russia situation is different.

China, because of its own domestic issues, has been looking worldwide to find and procure guaranteed access to natural resources wherever they are, and Venezuela has the world's largest supply of oil. So, by definition, China is going to be interested in that and has been playing a long game in Venezuela.

I do not think that China is particularly enamored with the leadership in Venezuela. In fact, I think that they would prefer something different, but they are not there for political purposes. They are there for natural resources, just like they are in other countries in Latin America for similar purposes.

One of the things that we found is that the Chinese investors do not really care that much about the governments in the countries that they are operating in, so long as they are allowed to do business and so long as they are allowed to get the upside from that that they are looking for.

From the perspective of, what does that mean? Well, it means they have invested a whole lot of money in the country that they may not get back but they have amortized that against future deliveries of oil.

So from the Venezuelan regime, it makes a lot of sense, because they get the money up front. They spend it for their own political purposes. And then they give the bill to a later generation of Venezuelans, and it is all good for them. So it is a marriage of convenience.

Senator MENENDEZ. I worry about the continued—when the bill comes due——

Mr. FARNSWORTH. Absolutely.

Senator MENENDEZ.—and Maduro is not in power anymore, what China will demand of the future governance of the country.

Mr. FARNSWORTH. I think that is fair.

Senator MENENDEZ. I have more questions, but I will wait. Thank you.

Senator RUBIO. Senator Gardner?

Senator GARDNER. Thank you, Mr. Chairman.

Senator Rubio and Senator Menendez have been leaders on this issue, and I thank you for the partnerships we have been able to forge as it relates to China and other activities around the globe.

China has provided Venezuela with over $60 billion in financing over the past decade—you have talked about that—most recently a $2.2 billion loan for oil development in November 2016. News events talk about involvement of fake news in Europe, elections, hacking, the United States, Russia's involvement in placing news stories in the United States.

To what extent does the Chinese Government participate in those kinds of activities in South America, Venezuela in particular, providing either antidemocratic government assistance, any signs of that in what you see, and how the U.S. can play a role in pushing back?

Mr. FARNSWORTH. I personally do not see that. China has a very robust global effort in terms of media and in terms of news. I personally have not seen an overt effort to promote, for example, the Maduro regime in Venezuela.

Again, from my perspective, China's interests in the region have primarily been economic. In fact, what they have tried to do assiduously is to stay away from the politics of the region because they do not want to get wrapped up in it. That is not why they are there. They are there to do business and benefit themselves.

At some point, that bleeds into politics. We have been talking about that a little bit, but that overt engagement is something that, from my perspective, they try to avoid.

Dr. OTTOLENGHI. If I may add, sir, the actor that is perhaps most actively involved in Venezuela and also elsewhere in Latin America in promoting strident antidemocratic values and a very militant anti-American rhetoric and posture is the Islamic Republic of Iran. And for the Islamic Republic of Iran, Venezuela is perhaps the closest ally alongside Evo Morales of Bolivia in Latin America.

It is Iran's forward operating base. It is the place where the Iranian missionary network really has begun building its own infrastructure. It is the place where the Iranian regime launched its Spanish-language propaganda network, Hispan TV, in 2012. That network shares a considerable amount of human resources, starting from journalists and production material, with TeleSUR, which is the Venezuelan equivalent.

Some of that propaganda spills over into other areas of the world. There is clear evidence of connections between the Spanish propaganda network for Latin America and its use in Spain, so that is a bridge into Europe.

Therefore, I think from an ideological perspective, the focus of concern should really be Iran.

Senator GARDNER. Thank you. Admiral Kurt Tidd, the Commander of SOUTHCOM, stated in SOUTHCOM's 2017 posture statement to Congress that China, and I quote, "cooperates with Latin America on space, potential nuclear power projects, and telecommunication networks, which could pose security concerns to the United States."

Could you talk a little bit about Admiral Tidd's comments?

Mr. FARNSWORTH. He is accurate, and China is not shy about saying that. In their most recent policy paper toward Latin Amer-

ica, which was released late last year in November, space cooperation was clearly one of the aspects of priority.

Latin America, in some ways, sees this as good for themselves. It transfers technology. It gives them the opportunity to participate in some of these issues.

Again, I think we have to see what the real intent is there. The question of cooperation toward technology and toward space exploration is, on its face, potentially dual-use. But I think we have to recognize where that may or may not be going.

So, yes, it is a very open part of their strategy. And if you look at what the Chinese have laid out very publicly, it is a comprehensive approach to Latin America.

Now not all of the commitments that China has made over recent years have come to pass, particularly announcements of multibillion dollars of investment. You get the news reports and you get the media, but those investments do not always necessarily flow. So we have to see what actions follow these words.

To the extent that it does become dual-use and becomes a threat to the United States, we certainly have to be aware of that.

Senator GARDNER. Dr. Ottolenghi, if you would like to comment?

Dr. OTTOLENGHI. The only thing that I would like to add, again, in relation to Iran, is, of course, especially during the sanctions era and perhaps at the height of the Venezuelan-Iran bilateral relation with the late Chavez and the former President Ahmadinejad of Iran in power, and their very close relationship, Venezuela was used by Iran not just for sanction evasion in the financial sector but also for joint projects in the missile program.

These projects, as far as I am concerned and as far as I can tell, are still ongoing. Their relationship is not just economic and ideological. There is obviously a clear component of military and technological cooperation, which should continue to be monitored.

Senator GARDNER. Dr. Ottolenghi, in terms of the sanctions lifting under the Iran nuclear deal, what kind of uptick did you see in that activity in Venezuela?

Dr. OTTOLENGHI. It is interesting to see that during the entire duration of the Rouhani presidency, while the negotiations were ongoing, you did not have the same level of bilateral visits and delegations from Venezuela to Iran and, more importantly, from Iran to Venezuela occurring at the same speed and seniority you saw during Ahmadinejad.

That combined with the fact that the volume of trade between Iran and Latin American countries, and the fruition of a lot of the projects that were signed during that era did not happen, was interpreted as a sign that Iran's interest in the region may be waning or perhaps that the failure of all those ambitious projects to come to fruition indicated a disenchantment by Latin American leadership towards the Iranians.

I see a very different picture. First of all, since the agreement was signed, you have seen important visits by President Rouhani, by Foreign Minister Zarif to the region. Beneath the surface, the amount of formal diplomatic relations and also what you could call nongovernmental relations that, in those countries are really sort of driven by the regime through nonofficial means, have continued at pace.

We see a continuation of investment by Iran in the region. We see a continuation of dedication of resources by the Iranian regime in the ideological struggle, in the export of the revolution. They see a priority in the region to flip countries to their side. We see the transfer of funds and political support to anti-American movements in the region, and certainly the continued partnership with Bolivarian regimes and anti-American regimes.

So I think that the overall assessment is that the infrastructure the Iranians created during the sanctions era and the infrastructure that Hezbollah continues to develop, particularly its partnership with organized crime, are there and are being leveraged as need be.

Senator GARDNER. Thank you.

Thank you, Mr. Chairman.

Senator RUBIO. Thank you.

I have a quick meeting to attend to in the anteroom, so I know Senator Menendez, the ranking member, has a couple additional questions. I am going to turn it over to him, but I am not leaving. I will be back.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. I am not going to ask unanimous consent for anything.

Senator RUBIO. Objection.

[Laughter.]

Senator MENENDEZ. I have a question. I know neither of you are Russia experts, but maybe you can shed light or thoughts.

Russia's recent actions in Nicaragua, as reported in the Washington Post last month, the article cites a number of officials who think that this new ground tracking station ultimately is to be used to increase Russian influence or surveillance of Americans and/or the United States. Do you have any insights into that? Any perceptions?

Mr. Farnsworth.

Mr. FARNSWORTH. Thank you for the question. I also saw the report, and I suppose that is certainly a possibility. I do not have access to the intelligence, which I think would probably paint a clearer picture.

From my perspective, the Russian engagement in Latin America, since the Cold War but until now, has essentially been tactical and it has been a way to promote, particularly in the arms industry, arms sales and the procurement of hard currency. A lot of what was sold to Venezuela was clearly not for Venezuelan military interests. They do not need any of that material except to impress their own citizens. But the Russians are very happy to sell it because it brings hard currency to industries that they want it to support.

We have seen a lot of that. It did not seem to have much of a political component. To the extent that there is a benefit to the regime in Venezuela, okay, they probably are reasonably happy about that. But what we may be seeing a little bit more of now is a more robust presence of Russia into the region. It is hard to speculate on what the purpose of that may be.

But from my perspective, I do not necessarily see it because they want to return to the Cold War or have Latin America as their

chief allies, but rather, frankly, to annoy the United States and to keep track on some of the things we may be doing because of what they perceive us to be doing in some of the countries around them and in Europe. So it is a way to kind of play part of the global chess game with Latin America, again, as the playing field.

Senator MENENDEZ. That is interesting. I hope it is only that. An annoyance is an annoyance.

By the same token, I wonder what Ortega is thinking about when he has an MCC agreement with the United States that has served Nicaragua well, to be inviting the Russians in for a monitoring and tracking station. I do not think it is for other neighbors in the hemisphere except for the United States.

So it makes me wonder whether or not sometimes, whether it be China, whether it be Russia, whether it be Iran, that the way in which they seek to use their economic influence is far different than the way we seem to. We seem to be pretty up and up in the way in which we use our influence. But they seem not necessarily to care about those elements of using their influence.

I sometimes get concerned that, in our desire to have good governance and rule of law, which I am a big supporter of, human rights, democracy, that we do not use, in pursuit of those goals, our economic levers sufficiently enough to engage countries, because I would be looking at Ortega, if there is a new compact to be reviewed or the conditions of this compact, and say, what are you doing?

Would that be an unfair use of American power?

Mr. FARNSWORTH. I do not think it is unfair at all. I think it is entirely within our rights to take a look at how we are spending our money, our taxpayer money.

Senator MENENDEZ. Dr. Ottolenghi, last question, do you see the concerns that you have raised as it relates to Iran, Hezbollah, and related entities as a foothold? Or do you see a greater regional ambition? And if you see a greater regional ambition, do you see the work being laid, the foundation being laid, to fulfill that greater regional ambition?

Dr. OTTOLENGHI. Thank you for your question, which is a very important one. I do see both points playing out. The networks that Hezbollah is building, developing, expanding, enhancing in Latin America serve mainly the purpose of maintaining the loyalty of expatriate communities there on the one hand, and provide steady flows of financial support for its operations back home.

So there is, of course, a political dimension there to ensure that the local powers that be will leave this operation in place, will not try to dismantle them, will not interfere with them.

There is a concerted effort to use the money that these networks yield to buy political influence and to ensure impunity. That, of course, has an impact on the quality of governance in the specific countries.

There is also a broader design when it comes to Iran. That is Iran views the entire region as a place where American influence can be pushed back and rolled over. They believe and they have always believed the operation that the Iranians mounted in Latin American began in the early days of the Iranian Revolution.

The first envoy that was dispatched for this purpose came to Buenos Aires in 1982, and the idea was that Latin America is a fertile ground for the export of the revolution because there are both governments and movements which are wedded to a similar political agenda of diminishing U.S. influence in the region, of fighting Western imperialism, as they call it. The Iranians viewed that perhaps as the most promising area for the export of the revolution.

At some point in the process, they also realized that they could somehow expand and export not just revolutionary values but their faith as a vector to fulfill the revolutionary ideals of Latin America.

So in a way, they repackaged the Shia iconic founding figure of Hussain as an Islamic variant of Che Guevara and built a whole panoply of tools to promote this idea and to actually recruit people to their cause.

This is a four-decade-long project that is ongoing. There is actually literature produced by the people involved that says Latin America is a continent that, 500 years ago, was conquered by the Catholic religion in less than a century through violence and conquest at times. We can do it too.

So I think the design there, the project, is a lot broader. It is strategic. And the target is to push back American influence in the region and export the values of the Iranian Revolution.

Senator RUBIO. Thank you.

So as a continuation here, unless any other members appear, we will spend the next 20 minutes pretty much off the clock back and forth here on a dialogue and go from there.

Senator Menendez may need to go somewhere. But if he is here, I am more than happy for him to jump in.

We have a lot of topics to cover. I want to start particularly with Venezuela. We talked a lot about outside actors. If you look at their financial situation, their debt service, which they have a real problem making, the financing, their ability to make those payments appears to be coming from three sources at this point. One is private banks, whether it is an investment bank or a broad multinational. The hope there is that we can make and send a very clear message to these banks that they are active participants in funding repression when they conduct that sort of financial transaction.

But the other are state actors—Russia and China. I think both of these nations, despite their interests in creating a foothold in the hemisphere, also want to get paid. They want their money back. They do not view this as a gift. They view it as a loan that gives them influence, but they want their money back. Particularly in the case of Russia, they cannot afford to be making loans that do not get paid back. In the case of China, I have found that nothing offends them more than the loss of face, and to basically be making bad loans that do not get paid back is a face-losing embarrassment.

How would you advise members of the Senate and the Congress about articulating that message, because here is the bottom line: China and Russia are lending the Maduro regime money that is never going to be paid back. They are never going to get that money back.

I understand that the hope of shaming them into not funding a repressive regime, that standard is probably too high to meet in

the case of Russia and China. But I do think they understand not getting paid back.

So how would you best argue to them? Or what is the best strategy that you would advise us on moving forward to let both of those nations know that not only is this something that affects our bilateral relationship with them but they are not going to get paid? I mean, these guys simply do not have the funds and the resources to pay them, and they are going to eventually default one way or the other, and they are going to get stuck with this bill.

Mr. FARNSWORTH. If I may, Mr. Chairman, I think this is a fundamental question that you have hit on. This is why I keep saying that China's fundamental or primary interest in the Western Hemisphere is pragmatic. They want what they need to fuel their own economy. They are not that interested in the politics of the country in which they are engaged, so long as they are able to do business. Part of doing business is getting paid, obviously, just as you have articulated.

So from the perspective of an outside observer, I think, first of all, the United States—certainly the Senate but also the executive branch—should be in active dialogue right now with China, and I have been urging this for a long time, that China has a huge interest in Venezuela for precisely the purposes you have said, and to bring China into the discussion of not just debt repayment but what comes after the Maduro regime, because from my perspective, the best workout plan that you are going to be able to get for international creditors for Venezuela will be with an opposition that is in power, that is democratically elected, and that is sustainable and has the authority of the Venezuelan people to meet its debts.

Now it is unclear whether they will be able to meet all their debts. There may be a haircut that is required. Who knows? That is down the road.

But from my perspective, I would work with the Chinese to say, look, let's work this out together. But the current path is unsustainable. So the earlier that we have free and fair elections in Venezuela, the earlier that we have the political prisoners released, the earlier that there is a sustainable government in place, the better prospects we together have for getting paid.

Now I think the Russian scenario is different, as we have discussed. I think they do have more of an interest in terms of the government in power, but they have also a different debt profile with reference to Venezuela, and it is less of the official loans and it is more direct engagement in the energy sector.

But to me, the most viable outcome for economic gain of debtors is a viable, democratically-elected government in Venezuela, and we do not have that right now.

Senator RUBIO. Doctor.

Dr. OTTOLENGHI. Thank you, Mr. Chairman. I do have an additional point to make with regard to Iran in Venezuela, rather.

During the sanctions era, Iran used Venezuela as a money-laundering place, as a place to evade sanctions. The entities that Iran created with Venezuela jointly for this purpose were delisted under the nuclear agreement. I think that gives us leverage because the Iranians do not have any desire to see entities relisted. That is

something that could be used as a threat to diminish their involvement.

The second point that I would make is that, of course, the Venezuelan regime has plundered its own natural resources in partnership with Iran and others by using these tools, and it is also getting revenues by increasingly becoming involved with drug cartels. The revenues from those illicit activities that we have seen in the case of Vice President El Aissami end up often in the financial system of the United States.

So here you have additional leverage going after these assets, going after more individuals in the Venezuelan regime involved in this type of illicit activities on the side, going after entities that the Iranians have created, including joint ventures in the industrial sector as sanctionable activities that support the Maduro regime and are complicit in the repression inside the country.

Senator RUBIO. As an additional point on this topic, we are talking about external factors from outside the Western Hemisphere, but these are somehow interrelated also within the Western Hemisphere.

In the case of Venezuela, one of the external actors within Venezuela is the Government of Cuba, which has both provided sort of expertise and personnel on the intelligence, passport, internal security side and also all sorts of logistical support on intelligence and the like. One of the phenomena that has emerged from that is the so-called colectivos, or these citizen militias, for lack of a better term, who, in many cases, are well-armed and sometimes actually undertaking much of the repression that is now going on.

I think there is a broader conversation to have about what happens down the road even when those groups spin out of control. In essence, there will come a point when those groups establish, if they have not done so already, an independent character independent of state control so that Maduro cannot even control them anymore or tell them, even if he wanted to tell them to stop, he would not be able to. You could foresee a conflict between these groups and, for example, the national guard.

But in the interim, when you have a bunch of well-armed individuals in the street, they also need to make a living. When the Venezuelan Government is no longer able to pay them to conduct repression, then what happens? Then these groups turn to illicit means. You now have well-armed individuals who perhaps initially entered this for purposes of money and/or ideology who now understand how to use weapons, how to conduct violence, and are looking forward a revenue source, and the experience of that in the hemisphere has been they turn to illicit activities such as drugs and trafficking and the like.

Further complicating it is the possession of sophisticated weaponry. For example, there is a Miami Herald article from the 24th of April this year. It talks about the Venezuelan Government's decision to arm civilians to defend the country's socialist revolution is rekindling fears of terrorist and criminal organizations acquiring part of the nation's arsenal, which includes a large stockpile of shoulder-fired surface-to-air missiles.

I would say that we may not view this as an external factor per se. It is something that an external actor, be it a transnational

criminal group or an international terrorist organization looking to buy such weaponry, could take advantage of, and perhaps is a topic that is unfair because it is an emerging topic and one that neither one of you perhaps has spent a tremendous amount of time on. But your initial impressions about whether that is something that is speculative or the existence of a large amount of weaponry in the hands of individuals looking to make a buck, isn't that always a recipe for disaster in terms of whether it is an outside actor coming in and buying them or those groups using it to fund other activities, to conduct other sorts of activities within the region?

Mr. FARNSWORTH. Mr. Chairman, I do not think that is an idle concern at all. I think that is a very real concern.

In fact, it is precisely the phenomenon we saw in Central America coming out of the civil wars in the 1980s and early 1990s.

You had peace processes. You had peace accords. But you also had a number of generally young men with no marketable skills except the ability to pull a trigger and live on the local economy. Once they could not find jobs in 1995, 1996, 1997, many of them began to turn to gangs and began to turn to crime to sustain themselves.

As we know, Central America right now is wracked with some of the highest criminal rates certainly in the hemisphere but even worldwide. This is a real problem that we are all wrestling with now in terms of financial support and other things to try to help resolve that issue.

That developed out of the peace accords that were not necessarily fully implemented but, nonetheless, even to the extent they were implemented, did not touch all of the combatants and provide a way to make a living in the legal economy. So that is not an idle concern at all.

The other issue that I would mention, you brought Cuba into the conversation. I think that is precisely right. It is fascinating to me how many of the people who are so quick to condemn the possibility that the United States might do anything on Venezuela as interventionism then are precisely the same people who turn a blind eye to what Cuba has clearly been doing in Venezuela now since President Chavez was elected at the end of the last century. So that is a double standard that I wish did not exist, but I think you are right to point it out.

Dr. OTTOLENGHI. If I may just add, Mr. Chairman, watching the dramatic images of repression that come through social media from Venezuela, I cannot help but see the similarity in the images with the repression we saw in 2009 right after the fraudulent elections in Iran that brought Ahmadinejad to his second term.

The militias that you refer to do not only benefit from training by the Cubans, but they seem to follow the model of the Basij popular militias that Iran has created as a kind of passive defense, a popular defense army in the country, which is designed specifically to counter and put down civil opposition, organized civil opposition.

In Iran, it worked very well, and part of the reason why the Iranians have advised the Chavez and then the Maduro regimes on this issue is that they know how to put down a revolution because they successfully produced one in their own time. I think that that highlights the problem of the external interference you have, but

it should also invite some measures well short of the kind of interventionism that America often unfairly is accused of, namely to, again, use economic warfare against those in Iran and perhaps in other places closer to home such as Cuba that are dispatching military advisers that are providing the weaponry and the financial resources to make these militias operate.

Senator RUBIO. So we have about 9 minutes left before turning into pumpkins. So let me try to cover three quick topics. They are all important.

The first is, when we speak about Iran, one of the things people do not realize is part of their statecraft is asymmetry—in essence, the asymmetrical ability to attack the United States. Both of you alluded to it in your testimony.

What that means, for people who may not be aware of the terminology, is they are not going to try to build 10 aircraft carriers. What they are going to try to do is to have cells or groups, friendly and under their direction, throughout the world who, in the case of conflict with the United States or the West, could conduct attacks in the homeland. Obviously, the Iranian regular army or even the Quds Force cannot transplant 10,000 fighters to come into somewhere in the United States and fight us, but they could potentially flip a switch and give the signal for groups they have implanted in the region and throughout the world to attack us.

One of the places where we are concerned that would occur is here in the Western Hemisphere where individuals and/or cells and capacities, be it through safehouses or the like, have accumulated either weaponry or explosives or both, and personnel with the capacity that at a moment of conflict could conduct attacks against the United States and/or its interests in the region, potentially in the homeland benefiting from visa-free travel to attack us.

That is something we do not talk about nearly enough, but that remains a threat that we should be vigilant of.

Perhaps both of you could comment on that briefly, so in the 8 minutes we have left we can get to the other two.

Dr. OTTOLENGHI. Thank you for your question. It is a very important point.

Again, I would like to refer to a case I discussed more extensively in my written statement of a recent arrest in Paraguay of a suspect Hezbollah trafficker. The individual in question was arrested a month ago. He is in custody. In addition to being a drug trafficker, it turns out he was accredited by the local ministry of immigration as a mediator to facilitate applications for permanent residency and citizenship, which is fairly easy to obtain through a small investment to begin with.

The rumor from sources down there is that this individual was involved in as little as 500 and possibly many more applications throughout the years by Lebanese men, mostly, coming from South Lebanon to reside permanently and to get involved in business locally along the frontier between Paraguay and Brazil, which is, of course, a hub for illicit funds for Hezbollah.

So here is the concern. The concern is that the networks that are in place, which could help the Iranian asymmetric model you described, are actually bringing in people more and more through the

lax immigration rules in South America. These people are in place. They are building infrastructure.

Over time, they acquire citizenship, which makes it easier for them to apply for a visa and come into the United States. They are using the status they have gained already to develop money-laundering networks, sometimes building companies, establishing companies here in the United States and using the financial system here.

But they are also there to provide the logistical infrastructure support when Iran decides that such terrorist actions are called for, to provide the local support network for cells that come from Iran or from Lebanon in order to carry out these attacks.

So the danger is very much there, and it should require additional attention from the U.S.

Senator RUBIO. Just in the interest of time, because I have to limit it to one more topic, but it is one I talked about in my opening statement, and that is Trinidad, which by far has the largest per capita contribution to ISIS of foreign fighters of any Nation in the Western Hemisphere. It is actually a startling number—125 for a nation whose population is just a percentage, a small percentage of ours.

In the United States, you have 240 times their population, and yet they have about half as many ISIS fighters. So it is just significant per capita, and you do not hear a lot of discussion about this.

But the concern, of course, is that these individuals would return back to Trinidad and, at some point, are a 3-hour flight away from South Florida where I live in my home State, but also the mainland of the United States.

So I know that the risk of radicalization in Trinidad is not new. In fact, I believe it was a radicalized group that led a coup there in the 1990s, if I am not mistaken, the early 1990s. But how has that evolved? Is it getting enough attention beyond a couple articles? And is it your view that the Trinidad Government understands the threat posed by this and is prepared to work with us to confront it?

Dr. OTTOLENGHI. I am not entirely familiar with the situation specific to Trinidad. I do see, however, the broader picture across the region where, on the one hand Iran, and on the other hand radical Sunni movements, both backed by states and otherwise, are actually conducting a very aggressive drive to radicalize, to convert, and to recruit.

We see the presence of radical Sunni preachers from Mexico all the way down to the Southern Cone. Equally for that Iranians, they are probably competing for recruits. But the phenomenon is very much there and is underreported.

And I think that governments in Latin America, perhaps for a lack of understanding, capacity, are not treating the problem seriously enough. There is plenty of open source evidence of radical preachers flying in from Qatar, from the Gulf, from Iran straight into Latin America. There are direct flights now from the Gulf into Latin America.

They come. They preach. There is plenty of evidence of radicalization in local mosques. And they come back.

I assume that Trinidad and Tobago, the problem is the same. And because it is such a small nation with limited resources for governance, their capacity to confront this problem, even if there is political will, is limited. So help building capacity I think is a key component of what U.S. policy should be.

Mr. FARNSWORTH. Mr. Chairman, only two quick things, if I may.

The first is to thank you again for your leadership on these issues. It is tremendously important, and it is noticed, and it is very much appreciated, so thank you.

The second is, with that specific reference to Trinidad, this is an issue I think—there is an issue of cyber that, if we look forward in terms of emerging potential threats for the region, and we bring in Russia and other countries like that, to the extent that there are political interests that can be manipulated in the electoral process, et cetera, that is something I would encourage people to give increasing attention to because, as we go down the road, we have seen what has happened in Europe, et cetera. This is a potential for mischief-making in Latin America to the extent people are so inclined.

Senator RUBIO. That is an interesting point because many of these countries, unlike the United States, have centralized voting systems. People do not realize we have over 9,000 separate jurisdictions that conduct elections at the county level primarily.

In many countries around the world, and certainly in the Western Hemisphere, the elections are conducted by a central entity. The council votes for the whole country. So you do not need to hack 9,000 or the strategic parts of the 9,000 infrastructure in terms of the United States. You can very much do it—and that is just on the hacking front not to mention the influence part.

We appreciate both of your testimony. I apologize. There are probably other topics we could have touched on. We have this situation here today where the 2-hour rule has been invoked, so that would end our hearing here any moment now. I do not know what happens, but I guess if we get 1 minute past, I may go to jail or something. I do not know, at least Senate jail.

But I appreciate both of your willingness to come here today and talk about this topic. I wish it got more attention. I hope it will get more attention. As I said yesterday, and you were there, Mr. Farnsworth, that I think in many ways the Western Hemisphere is an answer, not a problem.

Today, we talked about some of the challenges in the region, but this committee spends a lot of time talking about the opportunities. I hope we will spend more time.

The record for this hearing is going to remain open for 48 hours. You may receive a written question from some of the members who were not able to attend. If you can, we ask you to answer so it can be part of our record for future consideration.

Senator RUBIO. With that, I thank you both, and the members who came, and this hearing is adjourned.

[Whereupon, at 11:30 a.m., the hearing was adjourned.]

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