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IRAN IN THE WESTERN HEMISPHERE

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

AND THE

SUBCOMMITTEE ON
THE MIDDLE EAST AND SOUTH ASIA

AND THE

SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION AND TRADE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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IRAN IN THE WESTERN HEMISPHERE

TUESDAY, OCTOBER 27, 2009,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE
WESTERN HEMISPHERE,
SUBCOMMITTEE ON THE MIDDLE EAST
AND SOUTH ASIA, AND
SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION AND TRADE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:15 p.m. in room 2172, Rayburn House Office Building, Hon. Eliot Engel (chairman of the Subcommittee on the Western Hemisphere) presiding.

Mr. ACKERMAN [presiding]. The subcommittees will come to order. Today we have a meeting of the three subcommittees meeting jointly, the Subcommittee on Western Hemisphere, the Subcommittee on the Middle East and South Asia and the Subcommittee on Terrorism, Nonproliferation and Trade. First, I want to thank my friend, Mr. Engel, for organizing today's trilateral hearing on Iran's activities in the Western Hemisphere, and thank Chairman Sherman for also bringing his subcommittee to the table. Chairman Engel is on his way and I just wanted to get started so that we didn't keep everybody waiting.

I don't think it takes a lot of convincing to make the case that Tehran's goals in our part of the world are not benign. The Ayatollah's foreign policy has always been simple, a good offense is the best defense. We see this vividly in the Middle East where Iran has built up Hezbollah and Hamas to create chaos and terror, and, most importantly, to drive events away from Iran and to create a deferent; likewise, in Iraq, where Iran has stroked the fires of sectarianism with arms, money and political support, all in the hopes of keeping Iraq far straight.

Iran's strategy in Afghanistan is much the same with Iranian military aid even going to the Shia hating Taliban, all in an effort to prevent the United States and our allies from bringing order and stability to Afghanistan. In each case, Iran seeks to maximize its gains by betting on insurgents, terrorists and militants hoping that their allies will either take over the body of politics, or by murder and intimidation seize an important or even dominant position in the political system over the long term.

What should worry all of us is Iran's intention to establish the same capability in this hemisphere. It is a heads, I win, tails, you lose, strategy and it has worked remarkably well for a remarkably

low cost. Every year the State Department reports on sponsors of terrorism and describes in remarkable detail the extent of Iran's activities to create chaos, turmoil and crisis around the world. Ever since 1979, Iran makes threats, supports diversion and dispenses military assistance to terrorists at war with their own or other governments, and every year, the international community does absolutely nothing whatsoever.

As a major oil producer in a volatile region, the world has decided to minimize the significance of Iranian misbehavior. While Israel is routinely condemned in the United Nations for defending itself against aggression and terror, Iran, which is actively making trouble, or developing, or sustaining the ability to do so in Afghanistan, Iraq, Lebanon, Egypt, Kuwait, Bahrain, Yemen, Morocco, faces not a single word of censure. As a feat of diplomacy, it is really quite remarkable. When considered in the light of Iran's steady march toward acquiring nuclear capabilities, which is in clear contravention of both Iran's NPT obligations and three mandates from the U.N. Security Council, Iran's success at avoiding punishment is altogether astonishing.

Iran has gone untouched for two reasons. First, by supporting Hamas and Hezbollah, Tehran has effectively co-opted the Palestinian cause, which, due to the salience of the issue and the political weakness of the Arab states, effectively neuters the entire Arab league, and with the Arabs goes the organization of the Islamic conference. It is not that states with strong ties to the United States, like Saudi Arabia, Egypt, Indonesia or Pakistan think Iran is undeserving of censure. The governments of each of these countries are well aware that Iran is the greatest threat to both peace and stability in the Middle East and to the international nuclear nonproliferation regime.

The problem is that the governments of every one of these countries are absolutely petrified of the price that they would pay in public opinion if they acknowledge these convictions publicly. Second, Iran has tapped effectively into the lingering hostility borne of the anticolonial struggles of the last century. Over time, appeals to fight against the United States in the west may have less resonance in a world where colonial dominance is more of an abstraction than a memory. In the present, anticolonialism still delivers the goods diplomatically for Iran and has given Iran entry into the Western Hemisphere.

The fact that Iran is seeking hegemony over the Middle East and that in June it effectively went to war against its own people has apparently done nothing to diminish Iran's credibility with some of the developing nations in this part of the world. We are not going to be able to constrain Iran until we understand the full scope of its ambitions and begin to work in a truly comprehensive manner to constrain, counter and defeat those ambitions. Today's hearing on Iran and their activities in the Western Hemisphere is thus extremely important. We will turn next to the ranking member, Mr. Mack.

[The prepared statement of Mr. Ackerman follows:]

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REPUBLICAN CHIEF COUNSEL

October 27, 2009

"Iran in the Western Hemisphere"
Rep. Gary L. Ackerman, Chairman
House Subcommittee on the Middle East and South Asia

I want to thank my friend Mr. Engel for organizing today's trilateral hearing on Iran's activities in the Western Hemisphere. I don't think it takes a lot of convincing to make the case that Tehran's goals in our part of world are not benign. The ayatollahs' foreign policy has always been simple: a good offense is the best defense.

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In each case, Iran seeks to maximize its gains by betting on insurgents, terrorists and militants, hoping that their allies will either take over the body politic, or by murder and intimidation, seize an important or even a dominant position in the political system over the long term. What should worry all of us is Iran's intentions to establish the same capabilities in this hemisphere.

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Second, Iran has, tapped effectively into the lingering hostility born of the anti-colonial struggles of the last century. Over time, appeals to fight against the United States and the West may have less resonance in a world where colonial domination is more of an abstraction than a memory. But in the present, anti-colonialism still delivers the goods diplomatically for Iran, and has given Iran entrée into the Western Hemisphere. The fact that Iran is seeking hegemony over the Middle East, and that in June it effectively went to war against its own people, has apparently done nothing to diminish Iran's credibility with some of the developing nations in this part of the world.

We are not going to be able to constrain Iran until we understand the full scope of its ambitions, and begin to work in a truly comprehensive manner to constrain, counter and defeat those ambitions. Today's hearing on Iran's activities in the Western Hemisphere is thus extremely important.

###

Mr. MACK. Thank you, Mr. Chairman. I also want to thank Chairman Engel for bringing this hearing together and thank all the members who are here today as well. One of the greatest threats the hemisphere faces is the rising influence of Iran. Together with Venezuela, Iran has slowly inserted itself into our hemisphere. Today's hearing will address some of these concerns. Mr. Chairman, where Ahmadinejad goes, so does trouble. Take Honduras, for example. When I was in Honduras and met with President Micheletti, he was clear. Honduras will no longer side with Ahmadinejad. Under Zelaya's leadership and Chavez' influence, Zelaya was moving Honduras close to Iran.

Zelaya and Chavez, together with their friend Ahmadinejad, created conditions that had allowed anti-Semitism to foster. Mr. Chairman, the shocking comments of Zelaya supporters are unacceptable. Using the Jewish community as scapegoats is something we have seen in Venezuela. First, we have Chavez and Zelaya claiming that Israelis were behind Zelaya's removal, and then Israelis were trying to kill Zelaya. Then we had Radio Globo, a staunch supporter of Zelaya. The anti-Semitism of Zelaya's supporters is so egregious that I would rather not say it here and

today, Mr. Chairman. This wave of anti-Semitism cannot be tolerated. Of course in Venezuela this is nothing new.

We all have heard the reports: Synagogues being attacked and state companies printing anti-Semitic propaganda. I actually want to commend some of our witnesses today for speaking out against anti-Semitism in Venezuela. The AGC showed true leadership when it spoke out against Chavez. Just as the AGC has done, we in Congress must make sure the world knows what is happening in the Jewish community in Venezuela. I urge my colleagues to join my resolution, H. Con. Res. 124, and express support for the Jewish community in Venezuela. Mr. Chairman, when it comes to Iran and the Western Hemisphere, Venezuela is where all the dots connect.

Many of us already know how close Chavez is to Ahmadinejad. This close bond has created dangerous conditions in our hemisphere. Hezbollah operating in Latin America, flights from Tehran to Caracas and no checks whatsoever, Iranian banks operating with Venezuelan banks, a bank link that has one sole purpose, to avoid sanctions and fund terrorists. Now we have reports of a scientist selling nuclear information to Venezuela. Just a few weeks ago, Chavez and Ahmadinejad met to strengthen their relationship. At the top of the agenda was how to get uranium and how to help Iran of aid sanctions.

Mr. Chairman, I was a vocal critic of the Bush administration and their hands off approach of Hugo Chavez. I believe that by failing to confront Chavez we have left a vacuum. The Obama administration must take the dangers of Hugo Chavez seriously. We must confront Chavez and Ahmadinejad and not wait until it is too late. Today, in a bipartisan manner, I introduced a resolution with my good friend, Congressman Klein, who just stepped out, that calls on the administration to designate Venezuela as a state sponsor of terrorism. Venezuela is a danger that cannot be overlooked, Mr. Chairman.

I would like to conclude with Brazil. Reports tell us that Ahmadinejad and the President of Brazil are set to hold a summit this November in Brazil. Additionally, my understanding is that Lula intends to visit Iran next year. As may of us know, Brazil was the first country to recognize the most recent elections in Iran, elections which I believe were neither fair nor free. Brazil is clearly a leader in this hemisphere. That said, along with leadership comes responsibility. Brazil should not be following Venezuela. Instead, it should be leading. This meeting between Lula and Ahmadinejad is one that we will be paying close attention to. I call upon President Lula to put pressure on Ahmadinejad so that Iran understands that all responsible nations stand together. I urge President Lula not to take the same path as Chavez. Mr. Chairman, I look forward to the hearing today, and thank you for holding the hearing.

[The prepared statement of Mr. Mack follows:]

Opening Statement
Ranking Member Connie Mack

House Foreign Affairs Subcommittee on the Western Hemisphere

"Iran in the Western Hemisphere"
October 27, 2009

Thank you Mr. Chairman.

I want to thank you for your leadership in holding this hearing today. One of the greatest threats the hemisphere faces is the rising influence of Iran.

Together with Venezuela, Iran has slowly inserted itself in the hemisphere.

Today's hearing will address some of these concerns.

Mr. Chairman, where Ahmadinejad goes, so does trouble.

Take Honduras for example. When I was in Honduras and met with President Micheletti, he was clear; Honduras would no longer side with Ahmadinejad.

Under Zelaya's leadership and Chavez's influence, Zelaya was moving Honduras close to Iran. Zelaya and Chavez, together with their friend Ahmadinejad, created conditions that had allowed anti-Semitism to foster.

Mr. Chairman, the shocking comments of Zelaya supporters are unacceptable. Using the Jewish community as scapegoats is something we have seen in Venezuela.

First we have Chavez and Zelaya claiming that Israelis were behind Zelaya's removal. And that Israelis were trying to kill Zelaya.

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Just as the AJC has done, we in Congress must make sure the world knows what is happening to the Jewish community in Venezuela.

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Mr. Chairman, when it comes to Iran and the Western Hemisphere, Venezuela is where all the dots connect.

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This close bond has created dangerous conditions in our hemisphere.

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Mr. Chairman, I was a vocal critic of the Bush Administration in their hands-off approach to Chavez.

I believe that by failing to confront Chavez that we left a vacuum.

The Obama Administration must take the dangers of Hugo Chavez seriously. We must confront the Chavez-Ahmadinejad alliance and not wait until it's too late.

Today, in a bipartisan manner, I introduced a resolution with my good friend, Congressman Klein, that calls on the Administration to designate Venezuela as a state sponsor of terrorism.

Venezuela is a danger that cannot be overlooked Mr. Chairman

I would like to conclude with Brazil, Mr. Chairman.

Reports tell us that Ahmadinejad and Brazilian President Lula da Silva are set to hold a summit this November in Brazil. Additionally, my understanding is that Lula intends on visiting Iran next year. As many of us know, Brazil was the first country to recognize the most recent elections in Iran.

Elections which I believe were neither free or fair.

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Brazil should not be following Venezuela. Instead, it should be leading. This meeting between Lula and Ahmadinejad is one that we will be paying close attention to.

I call upon President Lula to put pressure on Ahmadinejad so that Iran understands that all responsible nations stand together. I urge President Lula not to take the same path as Chavez.

Mr. Chairman, I look forward to hearing from our witnesses today.

Thank you.

Mr. ACKERMAN. Thank you for your opening statement. We will tell Representative Klein about your shout out. Chairman Sherman?

Mr. SHERMAN. Thank you, Mr. Chairman. Iran and Hezbollah have increased their influence in Latin America since the pernicious involvement that was shown by the bombings of the Israeli embassy in Buenos Aires in 1992, and then the bombing of the Argentine Israeli Mutual Association in 1994. Since Ahmadinejad came to power in 2005, Iran has opened six new Latin American embassies, specifically, Colombia, Nicaragua, Chile, Ecuador, Uruguay and Bolivia, adding to the embassies already in Cuba, Argentina, Brazil, Mexico and Venezuela. This hearing is an opportunity to examine our ongoing efforts to counter this influence and to isolate those who support terrorism.

Iran has used its petrodollar windfall—or at least the illusion that it may be willing to actually spend its petrodollar windfall, to influence Latin American nations, including the Governments of Bolivia, Ecuador and Nicaragua. For example, Iran opened an embassy in La Paz in February 2008 and pledged more than $1 billion in assistance to Bolivia. In turn, President Morales announced his country's intention to move its only Middle East embassy from Cairo to Tehran, and Bolivia lifted visa restrictions on Iranian citizens.

In September, 2008, Iran and Ecuador signed an energy cooperation agreement. Meanwhile, President Correa, and this may or may not be linked, has refused to renew the U.S. military's 10-year lease on the air base at Manta. In May, the Ecuadorian defense minister was quoted on Iranian television as saying that his country wants to work with countries, such as Iran, that are willing to help Ecuador develop its defense industry.

In 2007, Iran promised, and I just want to emphasize this is a promise, to help fund a $350 million deep water port and to build 10,000 houses in Nicaragua. Although Iran has yet to fulfill these promises, Nicaraguan officials removed Iran from the list of countries whose citizens must get visas in advance. I want to point out that there is no visible support among the Iranian people for any expenditure of the funds of a struggling country in foreign aid to a different hemisphere, namely the Western Hemisphere.

Of greatest concern is the relationship between Iran and Venezuela which has been central to Iran's rising influence in Latin America. Presidents Chavez and Ahmadinejad have collaborated on numerous cooperative ventures worth billions.

In 2007, Presidents Chavez and Ahmadinejad announced a joint $1 billion investment fund would be set up by the two countries and would be used to finance projects in friendly developed countries. Chavez boasted it will permit us to underpin investments, above all, in countries whose governments are making efforts to liberate themselves from the so-called imperialist yoke.

Later, in 2008, an article in the Italian periodical La Stampa reported that Iran has been using Venezuelan-owned commercial aircraft to transport computers and engine components to Syria for Syria's missile program. In turn, the Iran Revolutionary Guard Corps, including its elite Al-Quds unit, has trained the Venezuelan police and secret service. Then, in April of this year, Iran and Ven-

ezuela signed a memorandum of understanding on military cooperation comprised of training and mutual exchange of military experiences.

The U.S. has responded to some degree. In October, 2008, the U.S. Treasury Office of Foreign Assets Control designated the export development bank of Iran and three affiliates, including Banco Internacional de Desarrollo, I am sorry for that mispronunciation, in Venezuela as proliferators of Iran's WMD programs. OFAC freezes any U.S. assets of these entities and prohibits any U.S. person in the United States from doing business with them.

Additionally, in February, 2008, Representative Ros-Lehtinen requested that Departments of State and Treasury investigate CITGO to determine whether a 2007 petro chemical sector agreement between the Governments of Venezuela and Iran benefits the American subsidiary, which would be a violation of the Iran Sanctions Act. I hope that we focus on the public diplomacy in Latin America. We need to remind our friends in Latin America that the United States has provided trillions in trade, billions in aid; whereas, Iran promises but, aside from making investments that are in its own interests, does almost nothing. We have to remind the people of Latin America that Iran may be involved in that continent region now, but may not be a year or two from now.

In fact, as I pointed out, Iran's involvement in Latin America has no visible support among the Iranian people. In contrast, America isn't going anywhere. We will be involved in Latin America for centuries to come. I see that my time has expired. I will use other time to comment upon Hezbollah's involvement, Hezbollah being virtually a wholly owned subsidiary of Iran. I look forward to hearing the witnesses' statements, but I will point out that not only myself, but other members of this tripartite subcommittee, will also have to go to financial services where we are writing legislation of great economic importance, so if I am not here to hear your statement, I will be reading it. I know that you have provided a written copy. Thank you.

Mr. ENGEL [presiding]. We are going to call on Mr. Royce. Before we do that, I want to thank Mr. Ackerman for filling in for me. After Mr. Royce gives his statement, I will give mine. Mr. Royce?

Mr. ROYCE. Thank you, Mr. Chairman. Let me first say I appreciate very much the fact that we are holding this hearing. We had several hearings, Mr. Sherman and myself, a few years ago when I chaired the Terrorism Subcommittee on Hezbollah's global reach, was one of the hearings that we held. That focused on the terrorism in our own hemisphere, the significant presence we have. Those of us from California know only too well about the case, for example, of Mahmoud Kourani, who was trained by Iranian intelligence, a Hezbollah terrorist who made his way over the California border in the trunk of a car and subsequently was detained and convicted here in the United States.

During these hearings I think a great deal of information was focused on the Venezuelan connection to this. During the hearing on Venezuela, terrorism hub of South America, the subcommittee heard from the State Department that said at that time forgers alter Venezuelan passports with childlike ease. Most worrisome, they said, Venezuelan Government officials direct the issuance of

documents to ineligible individuals to advance political and foreign policies agendas. Now, given growing Iran/Venezuela ties, I think that is a great concern.

One witness who is with us today, Doug Farah, will characterize Iran's relationship with governments and groups in our own hemisphere as direct and growing and it is a threat. My colleagues have mentioned specific concerns. Two Venezuelan companies sanctioned for connection to Iran's proliferation activities. Large passenger planes conducting weekly flights between Caracas and the capitol of Iran, and yet, there is no tourism between these two countries. Hugo Chavez signing a number of energy agreements on a visit to Tehran.

This year's growing threat assessment by the Director of National Intelligence noted that Chavez' growing ties to Iran, coupled with Venezuela's lax financial laws and lax border controls and widespread corruption, have created a permissive environment for Hezbollah to exploit. With Iran being a Middle Eastern country, this connection, I think, may seem odd to some, but I think history is full of oddly twinned rogues conspiring together. During my years on this committee I have been surprised, certainly, to find some of this history. In the 1980s, North Korea went into Zimbabwe and trained the fifth brigade there, trained them to slaughter and terrorize people, and in Zimbabwe I saw the after effects of some of that where citizens had been thrown down wells.

North Korea also worked more recently covertly to assist Syria in building a nuclear reactor. The IRA, of all organizations, developed connections with the PLO in the Middle East and with FARC in Latin America. So it is nothing new to have these types of connections from terrorist outfits, but we better keep our eyes on our hemisphere, and it might be harder and harder to do that because the Wall Street Journal reported last month that interviews with diplomatic officials suggest that western intelligence in this region is very, very limited. That must change.

We have to do a better job of collecting this intelligence. We don't want to find many more Mahmoud Kouranis after the fact, after they are in our country, and after they are arrested with a terrorist cell on our own soil. One strategy we could adopt to confront this threat would be to solidify our relationships with those who frankly are not that interested in Hugo Chavez' and Ahmadinejad's agenda, that frankly see an alternative to that kind of Chavez Ahmadinejad agenda. That means moving forward with free trade agreements for Colombia and Panama. They are languishing, and that is too bad. Thank you, Mr. Chairman.

Mr. ENGEL. Thank you very much, Mr. Royce. I would like to make my opening statement now. First, I want to say that I am delighted that the three subcommittees are working together on Iran in the Western Hemisphere. The jurisdiction touches on all three subcommittees. It is obviously a very important subject. Obviously, looking at the turnout today, there are a lot of people here who are interested in doing this, so I am pleased to belatedly welcome everyone to today's hearing on Iran in the Western Hemisphere. The question I seek to explore in this hearing is whether Iran's expanding presence in the Western Hemisphere is a threat

to our region or merely a nuisance. Is it only about expanded trade or is there something more nefarious going on? I believe it is both.

Many poor countries in Latin America and the Caribbean actually seek financing from oil rich Iran for development projects. Every day, it seems, I hear about another country expanding diplomatic relations with Iran or seeking greater economic contacts. In fact, trade and investment deals between Iran and Latin America now total well over $20 billion. Is Iran's expanded presence in the Western Hemisphere nothing more than an effort to earn some hard currency? I doubt it strongly. First and foremost, we must never forget the 1992 bombing of the Israeli embassy in Buenos Aires that killed 30 people, and the 1994 bombing of the AMIA building in Buenos Aires that killed 85 people.

While the perpetrators have not yet been brought to justice, the state prosecutor of Argentina concluded that the bombings were executed by Hezbollah, which is supported by Syria and sponsored by Iran. In November 2006 an Argentine judge issued arrest warrants in the AMIA case for nine persons, including Ahmad Vahidi, who recently became Iran's defense minister. Absolutely disgraceful. I would like to commend the Government of Argentina for condemning Iran's selection of Vahidi as "an insult to Argentine justice." I add my voice to President Cristina Fernandez de Kirchner of Argentina, who, in her recent speech to the U.N. General Assembly month, demanded justice on behalf of the victims of the bombings.

So the Iranian role in the region is anything but well-meaning, and this brings me to Venezuela. When President Obama went to the Summit of the Americas he shook hands with Venezuelan President Chavez and our countries have now restored their ambassadors. Unfortunately, there are few other positive things to report. President Chavez recently traveled to Iran and Syria, leading sponsors of terror in the Middle East, and alleged from Damascus that Israel had committed genocide against the Palestinians. This was a vile attack on Israel, and I immediately issued a statement condemning these offensive and absurd remarks.

I thought it was a bit strange that he would say this from Damascus, which is the headquarters of both Hezbollah and Hamas. It is just amazing. However, Venezuela's relationship with Iran is more than just an outlet for Chavez' excessive rhetoric. The Director of National Intelligence, Dennis Blair, recently said that Venezuela "is serving as a bridge to help Iran build relations with other Latin American countries." The rationale underlying the Venezuelan/Iranian connection is apparent. Both leaders, Hugo Chavez and Ahmadinejad, are not friends of the United States and seek any opportunity to denounce this country.

Concerns about the Iran/Venezuela axis run much deeper than harsh rhetoric and expanded diplomatic cover. A recent op ed in the Wall Street Journal by Manhattan's district attorney, Robert Morgenthau, raised serious concerns about the expanded financial ties between the two countries. He said "failure to act will leave open a window susceptible to money laundering by the Iranian Government, the narcotics organizations with ties to corrupt elements in the Venezuelan Government, and the terrorist organizations that Iran supports openly." In fact, in October, 2008, the U.S.

Treasury Department imposed sanctions on Iranian owned banks in Caracas.

Furthermore, a State Department report has expressed concern about weekly flights between Caracas and Tehran where passengers and cargo are not subject to proper security checks. In the wake of 9/11, for a country to have loose security procedures on international flights with Iran is simply reckless, if not downright dangerous. I am very troubled with agreements signed during President Hugo Chavez' visit to Tehran last month. According to press reports, Venezuela would invest a 10-percent stake in Iran's south parts gas projects valued at some $760 million and provide 20,000 barrels per day of refined gasoline to Iran.

While it is anyone's guess as to whether these schemes will ever be implemented, they carry potentially serious repercussions. According to the Congressional Research Service, investment in Iran's gas fields "could be sanctionable under the Iran Sanctions Act with potential ramifications for U.S.-based CITGO, a wholly owned unit of PDVSA." If the bill being marked up in the Foreign Affairs Committee tomorrow becomes law, providing refined petroleum to Iran may also trigger sanctions. While some question whether Venezuela has the ability to provide gasoline to Iran since it imports gasoline to meet its own domestic demand, President Chavez is clearly approaching a perilous area.

Iranian involvement with Latin America also has a transnational element. In 2007, while in Brazil, I visited a city called Falls de Iguazu, or Iguazu Falls. This city falls on the so-called tri-border region between Brazil, Argentina and Paraguay. It is known for lawlessness and reports of Islamic extremists and Hezbollah agents smuggling to finance their bases in Lebanon and elsewhere. The United States is working with the governments of the bordering countries in the three-plus-one arrangement where we are trying to halt the smuggling and the possibility of terror financing. I have no information about any active and operative terrorist cells in the region, but we must continue our vigilant monitoring. While I appreciate Brazilian cooperation in the tri-border region and on other issues, I am concerned about President Lula's diplomatic outreach to Iranian President Ahmadinejad.

Immediately after this summer's flawed and stolen Iranian election, President Lula said he saw nothing wrong with the election and proceeded to invite Ahmadinejad to Brazil. It is my understanding that this visit will take place in November. When Venezuela expands its relations with Iran, I may not like it, but I chalk it up to President Chavez and his altered sense of the world. When Brazil expands its ties to Iran just as the world is trying to deal with the secretive Iranian nuclear program, I am frankly left bewildered. Brazil is a rapidly modernizing country which wants to join the U.N. Security Council and be a world leader.

I truly hope Brazil reaches that point. Expanding ties to Ahmadinejad who denies the Holocaust and calls for the destruction of another nation's state, Israel, is not the way to get there. In the future, I think we have to expand our dialogue with Brazil on the dangerous role of Iran and encourage our friends in Brasilia to reconsider their ties with Tehran. So, in the end I am left with two questions: 1. What do Latin American countries hope to get out

of their relationships with Iran; and 2. What should we in the United States do about it? As to the first question, some seek money and investment, but we must remember with investment comes influence and I have serious concerns about expanded Iranian influence in the region.

As for the second question, we must increase our diplomatic engagement to better explain our views. I have long been concerned that during the previous administration we did not pay enough attention to Latin America and the Caribbean and this was at our own peril. So who came to fill the gap? Iran. I think the Obama administration is today effectively reengaging in Latin America and hopefully will be able to describe our approach in a way that the region will more readily hear. In some ways, we have tarred our own hands. We still do not have an Assistant Secretary of State for the Western Hemisphere or an ambassador to Brazil because both names are facing a hold by Senator DeMint.

Iran is making inroads into countries in the region and Ahmadinejad about to travel to Brazil, I hope that Senator DeMint rethinks his position and lifts these holds so we can more effectively engage our partners on the dangers of Iran and on the myriad of issues which confront the hemisphere. Thank you. With that, I would like to call on Mr. McCaul.

[The prepared statement of Mr. Engel follows:]

Opening Statement
Chairman Eliot L. Engel

House Foreign Affairs Subcommittee on the Western Hemisphere

Iran in the Western Hemisphere

October 27, 2009

I am pleased to welcome you to today's hearing on Iran in the Western Hemisphere. The question I seek to explore in this hearing is whether Iran's expanding presence in the Western Hemisphere is a threat to our region or is merely a nuisance. Is it only about expanded trade or is there something more nefarious going on?

I believe it is both. Many poor countries in Latin America and the Caribbean actually seek financing from oil-rich Iran for development projects. Every day, it seems I hear about another country expanding diplomatic relations with Iran or seeking greater economic contacts. In fact, trade and investment deals between Iran and Latin America now total well over $20 billion.

But, is Iran's expanded presence in the Western Hemisphere nothing more than an effort to earn some hard currency? I doubt it strongly.

First and foremost, we must never forget the 1992 bombing of the Israeli Embassy in Buenos Aires that killed 30 people and the 1994 bombing of the AMIA building in Buenos Aires that killed 85 people. While the perpetrators have not yet been brought to justice, the State Prosecutor of Argentina concluded that the bombings were executed by Hezbollah, which is supported by Syria and sponsored by Iran. In November 2006, an Argentine judge issued arrest warrants in the AMIA case for nine persons, including Ahmad Vahidi, who recently became Iran's Defense Minister.

I would like to commend the government of Argentina for condemning Iran's selection of Vahidi as "an insult to Argentine justice," and I add my voice to President Cristina Fernandez de Kirchner who, in her recent speech to the UN General Assembly month, demanded justice on behalf of the victims of the bombings.

So, the Iranian role in the region is anything but well-meaning, and this brings me to Venezuela. When President Obama went to the Summit of the Americas, he shook hands with Venezuelan President Chavez and our countries have now restored their Ambassadors. Unfortunately, there are few other positive things to report.

President Chavez recently travelled to Iran and Syria, the leading sponsors of terror in the Middle East, and alleged from Damascus that Israel had committed genocide

against the Palestinians. This was a vile attack on Israel, and I immediately issued a statement condemning these offensive and absurd remarks.

However, Venezuela's relationship with Iran is more than just an outlet for Chavez's excessive rhetoric. The Director of National Intelligence, Dennis Blair, recently said that Venezuela "is serving as a bridge to help Iran build relations with other Latin American countries." The rationale underlying the Venezuelan-Iranian connection is apparent – both leaders, Hugo Chavez and Ahmadinejad, are not friends of the United States and seek any opportunity to denounce this country.

But, concerns about the Iran-Venezuela axis run much deeper than harsh rhetoric and expanded diplomatic cover. A recent Op-Ed in The Wall Street Journal by Manhattan District Attorney Robert Morgenthau raised serious concerns about the expanded financial ties between the two countries. He said, "failure to act will leave open a window susceptible to money laundering by the Iranian government, the narcotics organizations with ties to corrupt elements in the Venezuelan government, and the terrorist organizations that Iran supports openly." In fact, in October 2008, the U.S. Treasury Department imposed sanctions on an Iranian-owned bank based in Caracas.

Further, a State Department report has expressed concern about weekly flights between Caracas and Tehran where passengers and cargo are not subject to proper security checks. In the wake of 9/11, for a country to have loose security procedures on international flights with Iran is simply reckless, if not downright dangerous.

And, I am very troubled with agreements signed during President Hugo Chávez's visit to Tehran last month. According to press reports, Venezuela would invest a 10% stake in Iran's South Pars gas project valued at some $760 million and provide 20,000 barrels per day of refined gasoline to Iran. While it is anyone's guess as to whether these schemes will ever be implemented, they carry potentially serious repercussions. According to the Congressional Research Service, investment in Iran's gas fields "could be sanctionable under the Iran Sanctions Act, with potential ramifications for U.S.-based CITGO, a wholly-owned unit of PdVSA." And, if the bill being marked up in the Foreign Affairs Committee tomorrow becomes law, providing refined petroleum to Iran may also trigger sanctions. While some question whether Venezuela has the ability to provide gasoline to Iran since it imports gasoline to meet its own domestic demand, President Chavez is clearly approaching a perilous area.

Iranian involvement with Latin America also has a transnational element. In 2007, while in Brazil, I visited a city called Foz de Iguazu, or Iguazu Falls. This city falls on the so-called "Tri-Border region" between Brazil, Argentina, and Paraguay. It is known for lawlessness and reports of Islamic extremists and Hezbollah agents smuggling to finance their bases in Lebanon and elsewhere.

The United States is working with the governments of the bordering countries in the "3 plus 1" arrangement where we are trying to halt the smuggling and the possibility

of terror financing. I have no information about any active and operative terror cells in this region, but we must continue our vigilant monitoring.

While I appreciate Brazilian cooperation in the tri-border region and on other issues, I am concerned about President Lula's diplomatic outreach to Iranian President Ahmadinejad. Immediately after this summer's flawed Iranian election, President Lula said he saw nothing wrong with the election and proceeded to invite Ahmadinejad to Brazil. It is my understanding that this visit will take place in November.

When Venezuela expands its relations with Iran, I may not like it, but I chalk it up to President Chavez and his altered sense of the world. But, when Brazil expands its ties to Iran -- just as the world is trying to deal with the secretive Iranian nuclear program -- I'm left bewildered. Brazil is a rapidly modernizing country which wants to join the UN Security Council and be a world leader. I truly hope Brazil reaches that point, but expanding ties to Ahmadinejad, who denies the Holocaust and calls for the destruction of another nation-state, Israel, is not the way to get there. In the future, I think we have to expand our dialogue with Brazil on the dangerous role of Iran and encourage our friends in Brasilia to reconsider their ties with Tehran.

In the end, I am left with two questions:

1. What do Latin American countries hope to get out their relationships with Iran?
2. What should we do about it?

As for the first question, some seek money and investment. But, we must remember with investment comes influence – and I have serious concerns about expanded Iranian influence in the region.

As for the second question, we must increase our diplomatic engagement to better explain our views. I have long been concerned that during the previous administration, we did not pay enough attention to Latin America and the Caribbean – and this was at our own peril. So, who came to fill the gap? Iran.

I think the Obama Administration is today effectively re-engaging in Latin America and hopefully will be able to describe our approach in a way that the region will more readily hear.

But, in some ways we have tied our own hands. We still do not have an Assistant Secretary of State for the Western Hemisphere or an Ambassador to Brazil because both names are facing a hold by Senator DeMint. With Iran making inroads into countries in the region and Ahmadinejad about to travel to Brazil, I hope that Senator DeMint rethinks his position and lifts his holds so we can more effectively engage our partners on the dangers of Iran and on the myriad of issues which confront the hemisphere.

Thank you and with that, I would like to call upon Western Hemisphere Subcommittee Ranking Member Connie Mack.

Mr. MCCAUL. Thank you, Mr. Chairman. I appreciate this joint hearing and the importance of it. In the interest of time, I will take a pass so we can move on and hear the testimony of the witnesses. Thank you.

Mr. ENGEL. Okay. Ms. Watson? Pass. Mr. Fortenberry?

Mr. FORTENBERRY. Thank you, Mr. Chairman. I am going to forego an opening statement as well.

Mr. ENGEL. Mr. Scott?

Mr. SCOTT Mr. Chairman, I will forego an opening statement. Thank you.

Mr. ENGEL. Okay. Mr. Green?

Mr. GREEN. Mr. Chairman, it seems like we are on a role. I will forego a statement and ask a statement be placed into the record.

Mr. ENGEL. Okay. Finally, Mr. Klein. I don't want you to be intimidated, Mr. Klein.

Mr. KLEIN. I am not going to be intimidated. I come from south Florida. I am not going to be intimidated on something like this. Thank you, Mr. Chairman. I will be brief. I want to thank you again for holding the hearing. I thank my friend Mr. Mack. He and I have been working together on resolutions and dealing with some of the threats from Venezuela and the relationships that seem to be developing with President Ahmadinejad. Obviously, we are all very concerned about the issues that have been developing in this region, and particularly with President Ahmadinejad planning on being in the region visiting Brazil, Venezuela having pledged oil and refined petroleum to Iran, the district attorney of New York stating that there are certain banking relationships that obviously have to be examined.

We need to obviously develop a comprehensive policy. At the same time, the United States continued to by significant amounts of oil from Venezuela. So I think there needs to be some reconciliation, but I think what our panel can do for us today is give us your perspective so we can understand how to best approach this. I thank the chairman.

Mr. ENGEL. Well, thank you. Well put, Mr. Klein. I am now pleased to introduce our distinguished private witnesses. Eric Farnsworth is vice president of the Council of the Americas and is no stranger to my subcommittee having given excellent testimony many times previously. Dina Siegel Vann is director of the Latino and Latin American Institute of the American Jewish Committee. She does great work, and I rely on Dina a lot. Douglas Farah is senior fellow for financial investigations and transparency at the International Assessment and Strategy Center. Welcome.

Mohsen Milani is a professor and chair of the Department of Government & International Affairs at the University of South Florida. Welcome. Last, but not least, Norman Bailey is a consulting economist at the Potomac Federation. Dr. Bailey previously testified at our Western Hemisphere Subcommittee hearing on Venezuela in July 2008. Welcome back. I thank all of you, and we will start with Mr. Farnsworth. Let me say, as I always do, that you have 5 minutes each. Could you please, it would be helpful if you could summarize your testimony and we could enter your actual statements into the record in addition to your testimony. Mr. Farnsworth?

STATEMENT OF MR. ERIC FARNSWORTH, VICE PRESIDENT, COUNCIL OF THE AMERICAS

Mr. FARNSWORTH. Thank you, Mr. Chairman, and thank you for your generous comments. Good afternoon to you and to the members of the subcommittees. If I can, I would like to give you the bottom line first. Despite worrisome trends, we are dealing with imperfect information regarding the intentions of the Iranian regime in the Americas, and therefore, in my estimation, the ultimate implications for regional security, democracy and development priorities are not entirely clear. What is clear is this: Nations that disrespect democratic principles in the Americas tend also to be nations that offer aid and comfort to global actors who reject the norms of the international system, ungoverned regions within countries offer permissive environments for mischief making, and a weak inter-American system offers little in terms of the ability to counterbalance extralegal or threatening acts.

As the ongoing crisis in Honduras shows, the first priority of the hemisphere must therefore be to strengthen democracy and the institutions of democratic governance. Although a flurry of think tank reports for the new administration ignored this central point, this is not a theoretical academic exercise. Democracy must be patiently nurtured and reinforced as a priority. It is a fundamental national security concern of the United States because healthy democracies in Latin America and the Caribbean make better partners to advance a common agenda consistent with broader U.S. national interests.

On the other hand, countries where democracy is weak, where the institutions of the state are ineffective or where democratically elected leaders have in fact curtailed democratic institutions for their own purposes have proven time and again to be the most likely portals through which unhelpful influences, such as Iran, are introduced into the region. Of course, each nation of the Americas is a sovereign, independent state. Each nation has the right to maintain relations with whomever they wish, subject to prevailing international law and practice. It is truly unfortunate, however, that any nation of the Americas would go out of its way to intensify state to state relations with Iran, a regime that has been repeatedly identified as a state sponsor of terror, as has already been mentioned, which has been directly implicated in the only examples of extra regional terrorist acts in the Americas other than 9/11, and which is in violation of numerous U.N. resolutions.

In this regard, Venezuela's well-known efforts to midwife Iran's entry into the Americas through reciprocal leaders' visits, trade and commercial agreements, including air links, potential sanctions busting, and friendly votes in bodies such as the International Atomic Energy Agency, are at best polarizing and counterproductive in the hemispheric context. Most recently, in fact, Mr. Chairman, you referred to the Morgenthau report, and that also provided some important information in terms of the Iranian/Venezuelan links on the financial side.

At the same time, when the list of hemispheric priorities includes economic recovery from deep global recession, job creation to eradicate poverty, reducing a comparative education deficit, among many other things, it makes little obvious sense for leaders like

those in Bolivia, Ecuador and Nicaragua to take actions to undermine the very cooperation that they need, and claim to want, from the United States. For Iran, the benefits of closer relations in the Americas are not in doubt. Iran is able to build commercial relations with other parts of the world, especially in agriculture, the regime is able to exchange information and technology, particularly on energy, and gain access to raw materials, which may include uranium.

By developing close regional ties, Iran also has the ability to leap frog its international isolation, potentially evading sanctions, as has been discussed. The regime is also able to build international coalitions in support of its domestic activities, including potential development of nuclear weapons. By expanding its diplomatic representation, Iran has enhanced its intelligence capabilities while outreaching, should it choose to do so, to nonstate actors and affinity organizations which may be working to raise funds through drug trafficking and other means in the Western Hemisphere for certain activities in the Middle East or which may be building their own extra legal capabilities in the Americas.

With this in mind, the pending visit of Iran's President to Brazil next month is of potential concern because Brazil's engagement with Iran will give a political boost to the Ahmadinejad regime, even as the international community seeks in Vienna to find a solution to the nuclear nonproliferation dilemma. To the extent the visit does go ahead, one would hope that the Brazilians would use the opportunity to reaffirm that the Western Hemisphere is no place for Iranian meddling and would seek to use their access and emerging hemispheric leadership role for the purpose of vocally supporting international nonproliferation efforts.

Mr. Chairman, I appreciated your comments about the pending nomination of Tom Shannon as well. I think it is important to have an active Ambassador in Brazil to make exactly this point. More broadly, these are issues that should be watched carefully. In other words, Iran's engagement in the Americas. For the United States, several actions are appropriate. We should be wary, we should be watchful and we should be prepared to act in concert with the international community, particularly on the law enforcement side. We should not act on incomplete information unnecessarily, nor take steps precipitously.

We must continue to understand better the true nature of the threat and pursue actions with others, as may be appropriate. Second, we should continue to emphasize the hemispheric growth agenda, including trade and investment expansion, which has already been mentioned, and the rule of law, which will help build strong and expanding middle classes and reinforce just, transparent societies that are less prone to authoritarian manipulations from elected leaders of any ideology or stripe. Finally, I would return to where I began. In testimony before the Western Hemisphere Subcommittee earlier this year I said that despite our efforts to build democracy elsewhere around the world the United States cannot be complacent about such matters closer to home.

Honduras subsequently proved the point I was trying to make. Democracy offers no guarantees, but we stand a much better chance of achieving our strategic goals in the hemisphere, including

a peaceful, growing, vibrant region that works in tandem with us to address issues of common concern and rejects outside meddling from Iran and others, if democratic institutions in the Americas are strong. Thank you again, Mr. Chairman. I appreciate the opportunity.

[The prepared statement of Mr. Farnsworth follows:]

IRAN IN THE WESTERN HEMISPHERE

HEARING BEFORE THE COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
SUBCOMMITTEE ON THE MIDDLE EAST, AND
SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION AND TRADE
U.S. HOUSE OF REPRESENTATIVES
OCTOBER 27, 2009

ERIC FARNSWORTH
VICE PRESIDENT

*****As Prepared for Delivery*****

Good afternoon, Mr. Chairmen and members of the Subcommittees. Thank you for the opportunity to testify before you today on such a timely and important issue. This hearing today continues your outstanding efforts to highlight the most pressing issues in hemispheric affairs by the full Committee as well as by the relevant Subcommittees, and I congratulate you for your leadership on these issues. I'm also pleased to share this table with others of such stature and prominence.

Recent reports on Iran's presence in the Americas provide an excellent opportunity for us to evaluate the situation on the ground, and what it means for the Western Hemisphere and for the United States. The bottom line is that we are dealing with imperfect information in terms of the nature of Iran's presence in the Western Hemisphere, the intentions of the Iranian regime, and the implications for regional security, democracy, and development priorities.

What is clear, however, is this: nations that disrespect democratic principles in the Americas tend also to be nations that offer aid and comfort to global actors who reject the norms of the international system. Ungoverned regions within countries offer permissive environments for mischief-making. And a weak inter-American system offers little in terms of the ability to counterbalance extralegal or threatening acts.

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As I have said many times, both in Congressional testimony and also in other forums—and as the ongoing crisis in Honduras shows—the first priority of the hemisphere must therefore be to strengthen democracy and the institutions of democratic governance. Although a flurry of think tank reports for the new Administration ignored the central point, this is not a theoretical, academic exercise. Given different historical realities, democracy is more advanced in some countries than others, and it must be nurtured and reinforced as a priority. It is a fundamental national security interest of the United States, because healthy democracies in Latin America and the Caribbean make better partners to advance a common agenda, such as that discussed and promoted at the Summit of the Americas in Trinidad and Tobago in April.

On the other hand, countries where democracy is weak, where the institutions of the state are ineffective, or where democratically-elected leaders have in fact curtailed democratic institutions for their own purposes have proven, time and time again, to be the most likely portals through which unhelpful influences such as Iran are introduced into the region.

Of course, each nation of the Americas is a sovereign, independent state. Each nation has the ability, indeed the right, to maintain relations with whomever they wish, subject to prevailing international law and practice. It is truly unfortunate, however, that any nation of the Americas would go out of its way to intensify state-to-state relations with Iran, a regime that has been repeatedly identified as a state sponsor of terror, which has been directly implicated in the only examples of extra-regional terrorist acts in the Americas other than 9/11, and which is in violation of numerous UN resolutions.

In this regard, Venezuela's aggressive efforts to midwife Iran's entry into the Americas through reciprocal leaders' visits, trade and commercial agreements including air links, and friendly votes in bodies such as the UN and the International Atomic Energy Agency are, at best, polarizing and counterproductive. At the same time, when the list of hemispheric priorities includes economic recovery from deep global recession, job creation to eradicate poverty, energy and global climate change, and reducing a comparative education deficit, among others, it would seem to make little sense for leaders like those in Bolivia, Ecuador, and Nicaragua to take actions to undermine the very cooperation that they need, and claim to want, from the United States.

For Iran, however, whatever the true intentions of the regime, the benefits of closer relations in the Americas are not in doubt. At a relatively benign level, Iran is able to build commercial relations with other parts of the world, especially in agriculture. They are able to exchange information and technology, particularly on energy, and gain access to raw materials, which may include uranium. At another level, by developing close regional ties, Iran has the ability to leapfrog its international isolation, while making common cause with others who have self-identified as opposing the United States and other Western nations. The regime is also able to build international coalitions in support of its domestic activities, including the potential development of a nuclear capability. Finally, by expanding its diplomatic representation, Iran has enhanced its intelligence capabilities while outreaching, should it choose to do so, to non-state actors and affinity organizations which may be working to raise funds for certain activities in the Middle East or which may be building their own extralegal capabilities in the Americas.

It is certainly possible to overstate the threat. Rumors fly around with ease. We have to have a clear-eyed view of realities on the ground, and it's difficult to connect the dots accurately because we still don't have a firm grasp on Iranian *intentions* in the Americas. In fact, the US Army War College Strategic Studies Institute's 2009 Strategic Issues List does not even mention Iran in its top 20 evolving regional security issues for the Western Hemisphere. But, at the very least, these are issues that should be watched with a careful, wary eye.

With this in mind, the pending visit of Iran's president to Brazil next month is concerning. Not because the Brazilian government wants to engage with other nations around the world in support of its own regional and global ambitions, but rather because Brazilian engagement with Iran will give a boost to the Ahmadinejad regime even as the international community seeks in Vienna to find a solution to the nuclear proliferation dilemma.

This is playing with fire. There is no need for Brazil's president to honor the Iranian president with an official visit to Brazil at this delicate time. To the extent the visit goes ahead, one would hope that the Brazilians would use the opportunity to reaffirm that the Western Hemisphere is no place for Iranian meddling, and would seek to use their access for the purpose of supporting international community non-proliferation efforts.

For the United States, several actions are appropriate at this point. First, we should not over-react to Iran's presence in the Americas. We should be wary, we should be watchful, prepared to act in concert with others, but we should not act on incomplete information unnecessarily nor take steps precipitously. Communication and close coordination with our friends and allies in these matters, particularly law enforcement cooperation, should be pursued, as we work together to build an expected norm of responsible democratic behavior in the hemisphere, and work to de-legitimize actions that go against these norms.

Second, we should continue to emphasize the hemispheric growth agenda, including trade and investment expansion and the rule of law, which will help build strong and expanding middle classes and reinforce just, transparent societies that are less prone to authoritarian manipulations from elected leaders of any ideology or stripe.

And finally, I would return to where I began. In testimony before the Western Hemisphere Subcommittee earlier this year, I said that despite our efforts to build democracy elsewhere around the world, the United States cannot be complacent about such matters closer to home. Honduras proves the point. Democracy offers no guarantees, but we stand a much better chance of achieving our strategic goals in the hemisphere—including a peaceful, growing, vibrant region that works in tandem with us to address issues of common concern and rejects outside meddling—if democratic institutions in the Americas are strong.

Thank you, again, for the opportunity to be with you today, and I look forward to your questions.

Mr. ENGEL. Thank you very much, Mr. Farnsworth. Ms. Siegel Vann?

STATEMENT OF MS. DINA SIEGEL VANN, DIRECTOR, LATINO AND LATIN AMERICAN INSTITUTE, AMERICAN JEWISH COMMITTEE

Ms. SIEGEL VANN. Thank you, Mr. Chairman, for the opportunity to share with you and with the members of the three convening subcommittees a summarized version of our prepared statement on the many reasons our organization has been following with growing concern the increase of Iran's presence and influence in the Western Hemisphere. In fact, AJC brought this issue to light in 2005 when Venezuela and Iran made a strategic decision to expand their economic and political relations, which date back to the creation of OPEC in 1964. Since then, Venezuela has become the gateway to heightened cooperation between Iran and other countries within and outside the former's sphere of influence.

This seems to have had an impact on the level and intensity of anti-Semitic expressions, on bilateral relations with Israel and on the quality of the relationship between local Jewish and Arab communities. As we continue to travel throughout the region and raise the issue with Latin American government officials, leaders of Jewish communities and representatives of civil society as a whole, we have found that growing concern for this trend is shared by many. Some of Iran's main goals and activities in the region became quite evident as early as the 1990s. As has been already pointed out, Iran and Hezbollah are thought to be complicit in the bombings of the Israeli embassy in Buenos Aires in 1992 and AMIA in 1994 which resulted in 115 deaths and more than 500 injuries.

Just last July 18 we commemorated the 15th anniversary of the 1994 bombing, the worst anti-Semitic attack since the Second World War, and an atrocity labeled as a crime against humanity by the Argentine justice system. As Tehran attempts to expand its influence in our hemisphere, it is important to understand that today, as yesterday, the so-called moderates in Iran's ruling circles have been directly involved in exporting terrorism and massacring innocents. Although diversification of bilateral and regional relations is the sine qua non for countries intent on being perceived as global players, the alliances struck in the last few years by many Latin American countries with Iran could be viewed as somewhat problematic.

This derives from Iran's confrontational attitude toward the United States and Israel and its apparent attempt to take advantage of democratic rule, competitiveness and a generalized climate of freedom to advance its agenda. All this comes as it is increasingly clear that a healthy hemisphere depends on nourishing a sense of partnership and connectedness among all its nations to ensure regional stability. At his June confirmation hearing, the head of the U.S. Southern Command, General Douglas Fraser, reaffirmed his predecessor's concerns about "Iran's meddling in Latin America." General Fraser also underscored that "the real concern is not a nation to nation interaction," but rather "the connection that Iran has with extremist organizations like Hamas and

Hezbollah and the potential risk that that could bring to the region."

With the backing of Venezuela, Iran has pursued a proactive policy of outreach to other countries in Latin America, exploiting anti-American sentiment and offering sorely needed funding. Since the election of President Ahmadinejad in 2005, the first election, Iran has inaugurated, reestablished and increased its diplomatic representation in 10 nations. Against this backdrop, many of Latin America's 450,000 Jews are feeling quite vulnerable. Of particular concern is the situation of communities in countries, such as Venezuela, that maintain intense bilateral contact with Iran.

The use of anti-Semitism as a political tool and virulent anti-Jewish, anti-Zionist expressions in the official media, particularly during the 2006 Lebanon War and the 2008 Gaza operation, seem to have been the result of this alliance. Pronouncements from Presidents Chavez and Morales and other government officials denouncing Israel as genocidal and racist culminated in the severing of relations with the Jewish state after six decades of warm and constructive bilateral ties. This worrisome trend persisted during President Chavez' recent trip to Libya, Syria and Iran.

There have been several incidents of violence against community institutions, the most recent in February, 2009, against the Tiferet Israel Synagogue in Caracas. Strained relations, and even confrontation, between members of local Arab and Jewish communities are another disturbing development and contribute to the fracturing of society as a whole. This is the result of virulent anti-Zionist rhetoric and media campaigns that reflect a concerted attempt to import political conflicts alien to the region. Witness what just happened last month in Honduras. Anti-Semitism totally unrelated to the complex political impasse in the country was utilized in the same way it has been done lately in Venezuela, to scapegoat and to delegitimize.

Although a direct cause/effect relationship cannot be proven, it is most probable that the development of close personal relationships and shared world views and agendas, including President Ahmadinejad's stated desire to destroy the Jewish state, have had an impact on the state of affairs in the region. In this context, we are deeply concerned that despite President Lula's best intentions, the programmed visit of the Iranian leader to Brazil on November 23 will be perceived by many as a gesture of support for his extreme positions. Three years ago AGC first published a briefing recording a trend that had escaped most of the region's observers.

Today, although the topic is more commonly discussed, evident threats are being ignored or minimized. The mere establishment of relations between sovereign nations does not in itself constitute cause for concern. Nevertheless, the assault on AMIA is a tragic and compelling reminder of the potential dangers posed by Iran and its allies to the security and well-being of the Americas. Unfortunately, many countries have chosen to marginalize this event as they seek expanded commercial and diplomatic ties. Indeed, regional and international double talk has blocked the Argentine Government's efforts to extradite and punish those who masterminded the attack, including members of Iran's current ruling circle.

The generalized perception by some governments that the AMIA attack is far off in time and disconnected from their own reality has provided the necessary conditions for the expansion of Iranian influence and activities. Its growing presence could certainly have strong implications for democracy and security in the region. The growing strategic relationship established between countries in the Western Hemisphere and Iran deserves our attention and concern. Concerted and decisive action is needed to closely monitor the activity of Iran and the groups it subsidizes to correctly assess their potential for mischief and to establish mechanisms to prevent potentially dangerous scenarios. Thank you so much, Mr. Chairman.

[The prepared statement of Ms. Siegel Vann follows:]

Dina Siegel Vann
Director- Latino and Latin American Institute
American Jewish Committee
October 27, 2009

TESTIMONY OF
DINA SIEGEL VANN
DIRECTOR, LATINO AND LATIN AMERICAN INSTITUTE
AMERICAN JEWISH COMMITTEE
BEFORE THE
HOUSE COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON THE WESTERN HEMISPHERE
SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA
SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION AND TRADE

OCTOBER 27, 2009

Thank you, Mr. Chairman, for the opportunity to share with you and with the members of the three convening Subcommittees the many reasons our organization has been following with growing concern the increase of Iran's presence and influence in the Western Hemisphere.

In fact, AJC brought this issue to light in 2005, when Venezuela and Iran made a strategic decision to expand their economic and political relations, which date back to the creation of OPEC in 1964. Since then, Venezuela has become the gateway to heightened cooperation between Iran and other countries within and outside the former's sphere of influence. This seems to have had an impact on the level and intensity of anti-Semitic expressions, on bilateral relations with Israel, and on the quality of the relationship between local Jewish and Arab communities As we continue to travel throughout the region and raise the issue with Latin American government officials, leaders of Jewish communities and representatives of civil society as a whole, we have found that growing concern for this trend is shared by many.

Some of Iran's main goals and activities in the region became quite evident as early as the 1990s. Iran and Hezbollah are thought to be complicit in the bombings of the Israeli Embassy in Buenos Aires in 1992 and the Argentine Jewish Mutual Association (AMIA) in 1994, which resulted in 115 deaths and more than 500 injuries. Just last July 18th, we commemorated the 15th anniversary of the 1994 bombing -- the worst anti-Semitic attack since the Second World War, and an atrocity labeled as a crime against humanity by the Argentine justice system.

While the 1992 attack remains unsolved, an official report on the AMIA bombing resulted in the activation of red alerts by Interpol for the international arrest of several high-level Iranian officials and a Hezbollah operative, who were unequivocally identified as the attack's material and operational masterminds. In fact, among those accused by the Argentinean justice are no other than the new Iranian Defense Minister Ahmed Vahidi

and Ayatollah Ali Akbar Hashemi Rafsanjani, Iran's so called reformer and spiritual leader, who was president at the time. Also accused is Mohsen Rezei, a commander of the powerful Revolutionary Guards from 1981-97, who ran as the conservative candidate in the recent contested presidential elections and for whom, together with the others, Interpol has activated red notices. As Tehran attempts to expand its influence in our Hemisphere, it's important to understand that, today as yesterday, the so-called moderates in Iran's ruling circles have been directly involved in exporting terrorism and massacring innocents.

Although diversification of bilateral and regional relations is the sine qua non for countries intent on being perceived as global players, the alliances struck in the last few years by many Latin American countries with Iran could be viewed as somewhat problematic. This derives from Iran's confrontational attitude toward the United States and Israel and its apparent attempts to take advantage of democratic rule, competitiveness, and a generalized climate of freedom to advance its agenda. All this comes as it is increasingly clear that a healthy hemisphere depends on nourishing a sense of partnership and connectedness among all its nations to ensure regional stability.

At his June confirmation hearing, the head of the U.S. Southern Command, General Douglas Fraser, reaffirmed his predecessor's concerns about "Iran's meddling in Latin America." General Fraser also underscored that "the real concern is not a nation-to-nation interaction," but rather "the connection that Iran has with extremist organizations like Hamas and Hezbollah and the potential risk that that could bring to the region." Indeed back in January 2008, Admiral James Stavridis – then heading the Southern Command, and now the Supreme Allied Commander in Europe – had issued a warning about the potential for Latin American narco-traffickers to partner with Islamic radicals. Recently, credible reports in the media have underscored the ongoing cooperation between organizations such as the FARC (Revolutionary Armed Forces of Colombia) and Hezbollah. Joint efforts could enable terrorist groups to move goods and people across borders without detection.

In October 2008, U.S. and Colombian investigators announced the dismantling of an international cocaine smuggling and money-laundering ring that allegedly used part of its profits to finance Hezbollah. The drugs were purportedly sent via Venezuela, Panama, and Guatemala to the U.S., Europe, and the Middle East. In April of this year, 17 individuals were arrested in Curacao for their alleged involvement in an international drug ring that provided financial support to Hezbollah in Lebanon. According to a statement released by Dutch authorities, the arrests were carried out thanks to a coordinated operation involving police and judicial organs from Curacao, the Netherlands, Belgium, Colombia, Venezuela and the United States. The drug proceeds were allegedly invested in several countries, said the statement.: "The organization had international contacts with other criminal networks that financially supported Hezbollah in the Middle East. Large sums of drug money flooded into Lebanon, from where orders were placed for weapons that were to have been delivered from South America."

Since the 1994 attack against AMIA, Hezbollah has greatly increased its presence and fundraising activity particularly in the Tri-Border Area (TBA) shared by Argentina, Brazil and Paraguay, as documented by multiple reports and intelligence.

The most recent U.S. State Department Country Report on Terrorism, published in April 2009, confirmed that pockets of ideological sympathizers in South America and the Caribbean lend financial and moral support to terrorist groups in the Middle East. The report reiterated U.S. concern that Hezbollah and Hamas sympathizers raise funds in the TBA by participating in illicit activities and soliciting donations from backers within the sizable Muslim communities in the region. Increasing links between extremists in Chile's Iquique Free Trade Zone and those in the TBA continue to be monitored by law enforcement officials. The report also noted that Bolivia's political instability, weak legal framework, increasing coca cultivation, and opening of diplomatic relations with Iran make it a possible site for terrorist activity.

The weekly commercial flight linking Tehran and Caracas via Damascus has remained an issue of concern. It has been noted that these flights have been booked to capacity since their inauguration in March 2007, despite the fact that it is virtually impossible to purchase a ticket online through the flight operator Iran Air or its state-owned Venezuelan host, Conviasa. According to a December 21, 2008, article in the Italian periodical *La Stampa*, passengers and cargo on these flights include intelligence and military officials and "materials" banned by the UN, perhaps – including, some have suggested, materials linked to the development of nuclear weapons. Travelers from those Iran and countries Syria to Venezuela are visa-exempt, raising concern about the proliferation of false passports and making border control a difficult endeavor.

Iran has pursued a proactive policy of outreach to other countries in Latin America, exploiting anti-American sentiment and offering sorely needed funding. Since the election of President Ahmadinejad in 2005, Iran has inaugurated, reestablished, and increased its diplomatic representation in eleven nations (Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Nicaragua, Uruguay, and Venezuela). Bolivian President Evo Morales traveled to Tehran in September 2008 to seek Iranian investment in his country's industrial and production sectors. During this official visit, Morales announced his country's intention to move its only embassy in the region from Cairo to Tehran. President Ahmadinejad has already pledged more than $1 billion in assistance to the South American nation.

Against this backdrop, many of Latin America's 450,000 Jews are feeling quite vulnerable. Of particular concern is the situation of communities in countries, such as Venezuela, that maintain intense bilateral contact with Iran. The use of anti-Semitism as a political tool and virulent anti-Jewish/anti-Zionist expressions in the official media, particularly during the 2006 Lebanon War and the 2008-2009 Gaza operation, seem to have been the result of this alliance. Pronouncements from Presidents Chavez and Morales and other government officials denouncing Israel as genocidal and racist culminated in the severing of relation by both Venezuela and Bolivia s with the Jewish State after six decades of warm and constructive bilateral ties. This worrisome trend persisted during President Chavez's latest trip to Libya, Syria and Iran.

There have been several incidents of violence against community institutions, the most recent in February 2009 against the Tiferet Israel synagogue in Caracas. Strained relations and even confrontation between members of local Arab and Jewish communities are another disturbing development, and contribute to the fracturing of society as a whole. This is the result of virulent anti-Zionist rhetoric and media campaigns that reflect a concerted attempt to import political conflicts alien to the region.

Witness what just happened last month in Honduras. Anti-semitism, totally unrelated to the complex political impasse in the country, was utilized in the same way – by President Zelaya and at least one prominent supporter in the media – that it's been done lately in Venezuela and other countries, to scapegoat and to delegitimize. This is a deeply worrying turn of events, and it merits greater attention by all who seek to defend tolerance, pluralism and democracy in the hemisphere.

Although a direct cause-effect relationship cannot be proven, it's most probable that the development of close personal relationships and shared worldviews and agendas, including President Ahmadinejad's stated desire to destroy the Jewish State, have had an impact on the state of affairs in the region. In this context, we are deeply concerned that despite President Lula's best intentions, the programmed visit of the Iranian leader to Brazil on November 23rd, will be perceived by many as a gesture of support for his extreme positions. In fact, it is reasonable to assume that the Iranian leader, fresh from his murderous crackdown on political dissent this summer, will perceive it that way.

Three years ago, AJC first published a briefing recording a trend that had escaped most of the region's observers. Today, although the topic is more commonly discussed, evident threats are being ignored or minimized. The mere establishment of relations between sovereign nations does not in itself constitute cause for concern. Nevertheless, the assault on AMIA is a tragic and compelling reminder of the potential dangers posed by Iran and its allies to the security and well-being of the Americas. Unfortunately, many countries have chosen to marginalize this event as they seek expanded commercial and diplomatic. In fact, regional and international double-talk has blocked the Argentine government's efforts to extradite and punish those who masterminded the attack, including members of Iran's current ruling circles.

The generalized perception by some governments that the AMIA attack is far off in time and disconnected from their own reality has provided the necessary conditions for the expansion of Iranian influence and activities. Its growing presence could certainly have strong implications for democracy and security in the region. The growing strategic relationship established between countries in the Western Hemisphere and Iran deserves our attention and concern. Concerted and decisive action is needed to closely monitor the activity of Iran and the groups it subsidizes, to correctly assess their potential for mischief, and to establish mechanisms to prevent potentially dangerous scenarios.

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Mr. ENGEL. Thank you, Ms. Siegel Vann. Mr. Farah?

STATEMENT OF MR. DOUGLAS FARAH, SENIOR FELLOW, FINANCIAL INVESTIGATIONS AND TRANSPARENCY, INTERNATIONAL ASSESSMENT AND STRATEGY CENTER

Mr. FARAH. Well, thank you very much for the opportunity to be here to discuss the issue of Iran in Latin America. I think that the growing influence of Iran is a significant threat to the United States and an underreported part of the equation that is driving instability and an uncertainty in Latin America from the crisis in Honduras to the rapidly closing space for democratic freedoms in Venezuela, Bolivia, Ecuador, Nicaragua and elsewhere where the Bolivarian revolution has gained a foothold. There is broad agreement that Iran is expanding ties with Venezuela forged by the personal friendships between Presidents Ahmadinejad and Chavez, respectively; anchor the relationship with Ecuador's Rafael Correa and Bolivia's Evo Morales.

Iran's relationship with Nicaragua is slightly different given President Daniel Ortega's longstanding personal relationship with the Iranian revolutionary leaders dating back to his first term as President from 1979 to 1990. A second point of general agreement is that Iran, facing international sanctions because of its nontransparent nuclear program, is primarily seeking political support and leverage against the United States rather than true deep economic relationships in Latin America. The exceptions are ventures related to strategic minerals and hydrocarbon.

A final and most important point of agreement is that the primary and sole real point of convergence between Ahmadinejad and Chavez in forging their relationship is their openly declared hostility toward the United States and its allies, particularly Israel. The leaders make a central point of publicly linking the Bolivarian and Iranian revolutions. This common desire to build an alternative power structure free of the perceived dominance of the empire, as these leaders call the United States, is the only real reason that a populist and self-described revolutionary, socially and staunchly secular government in Latin America would make common cause of a reactionary theocratic Islamist regime thousands of miles away.

Trade relations between Latin America and Iran are still minimal, particularly when compared to Latin America's commercial ties to the United States. There is no shared history or religious heritage, and virtually no cultural bonds or linguistic bonds. The only shared platform is the deep dislike for a common enemy, and that is the only thing that can explain this otherwise improbable alliance. Manhattan district attorney Robert Morgenthau, as has been mentioned, last week talked about the investigations ongoing in his office into Iranian front companies in banks in Latin America. I want to focus on a series of these types of relationships that highlight this murky and nontransparent web in Latin America.

For some time it has been known that the Banco Internacional de Desarrollo, known as BID, established in Caracas in September, 2007, under highly unusual circumstances is wholly owned by Iranian financial interests. The Toseyeh Saderat Iran Bank owns all the shares and all seven directors are Iranian citizens, yet, the BID

is registered as a Venezuelan entity. The Saderat bank group was sanctioned by the U.S. Treasury, OFAC and the United Nations as a financial vehicle for the Government of Iran to fund Hezbollah, Hamas and other terrorist groups and evade international sanctions. The BID itself was sanctioned by OFAC in October, 2008, for its links to the Export Development Bank of Iran.

The Export Development Bank was also sanctioned for providing financial support to Iran's ministry of defense and armed forces logistics, yet, the Ecuadorian newspaper Loja last month revealed that in December, 2008, the Central Bank of Ecuador and the Export Development Bank of Iran signed a protocol of cooperation in which the Export Bank agreed to extend credit facilities of up to $120 million to help stimulate exports and imports between the two countries. The document commits the nations to find ways for the two countries to "expand their mutual banking relations."

Article VI of the protocol states that the Export Bank of Iran manifests its readiness to establish a branch of the Banco Internacional de Desarrollo, BID, in the Republic of Ecuador and the Central Bank of Ecuador will pave the way for this act. Two things stand out in this protocol. The first is the total amount of exports and imports between Ecuador and Iran over the past 2 years has been less than $1 million. A credit line of $100 million is not proportionate to any actual commercial activity. The second thing is the Export Development Bank, as an Iranian bank, is offering to open a branch of the BID in Ecuador, confirming that the BID is in fact an Iranian bank rather than a Venezuelan institute.

The concerns about these other unusual activities cloaked in official secrecy would be more easily dismissed if not for a longstanding and complex web of relationships between state and nonstate actors that carry across Iran's relationships with its Latin American allies. Iran is the primary sponsor of Hezbollah, a terrorist organization that has carried out numerous attacks against American citizens, as well as in Argentina. Iran, in turn, has a cordial relationship with Chavez, who, in turn, has developed a deep relationship with the Revolutionary Armed Forces of Colombia, or the FARC, in neighboring Colombia.

Another prominent regional player, Daniel Ortega in Nicaragua, has maintained a close relationship with both the FARC and Hezbollah for more than two decades. The common denominators among the state protagonists are a strongly anti-U.S. platform and a sponsorship of nonstate armed groups operating outside their national borders. It is therefore necessary to ask whether nonstate actors protected by their state sponsors will themselves form alliances and further threaten the stability of the region, as well as the security of the United States.

Of primary concern is the possible Hezbollah/FARC alliance centered on the training of armed groups and drug trafficking. Given Iran's ties to Hezbollah and Venezuela and Venezuela's ties to Iran and the FARC, and the FARC's history of building alliances with other armed groups, and the already existing presence of Hezbollah and Hamas and other Islamist groups on the ground in Latin America, it would be imprudent to dismiss this alignment as an annoyance. It is, instead, I believe, a direct and growing threat to the United States and Latin America. Thank you.

[The prepared statement of Mr. Farah follows:]

Iran In The Western Hemisphere

By

Douglas Farah

Senior Fellow

International Assessment and Strategy Center

October 27, 2009

Before the House Committee on Foreign Affairs

Subcommittees on the Western Hemisphere

The Middle East

Terrorism, Nonproliferation and Trade

Thank you for the opportunity to discuss the issue of Iran in Latin America with you today. I think the growing alliance of Iran with is a significant and under-reported part of the equation that is driving the instability and uncertainty in Latin America, from the crisis in Honduras to the rapidly-closing space for democratic freedoms in Venezuela, Bolivia, Nicaragua and elsewhere where the Bolivarian revolution has gained a foothold.

There is considerable debate over the level of threat posed by Iran's expanding diplomatic, trade and military presence in Latin America, and its stated ambition to continue to broaden these ties. These new alliances are causing deep concern not only in the United States, but also in Europe and parts of Latin America. Others portray the relations as an unthreatening and natural outgrowth of a rapidly changing, multi-polar world. There are points of agreement and divergence among different camps, as well as larger issues that must be addressed in order to come as close as possible to obtaining a full picture what Iran's interests and intentions imply.

The Shared Understanding

There is broad agreement that Iran's expanding ties with Venezuela, forged by the personal friendship between presidents Mahmoud Ahmadinejad and Hugo Chávez respectively, anchor the relationships in the region. Iran's relationships with Ecuador's Rafael Correa and Bolivia's Evo Morales clearly pass through Venezuela and are a direct result of the convergent interests of Iran and Venezuela in building these alliances. Iran's relationship with Nicaragua is slightly different, given President Daniel Ortega's long-standing personal relationship with the Iranian revolution, dating back to his first term as president (1979-1990). Nonetheless even Ortega's relationship with Iran is closely tied to his relationship with Chávez, because Nicaragua is far more dependent on Chávez's discounted oil than any of his other regional allies.

A second point of general agreement is that Iran, facing broad international sanctions because of its non-transparent nuclear program, is primarily seeking political support and leverage against the United States, rather than deep economic relationships in

Latin America. The notable exceptions are ventures related to strategic minerals or hydrocarbons.

Related to this is the third point of convergence: Iran's overall dealings on the economic and diplomatic fronts are generally opaque, built on the personal dynamic between Ahmadinejad and Latin American heads of state, as demonstrated by the numerous personal visits conducted by and among Ahmadinejad, Chávez, Ortega, Morales and Correa. These personalized relationships have largely supplanted institutionalized, formal policies guided by input from the respective congresses or ministries of foreign affairs and economic issues.

This stands in contrast to Iran's relationship with some other nations in the region, particularly Brazil, where the ties are institutionalized and largely devoid of the personal diplomacy prevalent in the rest of the region. When institutional, rather than personal relationships, prevail, Iran overtures are often rejected or forced into more transparent plane. It is important to note that the relationship with Brazil has consistently been kept at a cabinet or sub-cabinet level, and the heads of state have not met because of Brazil's unwillingness to commit to such a meeting.

An important result of having such an institutionalized relationship in Brazil is that Brazil refused to help Venezuela with is nuclear program after it became clear that Venezuela was not willing to proceed without the direct involvement of Iran. Ahmadinejad has been unable to visit Brazil, despite various efforts to do so, yet the commercial relationship between Brazil and Iran is robust.

While Iran's nuclear program is often portrayed as primarily a concern of the United States--and Iran's defiant rhetoric almost exclusively aimed at the Bush and then the Obama administrations-- Iran has been sanctioned three times by the United Nations Security Council for its unwillingness to halt its uranium enrichment program.[1] This is important in viewing Iran's actions in Latin America and its attempts to expand its diplomatic reach and avoid international isolation.

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[1] Kay Farley, "U.N. Adds New Set of Iran Sanctions," *Los Angeles Times*, March 4, 2008, p. A06. The sanctions include a travel ban on senior Iranian officials, the freezing of assets of companies believed to be involved in the nuclear program, the right to inspect cargo in ports and airports, and the monitoring of Bank Melli and Bank Saderat, believed to be financing the purchase of nuclear technologies.

Venezuela had sought a uranium enrichment technology transfer from Brazil in October 2005. The prospect of Iranian involvement led Brazilian officials to retract any initial enthusiasm for the deal. A spokesman for Brazil's Ministry of Science and Technology stated: "In view of possible Iranian participation, as President Chávez has suggested, such a partnership would be risky for Brazil," adding that, "Brazil is not interested in cooperating with countries that do not follow international treaties and whose programs are not monitored by competent authorities."[2] Argentina took a similar position, based on its long-standing tensions with Iran.[3] Venezuela did, finally, sign an agreement with Russia to build a nuclear power plant, in September 2008. While Iran's participation was not explicitly mentioned, Atomstroyexport, the same company building the Bushehr reactor in Iran, is expected to be the project operator in Venezuela.[4]

A final, and perhaps most important point of agreement is that a primary, and perhaps sole real point of convergence between Ahmadinejad and Chávez in forging their relationship is both of these leaders' openly declared hostility toward the United States and its allies in the region, and, to a lesser degree, the European Union and U.N. backers of the sanctions regime. The meetings between Ahmadinejad and Chávez (as well as with Morales, Correa and Ortega) have become occasions to launch virulent attacks against the United States, globalization, Israel, imperialism and capitalism. The leaders clearly relish the angst their relationship causes Washington and make a point of publicly linking the Bolivarian and Iranian revolutions. Ortega has declared the Iranian and Nicaraguan revolutions are "twin revolutions, with the same objectives of justice, liberty, sovereignty and peace...despite the aggressions of the imperialist policies." Ahmadinejad couched the alliances as part of "a large anti-imperialist movement that has emerged in the region." Morales declared Bolivia and Tehran "two friendly and revolutionary countries."[5]

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[2] Andrei Khalip, "Brazil Wary on Nuclear Cooperation with Venezuela," *Reuters*, May 23, 2005.
[3] Mariela Leon and Marianna Parraga, "Negotiations to Purchase Nuclear Reactor from Argentina Confirmed," *El Universal*, October 11, 2005, http://www.eluniversal.com/2005/10/11/en_pol_art_11A618849.shtml, Media reports noted that discussion over selling Venezuela nuclear technology in Argentina had pitted the "pro-Chávez" camp against the "anti-Chávez" camp. See Natasha Niebieskikwiat, "Venezuela quiere comprarle un reactor nuclear a la Argentina, *Clarín*, October 9, 2005, http://www.clarin.com/diario/2005/10/09/elpais/p-00315.htm
[4] *Russica-Izvestia Information*, September 30, 2008, and *Agence France-Presse*, "Venezuela Wants to Work With Russia on Nuclear Energy: Chávez," September 29, 2008.
[5] BBC, "Bolivia's President Lands in Iran," Sept. 1, 2008.

Indeed, this common desire to build an alternative power structure free of the perceived dominance of the United States is one of the few reasons that populist and self-described revolutionary, staunchly secular governments in Latin America (many who have been directly at odds with the Catholic church, the main religious force in their countries) would make common cause with a reactionary, theocratic Islamist regime.

Trade relations are still minimal, particularly when compared to commercial ties to the United States. There is little shared history or religious heritage, and virtually no cultural bonds. Only a shared platform of deep dislike for a common enemy--and the desire to recruit allies in the cause and develop a common strategy to carry it out--can explain this otherwise improbable alliance. Iran's entry to Latin America has been possible, in part, as an outgrowth of mounting criticism of U.S. foreign policy under the Bush administration, particularly its policy in Iraq. In addition to the strain of U.S. policy in Iraq has caused, there is the perceived lack of interest in the region by the Bush administration. The multiple visits of Ahmadinejad and senior Iranian officials to Latin America and reciprocal state visits from leaders of the Bolivarian axis signal far more high-level interest in the region than the Bush administration is perceived to have had, and likely more than the Obama administration will be able to match, given the press of other international crises .

The Crucial Dichotomy

A key question that must be addressed in any discussion of Iran's relationship to Latin America's radical populist governments is the above-noted yawning chasm between the Bolivarian Revolution's stated goals, publicly embraced by Chávez, Ortega, Correa and Morales, and those of Ahmadinejad's revolutionary Islamist government. The Bolivarian revolution claims as principles equality, secularism, socialism, women's rights, and mass participation in governing. These are directly opposed to the goals of creating a theocracy where women's rights are denied, democratic participation is circumscribed by religious dictates and theologians set social and economic policy based on their interpretation of Koran, rather than the writing of Simón Bolivar. This lack of a more broad-based set of shared values helps explain Iran's behavior in the region. Rather than seek true economic ties, the priority is given to diplomatic representation. Hence

Iran's promised economic aid is almost always undelivered while its promises of diplomatic relations are promptly fulfilled.

Iran has signed billions of dollars in bilateral agreements with Venezuela, although financial accountability and monitoring is almost nonexistent.[6] Iran has also promised hundreds of millions of dollars in aid and investments in Nicaragua, Bolivia, and Ecuador. Because most of the deals are opaque, are not delivered through normal budgetary channels and there are few public records available, it is not clear how much of the promised aid has been delivered. This is clearly the case in Nicaragua, where Iran promised multiple projects, including $350 million deep-water canal and $120 million hydroelectric plant.[7] Yet investigative journalists, national members of congress and academics in the field have been unable to obtain information on the progress and expenditures on any of the major projects or loans and there is no physical evidence they are underway.

Ecuador has made little effort to follow through on the verbal economic agreements between Correa and Ahmadinejad during Ahmadinejad's Jan. 15, 2007 visit to Quito when Correa was sworn in. There is little available information on the fate of the promised $1.1 billion in investment in Bolivia in the next five years.[8]

In contrast, the results of the promised diplomatic expansion are clearly visible. Post revolutionary Iran has had embassies in Cuba, Argentina, Uruguay, Brazil, Mexico and Venezuela.[9] In 2007, Iran reopened its embassies in Colombia[10] and in Nicaragua.[11] (Iran had closed its embassy in Nicaragua following the defeat of Ortega in the 1990 Presidential elections.)[12] Following a February 2007 meeting in Tehran Iranian Foreign

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[6] The figures of the projects are difficult to determine and require further study. Since 2001 the two nations have signed some 180 trade agreements, with the total value, if the investment actually occurs, of $7 billion. See: *Moj News Agency*, "Iran-Venezuela Strengthen Economic-Ideological Ties, October 8, 2008; and Nasser Karimi, "Chavez, Ahmadinejad: US Power on Decline," The *Associated Press*, Tuesday, November 20, 2007, accessed at: http://www.washingtonpost.com/wp-dyn/content/article/2007/11/19/AR2007111900400.html

[7] See Todd Bensman, "Iran Making Push Into Nicaragua," *San Antonio Express News*, December 18, 2007; and "Iran Offers Aid to Nicaragua, in a Sign of Deepening Ties," *Reuters* , August 6, 2007.

[8] BBC Monitoring Middle East-Political, " Iran Wants to 'Exploit' Bolivian Uranium," September 22, 2008. This is the translated text of what appeared in the Iranian newspaper *Kargozaran* on September 2, 2008.

[9] Statement by Kucinich, op cit.

[10] "Colombia Seeking Energy Cooperation," Iran Daily, op cit.

[11] Todd Bensman, "Iran making push into Nicaragua," *San Antonio Express News*, op cit.

[12] "Irán abrirá embajada en Managua y Nicaragua en Teherán," *El Nuevo Diario*, op cit.

Minister Manoucher Mottaki announced plans to reopen embassies in Chile, Ecuador and Uruguay. A year later Iran opened a large embassy in La Paz, Bolivia.[13] The ties are growing in both directions. In 2007, Ortega announced Nicaragua would open an embassy in Tehran while Morales announced that he is moving Bolivia's only embassy in the Middle East from Cairo to Tehran.[14] The recent report by the Washington Post regarding the size of the Iranian embassy in Managua misses an important point: the physical size of the embassy is far less important than the number people operating with diplomatic immunity, and these numbers are not divulged by the Nicaraguan, Bolivia or Venezuelan governments.[15]

The expanding diplomatic ties clearly give Iran a broader platform for pressing its international agenda, primarily the avoidance of international sanctions for its nuclear program and blunting efforts at international condemnation in the United Nations and other international forums. What is more difficult to calculate, but must be included in assessing Iran's goals, is Iran's history of using its embassies to support activities of the Quds Force (the special forces branch of the Iranian Revolutionary Guard Corps, formed as the main security force in Iran following the 1979 revolution) and Hezbollah (the Party of God) operatives.[16] The Quds Force and Hezbollah, which often operate cooperatively, are jointly implicated in the AMIA case in Argentina, while also outlining the flawed police work and judicial handling in the case.

This worry is compounded by a serious change in military doctrine and tactics now being adopted across the nations that are part of the Bolivarian bloc, imparted by

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[13] Remarks by Ambassador Jaime Daremblum, Hudson Institute, at the Conference on "Creating an Environment for Trans- America Security Cooperation," Florida International University, Miami, May 3-4, 2007.

[14] *Associated Press*, "Bolivia Moving Mideast Embassy to Iran from Egypt, " September 5, 2008.

[15] Ann-Marie O'Connor and Mary Beth Sheridan, "Iran's Invisible Nicaragua Embassy," *Washington Post*, July 13, 2009.

[16] For a more complete look at the relationship between the IRGC, the Quds Force, international intelligence gathering and ties to Hezbollah and other designated terrorist groups, see: Anthony H. Cordesman, "Iran's Revolutionary Guards, the al Quds Force, and other Intelligence and Paramilitary Forces (Working Draft)," Center for Strategic and International Studies, August 16, 2007. Cordesman notes that "The Quds are also believed to play a continuing role in training, arming, and funding Hezbollah in Lebanon and to have begun to support Shi'ite militia and Taliban activities in Afghanistan." (p. 8). He also notes that: "The Quds has offices or 'sections' in many Iranian embassies, which are closed to most embassy staff. It is not clear whether these are integrated with Iranian intelligence operations or if the ambassador in each embassy has control of, or detailed knowledge of, operations by the Quds staff. However, there are indications that most operations are coordinated between the IRGC and offices within the Iranian Foreign Ministry and MOIS." (page 9).

Venezuela along with its expanding military aid program. It is a military doctrine that is fully compatible with the strategies Hezbollah and other radical Islamist groups are already practicing, and one embraced to a significant degree by Iran, the primary state sponsor of those groups. The embracing of this doctrine provides an important link in understanding the ties of both Venezuela and its allies to Iran, and the growing military relationships.

Since 2005 Chávez has rewritten Venezuela's security doctrine to scrub it of all outside, "imperialist" influences. To replace the old doctrine, Chávez and the Venezuelan military leadership have focused on developing a doctrine centered on asymmetrical warfare, in the belief that the primary threat to Venezuelan security is a U.S. invasion.[17]

One of the main books he has adopted is Peripheral Warfare and Revolutionary Islam: Origins, Rules and Ethics of Asymmetrical Warfare (*Guerra Periferica y el Islam Revolucionario: Orígenes, Reglas y Ética de la Guerra Asimétrica*) by the Spanish politician and ideologue Jorge Verstrynge.[18] Although he is not a Muslim and the book was not written directly in relation to the Venezuelan experience, Verstrynge's book lauds radical Islam (as well as past terrorists like Ilich Ramírez Sánchez, better known as Carlos the Jackal)[19] for helping to expand the parameters of what irregular warfare should encompass, including the use of biological and nuclear weapons, along with the correlated civilian casualties among the enemy.

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[17] For a more complete discussion of how Verstrynge's concepts fit into Chávez's concept of the Bolivarian revolution see: Mariáno César Bartolomé, "Las Guerras Asimétricas y de Cuarta Generación Dentro Del Pensamiento Venezolano en Materia de Seguridad y Defensa, (Asymmetrical and Fourth Generation Warfare In Venezuelan Security and Defense Thinking), Military Review, January-February 2008, pp. 51-62.

[18] Verstrynge, born in Morocco to Belgian and Spanish parents, began his political career on the far right of the Spanish political spectrum as a disciple of Manuel Fraga, and served as a national and several senior party posts with the Alianza Popular. By his own admission he then migrated to the Socialist Party, but never rose through the ranks. He is widely associated with radical anti-globalization views and anti-U.S. rhetoric, repeatedly stating that the United States is creating a new global empire and must be defeated. Although he has no military training or experience, he has written extensively on asymmetrical warfare.

[19] It is worth noting that Chávez wrote to Ramírez Sánchez in 1999, expressing his admiration for the terrorist, signing off, "with profound faith in the cause and in the mission--now and forever." The letter set of in international furor. See: "Troops Get Provocative Book," Miami Herald, Nov. 11, 2005.

Central to Verstrynge's idealized view of terrorists is the belief in the nobleness of their actions because they are willing to sacrifice their lives in pursuit of their goals. Before writing extensively on how to make chemical weapons and listing helpful places to find information on the manufacture of rudimentary nuclear bombs that "someone with a high school education could make," Verstrynge writes:

> *We already know it is incorrect to limit asymmetrical warfare to guerrilla warfare, but it is important. However, it is not a mistake to also use things that are classified as terrorism and use them in asymmetrical warfare. And we have super terrorism, divided into chemical terrorism, bioterrorism (which uses biological and bacteriological methods), and nuclear terrorism, which means "the type of terrorism uses the threat of nuclear attack to achieve its goals."*[20]

[20] Verstrynge, op cit., pp. 56-57.

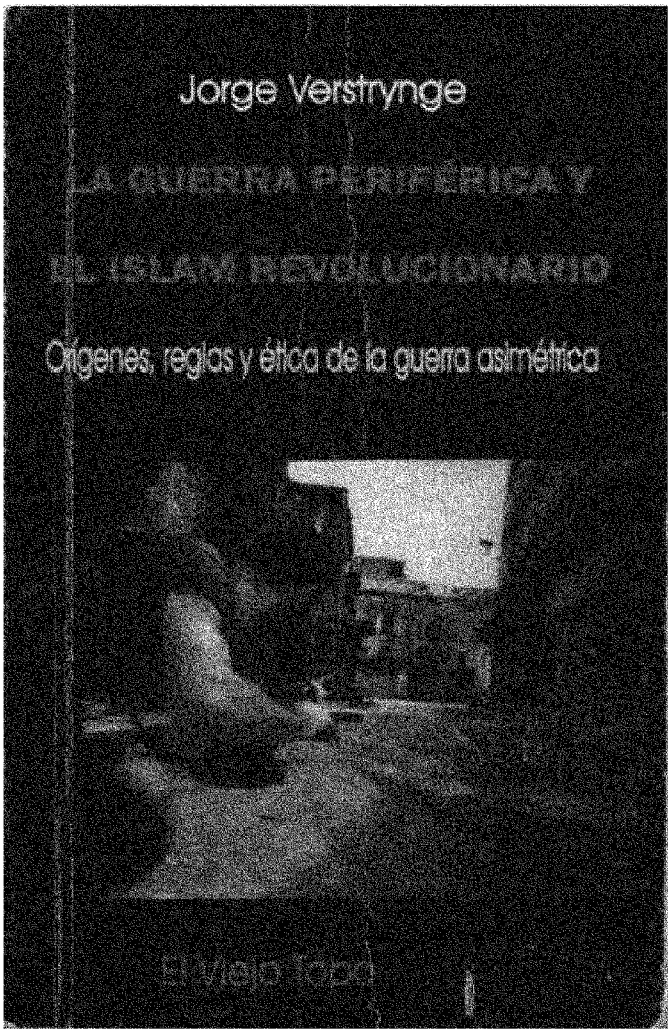

Figure 1: **Book by Jorge Verstrynge on irregular warfare**

Based on this book, Verstrynge was invited by Chávez to give keynote address to military leaders in a 2005 conference titled "First Military Forum on Fourth

Generation Warfare and Asymmetric Conflict" held at the military academy. Following the conference Gen. Raúl Baduel, the army commander and Chávez confidant ordered a special pocket size edition of the book to be printed up and distributed throughout the officer corps with explicit orders that it be studied cover to cover.

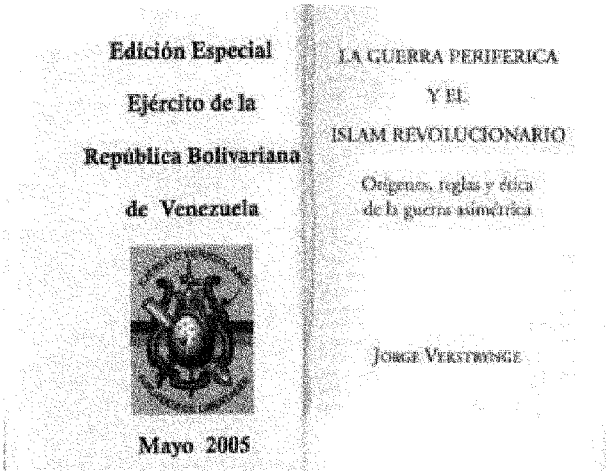

Figure 2:**A copy of the pocket-sized special edition version of Verstrynge's work, distributed to the Venezuelan officer corps.**

In a December 12, 2008 interview with Venezuelan state television lauded Osama bin Laden and al Qaeda for creating a new type of warfare that is "de-territorialized, de-stateized and de-nationalized," a war where suicide bombers act as "atomic bombs for the poor."[21]

Given the level of training Venezuelan military institutions are giving their regional counterparts and the level of on the ground Venezuelan leadership and advising in Bolivia, Ecuador and elsewhere, it is highly likely that this doctrine is being transmitted from one military to the other.

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[21] Bartolomé, op cit. See also: John Sweeny, "Jorge Verstrynge: The Guru of Bolivarian Asymmetric Warfare," www.vcrisis.com, Sept. 9, 2005; and "Troops Get Provocative Book," op cit.

Another opaque aspect of Iran's activities in Latin America is the selective recruitment of government cadres and students by the Iranian government in the countries where they have strong ties. The classes, lasting from 30 to 90 days, are described as "diplomatic training," not something that Iran is particularly suited to teach to countries in the West. The classes, given in and around Tehran, include intelligence training, crowd control techniques, and counterintelligence. So far the training has involved several hundred people from Venezuela, Bolivia, Nicaragua, Ecuador and the Communist Party of El Salvador.[22] Given Iran's apparent lack of true "diplomatic" classes in these courses, one has to ask what the ultimate training is for, and whom it benefits.

Ties That Merit Further Examination

Because of the personalized nature and opaque relationships between Ahmadinejad and his Latin American allies there exists the potential, at least, for these alliances to be considered more than just annoyance. Venezuela is of particular concern because Chávez has taken several steps that point to a calculation that allowing Iran to evade the international sanctions regime is in his own interest. Such activity lies beyond the normal scope of relations between two nations with little in common except oil production and aspirations to form an anti-U.S. coalition.

Among the least explored elements is the Iranian financial presence in Venezuela and its possible use to help Iran avoid the international sanctions on its banking institutions. The primary Iranian banking vehicle is Venezuela Banco Internacional de Desarrollo (BID), established in September 2007. The Toseyeh Saderat Iran bank owns all the 40 million shares of the bank, and each share is valued at 1,000 bolivars, the currency of Venezuela. All seven of the bank directors, as well as their seven alternates, are Iranian citizens.[23] The Saderat bank group was designated by the U.S. Treasury Department's Office of Foreign Asset Controls (OFAC) in October 2007 as a financial

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[22] The information is derived from author interviews with people in Nicaragua (FSLN) and El Salvador (FMLN-PC) who separately attended different types of training in Tehran, and described, separately, different types of training given. The FMLN-PC is the sector of the FMLN that maintains close ties to Chávez and Iran, while other sectors of the FMLN are opposed to such close ties.

[23] Founding BID documents in possession of the author. The Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued a warning against several Iranian banks, including BID, viewable at: http://www.fincen.gov/statutes_regs/guidance/pdf/fin-2008-a002.pdf.

vehicle for the government of Iran to fund Hezbollah, Hamas and other terrorist groups and helping Iran evade the international financial sanctions put in place by the international community.[24] The Saderat group is also under U.N. sanction, as part of the effort to cut off Iran's access to international banking institutions to fund its nuclear program. The irregular circumstances surrounding the formation of the bank, the unusual speed with which its charter was approved and its entirely foreign leadership makes it worthy of further study.

A second financial vehicle is the Banco Binacional Iraní-Venezolano, established May 19, 2008, with an initial capitalization of $1.2 billion, half put in by each country. The stated purpose of the bank is to finance activities in the areas of industry, trade, infrastructure, housing, energy, capital markets and technology. The bank will also issue bonds to be placed on the international capital markets and execute cooperation and technical assistance agreements with third parties."[25] Yet I was unable to find any public record of any project being financed by these funds.

Another unusual feature of the Iran-Venezuela relationship is the March 2008 inauguration of direct flights between Caracas and Tehran, returning via Damascus Syria. Either Boeing 747s or Airbus 340s, operated under a code share agreement between Venezuela's state-controlled Conviasa airlines and Iran's national carrier, Air Iran, carry out the weekly flights. This is unusual given the almost total absence of tourism and relative paucity of commercial ties between the two countries. Iran's ambassador in Venezuela said such large aircraft were necessary for the flight because Chávez is "much loved in our country, and our people want to come and get to know this land."[26] No known records of the passengers and cargo on the flights are maintained, and visas are not required.[27]

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[24] http://www.ustreas.gov/press/releases/hp644.htm.
An OFAC designation allows the U.S. government to seize any U.S.-based assets of the designated entity, as well as making it illegal for that entity to do any business in the United States, or for any U.S. company or person to do business with the designated entity. The list is widely used by international financial institutions as part of their "know your customer" due diligence research.

[25] "Iranian-Venezuelan Bank Organized by Law," *El Universal*, May 21, 2008, accessed at: http://english.eluniversal.com/2008/05/21/imp_en_eco_art_iranian-venezuelan-b_21A1594761.shtml

[26] Simon Romero, "Venezuela and Iran Strengthen Ties With Caracas-to-Tehran Flight," *New York Times*, March 3, 2007.

[27] United States Department of State, Country Reports on Terrorism, March 2008, Chapter 2.

The concerns about these and unusual activities, cloaked in official secrecy, would be more easily dismissed if not for a longstanding and complex web of relationships between state and non-state actors that carry across Iran's relationships with its Latin American allies.

Iran is the primary sponsor of Hezbollah, a designated terrorist organization by the United States, and one that has carried out numerous attacks against American citizens, as well being a likely participant in the attacks a decade ago in Argentina. Iran, in turn, has a cordial relationship with Chávez, who, in turn has developed a deep relationship with the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia-FARC) in neighboring Colombia.[28] The FARC is also a designated terrorist organization by the United States[29] and the European Union.[30] In September 2008 the Treasury Department's OFAC sanctioned three of Chávez's closest associates, including two intelligence chiefs, for aiding the FARC in the purchase of weapons and drug trafficking.[31] The FARC has a long history of making alliances with other terrorist organizations across ideological and geographic boundaries, including the Provisional Irish Republican Army (P-IRA) and ETA separatists in Spain.[32] Another

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[28] The most compelling primary source evidence of this relationship comes from the computer of Raúl Reyes, the FARC's deputy commander killed March 1, 2008 when Colombian troops raided his command center in neighboring Ecuador. Colombian troops recovered some 600 gigabytes of information from several computers and memory sticks found in the camp. Interpol, after conducting an independent analysis, concluded the data had not been tampered with when For a more complete analysis of what the documents show, see: Douglas Farah, "What the FARC Papers Show Us About Latin American Terrorism," The NEFA Foundation, April 1, 2008, accessible at: http://www.nefafoundation.org/miscellaneous/FeaturedDocs/nefafarc0408.pdf

[29] "FARC Terrorist Indicted for 2003 Grenade Attack on Americans in Colombia," Department of Justice Press Release, September 7, 2004, accessed at: http://www.usdoj.gov/opa/pr/2004/September/04_crm_599.htm.

[30] Official Journal of the European Union, Council Decision of Dec. 21, 2005, accessed at: http://europa.eu.int/eurlex/

[31] The three are Hugo Armando Cavajál, director of military intelligence, described as providing weapons to the FARC; Henry de Jesus Rangél, director of the civilian Directorate of Intelligence and Prevention Services, described as protecting FARC drug shipments; and Ramón Emilio Rodriguez Chacín, who, until a few days before the designation was Venezuela's minster of interior and justice. He is described as the "Venezuelan government's main weapons contact for the FARC." The role of the three in closely collaborating with the FARC is described in some detail in the documents captured in the Reyes documents. See: "Treasury Targets Venezuelan Government Officials Supporting the FARC," Press Room, Department of Treasury, September 12, 2008, viewed at: http://www.treas.gov/press/releases/hp1132.htm.

[32] For a more detailed look at the relationship between the FARC and other terrorist organizations, see: Douglas Farah, "The FARC's International Relations: A Network of Deception," The NEFA Foundation,

prominent regional player, Ortega in Nicaragua, has maintained a close relationship with both the FARC and Iran for more than two decades. The common denominators among the state protagonists are a strongly anti-U.S. platform and sponsorship of non-state armed groups operating outside their national borders. It is therefore necessary to ask whether the non-state actors, protected by their state sponsors, will themselves form alliances that will threaten the stability of the region, as well as that of the United States. Of primary concern is a possible Hezbollah-FARC alliance, centered on training of armed groups and drug trafficking.

There are public and credible allegations of Chávez's direct support for Hezbollah, among them the June 18, 2008 OFAC designations of two Venezuelan citizens, including a senior diplomat, as terrorist supporters for working with the armed group. Several businesses were also sanctioned. Among the things the two are alleged to have been doing on behalf of Hezbollah were coordinating possible terrorist attacks and building Hezbollah-sponsored community centers in Venezuela.[33]

There is a long history of outside terrorist actors operating in Latin America, in addition to those in Argentina discussed earlier. These include, in addition to ETA and the P-IRA in Colombia, the documented visits in the late 1990s to the Tri-Border Area of Hezbollah's chief of logistics Immad Mugnyiah (now deceased) and Khalid Sheikh Mohammed, the architect of the 9/11 attacks on New York and Washington and currently held in Guantanamo. [34] There is the possible presence of Osama bin Laden in the region

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September 22, 2008, accessed at: http://www.nefafoundation.org/miscellaneous/FeaturedDocs/nefafarcirnetworkdeception0908.pdf

[33] One of those designated, Ghazi Nasr al Din, who served as the charge d'affaires of Venezuelan embassy in Damascus, and then served in the Venezuelan embassy in London. The OFAC statement said that in late January 2006, al Din facilitated the travel of two Hezbollah representatives of the Lebanese parliament to solicit donation and announce the opening of a Hezbollah-sponsored community center and office in Venezuela. The second individual, Fawzi Kan'an is described as a Venezuela-based Hezbollah supporter and a "significant provider of financial support to Hizbollah." He met with senior Hezbollah officials in Lebanon to discuss operational issues, including possible kidnapping and terrorist attacks. The OFAC statement can be accessed at: http://www.treas.gov/press/releases/hp1036.htm

[34] For a comprehensive look at possible radical Islamist activities in the region, see: Rex Hudson, "Terrorist and Organized Crime Groups in the Tri-Border (TBA) of South America," Federal Research Division, Library of Congress, July 2003. For more recent Hezbollah ties, as related by Colombia authorities, see: "Colombia Ties Drug Ring to Hezbollah," *Reuters* News Agency, as appeared in the *New York Times*, Oct. 22, 2008.

in 1995, as reported by the Brazilian, French and U.S. media.[35] Given the security with which these senior operatives would have to move it is unlikely they would visit the region unless there were adequate security arrangements and infrastructure to allow them to operate. It is also unlikely they would travel there if there were no reason to do so.

Conclusions

Multiple factors, when taken together, point to Iran being more than a mere irritant in one of the most important and geographically proximate spheres of influence of the United States. Because the Iranian presence is based almost exclusively on a shared anti-U.S. agenda among the principal actors, and the ties of the Chávez and Ahmadinejad governments to armed non-state actors, Iran's presence is potentially destabilizing not only to the United States but to the region.

The Iranian presence is due in no small measure to the sharp turn toward radical populism self-identified as socialist and Marxist, with a strong anti-U.S. component, in recent elections across Latin America. The triumphs of radical populism is due in part to the corruption and inability of the prior "neo-liberal" governments to seriously curtail poverty. However, it is worth noting that the populists have also lost significant elections, when the populace is presented with a viable, credible alternative. The Bolivarian victories have allowed Iran, operating through Venezuela, to spread its influence largely by invitation, using the promise (often unfulfilled) of significant economic aid. There is a significant lack of public accountability and transparency in the economic dealings between Iran and Venezuela and its allies in Latin America.

The hemispheric picture is clouded by the close relationship of Chávez and Ortega to the FARC, an insurgency seeking to overthrow a democratically elected (although flawed, particularly in the field of human rights) government in neighboring Colombia and promoting armed revolution in other Latin American countries.[36] Given Iran's ties to Hezbollah and Venezuela, Venezuela's ties Iran and the FARC, the FARC's history of building alliances with other armed groups, and the presence of Hezbollah and

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[35] "El Esteve no Brazil," *Veja* on-line, no. 1,794, March 19, 2003; "Bin Laden Reportedly Spent Time in Brazil in '95," *Washington Post*, March 18, 2003, p. A24.
[36] Farah, "The FARC's International Relations: A Network of Deception," op cit.

other armed Islamist groups in Latin America, it would be imprudent to dismiss this alignment as an annoyance. It is, instead, a direct and growing threat.

Given the global recession, low oil prices, the necessity of Venezuela to maintain a U.S. market for its oil, and the deep economic ties between the United States and Latin America, the long-term extent of Iran ultimate threat remains unclear. The ability of Iran and Venezuela to present a viable anti-U.S. agenda and support non-state groups will likely be in direct proportion to the world price of oil. If oil prices stay below $80 a barrel both nations will continue to face severe economic hardship internally and likely have less to spend on expansionist dreams.

However, it is worth noting that even when oil prices were at their lowest, neither Tehran nor Caracas significantly cut back their joint programs, despite intense internal pressure in each country to do so. Given that Iran is spending scarce resources on courting Latin America at a time of deep economic crisis, one can deduce the expansion in Latin America is a very high priority. The primary objectives appear to be breaking its international isolation while significantly improving its intelligence and logistical capabilities in an area of vital strategic value to the United States. Iran's presence is felt more acutely because of the absence of a U.S. agenda that is broadly embraced by Latin Americans, particularly since the 9/11 attacks. While the scope of the threat is open to debate, the intentions of Iran and is allies, led by Venezuela, are clear and should not be underestimated or dismissed.

Mr. ENGEL. Thank you, Mr. Farah. Dr. Milani?

STATEMENT OF MOHSEN M. MILANI, PH.D., PROFESSOR AND CHAIR, DEPARTMENT OF GOVERNMENT & INTERNATIONAL AFFAIRS, UNIVERSITY OF SOUTH FLORIDA

Mr. MILANI. Thank you, Mr. Chairman. I am honored to appear before you today. There are three key questions about Iran's relationship with Venezuela. What is the nature of their relationship? Can their axis of unity blossom into a strategic alliance between the two? And does this unity pose a national security threat to the United States?

The defining feature of this relationship is political cooperation, followed by cooperation in the oil and gas industries. Economic and military issues are peripheral to this relationship.

The two countries each view the U.S. as a threat to their own survival and believe that they will be more able to defend themselves, expand their power through a united front and push the world toward a multipolar order.

Isolated, the two countries support each other. Examples include Venezuela's support for Iran's nuclear program and Iran's condemnation of the failed coup d'etat against President Chavez in 2002. President Chavez was also one of the first leaders to congratulate Ahmadinejad after the disputed election in June 2009.

Today, the legitimacy of both governments has been questioned by a significant portion of the population and they are rather isolated. For Ahmadinejad and Chavez, therefore, having an important ally might be as much about domestic politics as about international relations.

Ultimately, oil is what unites these two countries. They seek to increase price by lowering production, intend to use Euros instead of dollars in their transaction, and have joined the Gas Exporting Countries Forum that Iran and Russia formed in 2001. They have recently agreed to invest some $700 million in others energy sector. Iran reportedly will import up to 20,000 barrels of gasoline daily from Venezuela in case of new sanctions against Iran. They also plan to build a refinery in Syria.

The volume of trade and commerce is limited but growing. The two countries have established a joint production company to manufacture tractors. Iran is building 2,500 housing units, as well as a variety of other factories, in Venezuela.

Iran, however, represents less than 1 percent of Venezuela's total export to the world and is not even among the top 13 trading partners with Venezuela, and Venezuela is not even among the top 20 countries that trade with Iran.

In April, 2009, the two countries officially established a bank with an initial contribution of $100 million each. The bank could obviously become a convenient channel for Iran to bypass U.S. sanctions.

The military cooperation between the two governments is growing. Venezuela seems to be anxious to learn from Iran's advanced strategies of asymmetrical warfare. Asymmetrical warfare could become useful to Venezuela in case of its conflict with its neighbors.

Regarding terrorism—an area beyond my expertise—although the Economist conclude that "there is no firm evidence of a con-

tinuing and active Iranian inspired terrorist presence in the region," there are experts who believe otherwise. Iran is unlikely to use Venezuelan soil to embark on any terrorist activities which would make its most important ally in the region vulnerable to allegations of sponsoring terrorism. There are other countries that Iran could use.

Clearly, Iran has made a strategic decision to slowly find its way into Latin America. This is part of Iran's policy to find ways to neutralize the United States policy of containing Iran, bypass U.S. sanctions, and, most importantly, develop retaliatory capabilities against the United States should Iran be attacked. Although there are no confirmed reports that Iran has developed any infrastructure in Venezuela to allow it to retaliate against the United States, still Washington must be concerned.

Can this political unity blossom into a full strategic alliance? The probability is very low. The two countries seem to have recognized that the U.S. will not tolerate such an alliance and will react forcefully if needed. Venezuela is not among the top foreign policy priorities of Iran, and Iran does not seem to be Venezuela's top priority.

Finally, does this relationship pose national security threat to the U.S.? Thus far, I would argue the relationship between Iran and Venezuela has been more of an irritant and nuisance to the United States, but this nascent alliance has the real potential to become a low level threat, and therefore, it warrants close watching and diligent monitoring. Thank you.

[The prepared statement of Mr. Milani follows:]

Testimony by Mohsen M. Milani[1]

Professor and Chairperson, Department of Government and International Affairs,

University of South Florida, Tampa, Florida

October 27, 2009

House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere

Subcommittee on the Middle East and South Asia, and

Subcommittee on Terrorism, Nonproliferation and Trade

Iran's Relations with Venezuela: Axis of Unity or Strategic Alliance?

It is indeed an honor to testify before three Subcommittees of the House of Representatives–this enduring icon of the republic in this free land.

I offer my testimony not as a pundit or political operative, but as an academic deeply committed to objectivity and the judicious use of verifiable information. I call your attention to this because while there are precious few scholarly works on the topic of my testimony, there is an abundance of speculation, misinformation and hyperbole. The governments of Venezuela and Iran have exacerbated the problem by not publishing verifiable information for many of the more than 200 (estimated) agreements and Memoranda of Understanding they have signed. Therefore, I offer my analysis with the full awareness that it is constrained by the information to which I have access.

Diplomatic relations between Iran and Venezuela were established in 1957. In 1998, they became appreciably friendlier after the victory of President Hugo Rafael Chavez. In 2005, after the inauguration of President Mahmood Ahmadinejad, their relationship deepened substantially as the two countries celebrated their new "Axis of Unity." Today, their relations encompass joint investments in oil and gas, commercial activity, and low-level security and military cooperation. What does Iran hope to derive from this relationship? Is their Axis of Unity, or political alliance, a "temporary marriage" that might blossom into a strategic alliance? Does this unity pose a national security threat to the United States? Allow me to address these three pivotal questions.

Summary of the main Findings

- The current relationship between Iran and Venezuela is an irritant to the U.S., but it has the potential to become a low-level threat and therefore warrants careful watching and monitoring.
- The government of the Islamic Republic and President Chavez, the Venezuelan leader, each view the United States as a threat to their own survival. They both believe that they will be more able to defend themselves and expand their power on the global stage through a united front.
- The two incumbent governments have established an "Axis of Unity." They adhere to an ideological paradigm that seeks to challenge the United States and its preeminent global position and push the world toward a multi-polar order.
- The Axis of Unity is reactive: It much more against something (the U.S.) than for something.
- The bilateral relations are likely to strengthen in the near future, unless there is a major change in either country. However, the probability of the relationship transforming into a strategic alliance is very low.
- The pivotal component of the Axis of Unity is political cooperation. Internationally isolated, the two countries consistently support each other. Examples include Venezuela's support for Iran's nuclear program, and Iran's condemnation of the failed 2002 coup against President Chavez.
- The two countries' common oil strategy cements their bilateral relations. They seek to increase prices by lowering production, intend to use Euros instead of dollars in their transactions, and have invested in each other's oil and natural gas sectors.
- Their military relationship is nascent and limited. Venezuela seems interested in Iran's advanced asymmetrical warfare strategies.
- The volume of trade between the two countries remains relatively low, but is expanding.
- Neither country is investing in key or strategic sectors of the other country (oil/gas excluded). Where they have invested, their investments are not substantial.
- Iran has expanded its influence, albeit in a limited capacity, into the Latin American backyard of the United States. It is suspected of seeking to develop rudimentary retaliatory capability against the United States throughout Latin America should Iran be attacked or invaded.
- In Venezuela, Iran has potentially found a conduit to defy and bypass U.S.-imposed sanctions.

The Genesis and Consolidation of the Alliance

On the surface, Iran and Venezuela appear the strangest of bed fellows. Iran is an old county, and Venezuela a young one. Iran is Islamic with a theocratic government, and Venezuela is Christian with a secular government. They are located on two different continents separated by the Atlantic Ocean. But they have remarkable similarities as well: Both are developing countries and major oil producers; both have a remarkably vibrant young population; both have ambitions to expand their power beyond their borders.

Ultimately, oil was and is what unites these two countries. Diplomatic relations between Iran and Venezuela began in 1957 as they both sought to become independent players in the global energy market. This is why they were among the founding members of the Organization of Petroleum Exporting Countries (OPEC) in 1960. As long as the two countries were under the security umbrella of the United States, their bilateral relations remained oil-focused and parochial in nature. After the Islamic Revolution in 1979, Iran, once a strategic ally of the United States, became a champion of anti-Americanism (defined here as opposition to U.S. policies). With its new foreign policy of "No East, No West," the Islamic Republic sought to develop close relations with any country that opposed the United States. Venezuela was hardly on Iran's radar until the "Bolivarian Revolution" of 1998, which led to the electoral victory of President Chavez. His lower-class populism, perceived commitment to the equitable distribution of wealth, and blatant anti-Americanism were too alluring to ignore, even for the reform-minded President Mohammad Khatami (president from 1997 to 2005).

The foundation of the close relationship between Iran and Venezuela was laid during Khatami's presidency. Both countries viewed the other as a potential ally and an ideological cohort, and believed that through unity, they could expand their power beyond their borders: Iran in Latin America and Venezuela in the Middle East. Cautious by temperament, Khatami, who visited Caracas more than once, sent clear signals to the U.S. that neither Iran nor Venezuela were planning to ally themselves against other countries or undermine the interests of others. He praised the relationship between Iran and Venezuela as "a model for South-South cooperation."

During the Khatami era, Iran and Venezuela signed a number of agreements worth several millions of dollars that focused on energy, shipping, mining, and economic cooperation. But the political benefits of this new relationship were far more important than its economic benefits, which amounted to very little. Khatami congratulated Chavez for neutralizing the 2002 coup, and condemned the United States for instigating it. Iran hailed Chavez's victory in the

referendum to change the Venezuelan Constitution. Venezuela expressed strong support for Iran's pursuit of a peaceful nuclear program, and pledged assistance if Iran were to be attacked or invaded, a pledge not offered by any Islamic country other than Syria. Still, relations with Venezuela were not among Iran's top priorities.

After the 2005 presidential victory of Ahmadinejad, bilateral relations became significantly deeper, more multifaceted, and more important for Iran, as the two countries began to exercise rudimentary cooperation in the areas of security and the military. In 2007, the two presidents celebrated their "Axis of Unity," presumably against the U.S. The recent establishment of direct flights between Caracas and Tehran, with a stop in Damascus, Syria, is symbolic of the increasing importance of the new relationship between Iran and Venezuela.

Although the common interests of the two states pushed them ever closer, the role of the personalities of the two presidents should not be underestimated in strengthening this alliance. They appear to have the right kind of chemistry and share much in common: They both come from humble origins; both are revolutionaries; both are skillful populists with substantial support among the lower classes; both are masters of theoretical politics and in love with the camera; both exhibit a remarkable will to exercise power to push their agenda and punish their enemies; both adhere to a confrontational and raw style of politics that regards a strong offense as the best defense; both are philosophically dedicated to create a new, multi-polar world; and both are unabashedly anti-American. Ahmadinejad has praised Chavez as "my brother…a perpetual warrior against the dominant system…a champion against hegemonic powers," and President Chavez has been no less generous in his praise of his counterpart. President Chavez was one of the first to congratulate Ahmadinejad after the disputed presidential election in June 2009 (and thus lost considerable support among reformist circles in Iran). In many important foreign policy issues, Venezuela has sided with Iran. With regard to Israel, President Chavez has cautiously supported Iran and the Palestinians. On one hand, he has denounced Israel's incursion into Gaza in 2008 and has called for the trial of Israelis soldiers. On the other hand, he has explicitly rejected President Ahmadinejad's despicable declaration that "Israel will be wiped out from the map of the world."

Unlike the sensitive issue of Iran's right to enrich uranium, which all major factions within Iran's governing elites continue to support, Iran's policy toward Venezuela was harshly criticized for being too costly, too dangerous, too adventurist, and ultimately incompatible with

Iran's national interests. When President Ahmadinejad met with the presidents of Venezuela, Nicaragua, and Ecuador in 2008, *Etemad Meli*, a reformist Iranian newspaper controlled by Hojatolislam Mehdi Karubi (a brave presidential candidate who continues to accuse Ahmadinejad of staging an electoral coup in 2009), wrote that Ahmadinejad had met with presidents who are "left wing friends, good for coffee shop discussions; but not good for setting our country's security, political and economic priorities." Such misgivings, shared by many Iranians, were ignored because the new alliance was approved by Iran's Supreme Leader, Ayatollah Seyyed Ali Khamenei.

Unlike President Chavez, who is the most powerful figure in Venezuela and the commander of its armed forces, President Ahmadinejad's power is limited. Key strategic decisions must be approved by Ayatollah Khamenei, who commands the armed and security forces. His stamp of approval for the new alliance with Venezuela is best understood in the context of Iran's policies toward the United States.

Tehran views the United States as an existential threat and to counter that threat it has devised a strategy that rests on both deterrence and competition in the Middle East and beyond. To deter possible military actions by the United States, Iran is improving its retaliatory capabilities by developing the means to pursue asymmetric, low-intensity warfare, both inside and outside the country; building indigenous missile and antimissile systems; and developing a nuclear program while cultivating doubts about its exact capability. Furthermore, to neutralize the United States' attempts to contain it, the Iranian government is both undermining U.S. interests and increasing its own power—including in Latin America. Tehran has been maneuvering to prevent Washington from leading a united front against it, and strategically using Iran's oil and gas resources to reward Tehran's friends. A pivotal element of Iran's strategy to neutralize the United States' containment policy is to create spheres of influence in Syria, Lebanon, Iraq, and Afghanistan and, perhaps, even in Venezuela. Moreover, Iran has also been relatively successful in popularizing a model of resistance. This model combines Islamic solidarity, populism, some trappings of democracy, strict organizational discipline, extensive economic and social support for the needy masses, and pervasive anti-colonial and anti-Western sentiments—all in an effort to mobilize the streets of the Islamic world against the United States and expand its own power.

Chavez's Venezuela fits perfectly into this strategy: As a major oil producer, Venezuela and Iran can form a powerful bloc within OPEC against pro-American forces and in favor of increasing oil prices; located so close to the United States, Venezuela brings Iran into an area that

the United States has traditionally dominated, creating new opportunities for Iran to undermine U.S. interests; Chavez's opposition to what he calls "the United States imperialism" is remarkably similar to Iran's denunciation of the United States as the "Great Satan"; Chavez's model of resistance against "American domination" complements Iran's own model of resistance, even though the latter relies on Islamic solidarity; and Venezuela has allowed Iran to partially break American containment and is used by Iran as a sanction-buster partner.

The new unity has economic/commercial, security/military, oil/energy, and educational/cultural dimensions that I will outline in the following pages.

Common Oil and Gas Strategies and Economic Interaction

Iran and Venezuela, the fourth and sixth major producers of oil in the world, are governed by rentier states (Table I). Addiction to oil revenues, more than anything else, unites them, and their enormous reserves in oil and natural gas (in the case of Iran) makes their alliance consequential. They continue to side together within the OPEC to increase higher revenues by lowering oil production, and not by increasing it, as Saudi Arabia often advocates. In the past few years, they have also declared their intention (Iran in 2003 and Venezuela in 2005) to move their foreign-exchange holdings and sales of their oil and gas from dollars into Euros. (If they were to succeed in implementing this policy or in convincing other OPEC members to follow suit, it would have a seriously adverse impact on the U.S. dollar.)

Over the past decade, they have also begun investing in each other's oil and natural gas sectors and become involved in joint ventures. These engagements are limited and have not elevated either county to "major player" status in the other county's oil and gas sector. The potential for future cooperation between the two countries in the petrochemical and natural gas industries, however, is significant.

Based on two Memoranda of Understanding (MOU) signed in October 2009, the two countries plan to each invest some $760 million in the other's energy sector. Venezuela's Petróleos de Venezuela S.A. (PDVSA) will invest in the South Pars gas field, the largest gas field in the world, and Iran will invest in oil fields and in oil exploration in Venezuela. In addition, Iran reportedly will import up to 20,000 barrels of gasoline daily, worth about $800 million, from Venezuela in the event of new sanctions against Iran by the United States/West. (Sanction-busting is surely a motive for Iran's relations with Venezuela, and this MOU is an example of how Venezuela is willing to help Iran.) Venezuela will import technology and machinery from

Iran in exchange for the refined gasoline. There have also been preliminary discussions about a multi-country investment, involving Iran, Venezuela, Syria and Malaysia, to build a refinery in Syria with the capability of producing 140,000 barrels of oil per day.

Venezuela has also followed Iran's lead and joined the Gas Exporting Countries Forum (GECF). Iran and Russia were among the original founders of the organization that is modeled after OPEC. It was established in 2001 and held its first meeting in Tehran with the objective of coordinating the policies of the major gas producers. Many in the West consider the GECF as a cartel created by Russia and Iran to control the natural gas markets. Considering that Venezuela has already committed to invest in Iran's natural gas sector (after Russia, Iran has the second largest natural gas reserves in the world, about 26.5 trillion cubic meters), we can expect closer cooperation between the two countries in the future.

The two counties have also increased trade and investments in each other's county, although the amount of trade and investment is not significant. In fact, neither country has become the other's major, or even important, trading partner. Nor has their limited mutual trading caused a discernible shift in the pattern of trades as both countries continue to trade with their traditional partners. The U.S. continues to be Venezuela's chief trading partner (Table II). According to the International Monetary Fund, the total trade between the two counties, from 2001 to 2003, reached its peak of $1.19 billion in 2004.

Iran's direct and joint investments in Venezuela are not significant. We know that in 2005, the two countries joined hands to establish Veniran, a joint production company designed to manufacture affordable tractors (output to eight thousand by the end of 2007). The project is part of President Chavez's campaign for Endogenous Development, a state-sponsored job creation program. Iran is also planning to build some 2500 housing units for workers in the vicinity of the factory. Iran Khodro, the Middle East's biggest automobile manufacturing unit, has built a car plant in Venezuela to produce affordable cars. However, there are reports that the Iranian government has had to bail out the inefficient factory. There are reports that Iran is building a bus factory, a cement plant, a pharmaceutical laboratory, and dairy and grain factories in the more rural areas of Venezuela. (The location of some of these factories in remote rural areas has raised the suspicion that they might be involved in a variety of illicit activities, such as building weapons.)

In April 2009, during President Chavez's trip to Iran, the Iran-Venezuela Bank was officially established, with each country making an initial contribution of $100 million. The bank,

it is feared, could become a convenient channel for Iran to defy and bypass U.S. sanctions. Today, in Caracas, the Export Development Bank of Iran is still in operation.

Security and Military Cooperation

There are three areas of concerns about the security and military relationship between the two counties: (1) nuclear cooperation, (2) the presence of Hezbollah on Venezuelan soil, and (3) military cooperation.

President Chavez has emphatically supported Iran's right to develop nuclear energy for peaceful purposes. President Chavez has been a steadfast ally in this critical area. In 2006, Venezuela, Syria and Cuba voted against referring Iran's case from the International Atomic Energy Agency to the United Nations' Security Council, however the referral went forward. Subsequent to that referral, the Security Council imposed three different sanctions on Iran. Independent of the consternation caused by Iran's nuclear energy program, Venezuela has expressed its desire to develop its own nuclear energy program, which Iran fully supports. The only issues of concern thus far are reports of Iranian technicians helping find uranium in Venezuela.

There is a great deal of confusion and mystery about the alleged presence of Hezbollah in Venezuela. Because counter-terrorism is not my area of expertise, I can only summarize some of the pivotal parts of this story, which revolve around the Hezbollah America Latina and its supposed leader, Comandante Teodoro Rafael Darnott. In September 2006, Gustavo Coronel claimed that an indigenous group, the Wayuu, in the remote area of the Guajira peninsula which borders Colombia, converted to Shi'a Islam and that the group has anti-imperialism proclivities. He also linked Darnott and the Wayuu group to the Hezbollah. Around the same time, there were concerns about the growth of anti-Semitism in Venezuela. Even though Darnott denied any connection to the Lebanese Hezbollah, the suspicion of the connection persisted. On October 23, 2006, two primitive explosive devices were discovered near the U.S. Embassy in Caracas. Jose Miguel Rojas was arrested by the Venezuelan police, and the website run by Darnott claimed responsibility for the failed attack. Darnott and Jose Miguel Rojas were tried and convicted in December 2008. Each man was found guilty and sentenced to ten years in prison; Jose Miguel Rojas for carrying the bombs and Darnott for inspiring the group that planned the bombing. After the incident, the Lebanese Hezbollah was accused of establishing a base in Venezuela. Iran's Revolutionary Guard and Hezbollah were also accused of setting up "a special force to attempt to kidnap Jewish businesspeople in Latin America and spirit them away to Lebanon." There is no

evidence of any kidnapping in Venezuela by Iranian agents. Most importantly, having established a close and friendly relationship with Venezuela, Iran is unlikely to use Venezuelan soil to embark on any terrorist activities which would make its most important ally in Latin America vulnerable to allegations of sponsoring terrorism. President Chavez simply has no interest in getting his government involved in such dangerous adventurism. Although the conservative magazine, *The Economist*, concludes that "there is no firm evidence of a continuing and active Iranian-inspired terrorist presence in the region [Latin America]," there are experts who believe that Iran and the Iranian supported-Hezbollah of Lebanon are using Venezuela as a base to be able to conduct terrorist activities throughout Latin America. (A Lebanese business man has been found guilty of raising money for Hezbollah in Venezuela.)

Iran's military relations with Venezuela entered into a new phase in 2008, when Mostafa Mohammad Najjar, Iran's Defense Minister, met with President Chavez in Caracas and pledged Iran's "full support to promote the Venezuelan military defense capabilities in the framework of mutual defensive agreements." The two countries signed a military MOU, which included training and cooperation. The details of the agreement have not been published. However, there are unconfirmed reports that Iranian military advisors are embedded with Venezuelan army units, and that Iran's asymmetric warfare doctrine, the major expertise of Iran's Revolutionary Guards, is now used in Venezuelan armed forces.

There is certainly a great deal of sensational and alarmist reporting about Iranian activities in Venezuela. And the Venezuelan and Iranian governments have often contributed to this sad state of affairs. It is as if they deliberately seek to irritate the United States, by not releasing relevant documents and by exaggerating their cooperation and/or the amount of money they are investing. For example, a few years ago, Iran and Venezuela agreed to contribute $1 billion to fund projects to "thwart US domination," however, there is no evidence the Iranian parliament has ever approved that fund. There were rumors in the U.S. that a bicycle factory Iran had built in the state of Cojedes in Venezuela was in fact a nuclear facility. When the first bikes were marketed from that factory, President Chavez sarcastically named the new product "atamica" or the atomic bicycle.

Many of the signed agreements have not been implemented. For example, the MOU signed in 2006 and 2008 regarding cultural and student exchange have produced no tangible results. Iran has pledged to send Persian literature professors (number unknown) to Venezuela, but, as yet,

none of the five most important universities in Caracas have courses in Farsi or Iranian history/culture.

Implications for the United States: A Grave Threat or a Cause for Concern?

The pivotal element of the Axis of Unity between Iran and Venezuela is their ideological opposition to the United States and its preeminent position in global politics. What cements and nourishes this new-found unity are the two countries' similar oil and gas strategies. There are other, but less significant, dimensions to this evolving relationship that encompass economic, commercial, and security/military cooperation. The two countries have made significant strides in investing, or in plans to invest, in each other's energy sector. They are also participating in joint ventures in exploration and production of crude oil and natural gas. Consequently, Venezuela has now entered into the Persian Gulf, the richest and most important source of energy in the world.

Their economic and commercial activities are limited, and have had no discernable impact on their international trading patterns or on the performance of their respective economies. According to the Venezuelan National Institute of Statistics (INE), Iran is not among Venezuelan's top 13 largest trading partners, and Venezuela is not among Iran's top 20 trading partners. Further, according to the data provided by the INE, as an export destination, Iran represents less than 1% of Venezuela's total exports to the world; in comparison to the United States' 26.1% share. Moreover, Iranian investments or joint investments in Venezuela are limited and are not in the key and strategic industrial or financial sectors. The recent establishment of the Iran-Venezuela Bank, however, has the potential to both facilitate greater economic cooperation between the two countries and can serve as a potential conduit for Iran to defy U.S.-imposed sanctions. The military cooperation between the two governments is new, and has thus far been confined to the signing of a few Memoranda of Understanding. Venezuela seems anxious to learn from Iran's advanced strategies of asymmetric warfare. There are no confirmed reports of any major arms sales between the two countries, or of the transfer of Iranian missiles or missile technologies to Venezuela. Regarding Iran's sponsorship of terrorism (an area beyond my expertise), although the *Economist* concludes that "there is no firm evidence of a continuing and active Iranian-inspired terrorist presence in the region," there are experts who believe that Iran and the Iranian supported-Hezbollah of Lebanon are using Venezuela as a base to be able to conduct terrorist activities throughout Latin America. Finally, the cultural exchanges have been very limited, and the allegation of a massive conversion of the Wayuu people to Shi'ism is highly

exaggerated. Clearly, the presence of some 2000 Iranians in Venezuela will introduce Persian culture and Shi'ism to the people of Venezuela, but its impact will be negligible.

What is interesting about this evolving political unity, is its newness and its progressive expansion. Clearly, Iran, as an emerging regional power, has made a strategic decision to slowly find its way into Venezuela and other Latin American countries. (The United States' involvement in Iraq and its subsequent neglect of Latin America, compounded by the growing popularity of left-wing politics with its proclivity toward anti-U.S. sentiments, opened the door for Iran and others, like China and India and Russia, to come to the region.) This ambitious decision is also part and parcel of Iran's overall foreign policy to explore ways to neutralize the United States' policy of containing Iran, to find creative ways to bypass and defy U.S. sanctions, and, if possible, develop retaliatory capabilities against the U.S should Iran be attacked or invaded. Venezuela has been a reliable partner for Iran to make progress in these key areas, however, there are no confirmed reports that Iran has developed any infrastructure in Venezuela to allow it to retaliate against the U.S. should Iran be attacked or invaded (as it has done in Afghanistan, Iraq, and Lebanon). Still, Washington is concerned. The concern is echoed in the statement by former Assistant Secretary of State Thomas A. Shannon: "One of our broader concerns is what Iran is doing elsewhere in this hemisphere, and what it could do if we were to find ourselves in some kind of confrontation with Iran."

Can this political unity blossom into a full-blown strategic alliance that includes close military cooperation and coordination? The probability is extremely low. For one thing, the two countries seem to have recognized that the United States will not tolerate such an alliance and will react forcefully if needed. Therefore, they appear to have decided to limit the level of their cooperation in order not to incite any forceful reaction by the United States. For another, Venezuela is not among the top foreign policy priorities of the Islamic Republic, and Iran does not seem to be Venezuela's top priority. Therefore, there is no urgency or need on the part of either county to initiate such a dangerous strategic move. Moreover, there is considerable domestic opposition in both countries to developing strategic alliances pitted against the United States. Finally, should there be a change in the top leadership of either country we would most likely witness a significant cooling down of the bilateral relationship. If there is no major political change in either country, the relationship between Iran and Venezuela will continue to strengthen in the near future, but it will not rise to strategic cooperation. Today, both governments face serious challenges and their legitimacy has been questioned by a significant portion of their population. Both regimes are concerned about their "pariah status" in the international arena.

Therefore, for Presidents Ahmadinejad and Chavez having an important and outspoken ally in the international arena might be as much about domestic politics as international relations.

Finally, does this political and ideological unity between Iran and Venezuela pose a grave national security threat to the U.S? Thus far the relationship between Iran and Venezuela has been more of an irritant and nuisance to the U.S., but the nascent alliance has the potential to become a low-level threat and therefore it warrants close watching and diligent monitoring.

(Tables follow on the next three pages.)

Table 1: Basic Information about Iran and Venezuela

Economics [1]	GDP (Billions $US)	GDP / per Capita (Thousands of $US)	% GDP Agriculture	% GDP Industrial Production	% GDP Services	Imports (Billions of $US)	Exports (Billions of $US)
Iran	841.7	12.8	10.2	41.9	47.8	67.25	95.09
Venezuela	357.4	13.5	3.8	37.6	58.6	48.1	93.54

Energy [2]	Oil			Natural Gas	
	Oil Production (Thousands bbl/day) [2008]	Oil Reserves (Billions Barrels) [2009]	Crude Oil Distillation Capacity (Thousands Barrels per Calendar Day) [2009]	Gas Production (Billions Cubic Feet) [2008]	Gas Reserves (Trillions Cubic Feet) [2009]
Iran	4174.4	135.25	1451	4107	170.92
Venezuela	2642.9	99.37	1282	848	991.6

Demographics [3]	Population in (Millions)	Median Age (Male & Female)	Life Expectancy (Male & Female)	Literacy rate as % of Population 15 Years or Older (Male & Female)	% Unemployment	% Population Living Below Poverty Line
Iran	66.4	27	71.14	77	12.5	18.0 [2007]
Venezuela	26.8	25.5	73.61	93	7.4	37.9 [2005]

[1] Note: All figures above based on 2008 estimates; all US$ above, shown as PPP (Purchasing Power Parity)

Source: CIA World Fact Book - Iran https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html

CIA World Fact Book - Venezuela https://www.cia.gov/library/publications/the-world-factbook/geos/ve.html

[2] Note: Estimates noted by respective year

Source: Energy Information Administration -

http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=3&pid=3&aid=6

[3] Note: Unless otherwise noted all figures based on 2008 estimates

Source: CIA World Fact Book - Iran https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html

CIA World Fact Book - Venezuela https://www.cia.gov/library/publications/the-world-factbook/geos/ve.html

Table II: Venezuelan Exports

Value of Venezuelan Exports by Country of Destination - January 2008 to May 2009 [1] (Rankings Based on 2009 Exports)				
Country of Destination	2008 (Millions of USD)	2008 % of Total Exports	2009 (Millions of USD)	2009 % of Total Exports
United States	798	26.1	224	22.5
Colombia	519	17.0	195	19.5
China	156	5.1	106	10.6
Mexico	162	5.3	51	5.1
Brazil	77	2.5	41	4.1
the Netherlands	172	5.6	41	4.1
Egypt	87	2.9	37	3.7
Ecuador	123	4.0	28	2.9
Italy	105	3.4	28	2.8
Germany	67	2.2	28	2.8
Belgium	98	3.2	26	2.6
Canada	34	1.1	25	2.5
Dominincan Repbulic	28	0.9	20	2.0
Others	627	20.5	149	14.9
Total:	3053	100%	999	100%

Value of Venezuelan Imports by Country of Origin - January 2008 to July 2009 [2] (Rankings Based on 2009 Imports)				
Country of Origin	2008 (Millions of USD)	2008 % of Total Imports	2009 (Millions of USD)	2009 % of Total Imports
United States	6236	26.1	5718	25.2
Colombia	3555	14.9	3312	14.6
China	2076	8.7	2491	11.0
Brazil	2267	9.5	1924	8.5
Mexico	1156	4.8	838	3.7
Germany	815	3.4	737	3.2
Italy	609	2.5	615	2.7
Panama	467	2.0	574	2.5
Argentina	609	2.5	519	2.3
Chile	550	2.3	503	2.2
Japan	347	1.5	473	2.1
Others	5212	21.8	5024	22.1
Total:	23899	100%	22729	100%

Sources:

[1]Instituto Nacional de Estadistica - Republica Bolivariana Venezuela

http://www.ine.gov.ve/comercio/CuadroComercioExport.asp?Codigo=Exportacion_Paises

[2]Instituto Nacional de Estadistica - Republica Bolivariana Venezuela

http://www.ine.gov.ve/comercio/CuadroComercioImport.asp?Codigo=Importacion_Paises

[i] I am most grateful to my good friend, Mr. Eric Wolters, for his invaluable assistance throughout this project. Mr. Wolters and Professor Scott M. Solomon from the University of South Florida read the entire testimony and enriched it with their constructive suggestions. I also would like to express my thanks to my graduate student, Ms. Raheleh Dayerizadeh, for her help, and to Ms. Cynthia Nelson for her editorial assistance. The ideas and opinions expressed in this testimony are mine, and mine alone.

Mr. ENGEL. Thank you, Dr. Milani. Dr. Bailey? Dr. Bailey, could you push your button? I don't think it is on.

STATEMENT OF NORMAN A. BAILEY, PH.D., CONSULTING ECONOMIST, THE POTOMAC FOUNDATION

Mr. BAILEY. I wish to thank the chairmen of the three subcommittees and the members of the committees for this invitation. I have the advantage of coming last so that I will try not to repeat what has already been said by other witnesses, as well as by the members who gave their opening remarks.

The activities of Iran in the Western Hemisphere have been made possible thanks to the essential collaboration of President Chavez of Venezuela providing Iran an operational base from which to expand its influence and operations throughout the continent. Many, if not most, of these activities and installations are designed to facilitate and provide cover for illegal and subversive endeavors that not only involve the Iranian Government, but also terrorist organizations such as Hamas, Hezbollah, Islamic Jihad, the Colombian FARC and ELN and drug cartels from Colombia, Mexico and elsewhere.

The financial aspects of the penetration of Iran in Venezuela and elsewhere in the hemisphere have already been outlined and this gives, of course, Iran the ability to use the Venezuelan banking system to evade financial sanctions declared by the United States, the European Union and the United Nations. The Treasury Department has sanctioned the Iranian banks and various individuals but so far has not sanctioned any Venezuelan bank. This is odd because Iran makes extensive use of the Venezuelan banking system, especially Banesco, including Banesco Panama, Banco Occidental de Descuento, Banco Caroni and Banco Guyana. The availability of these financial institutions for Iranian use is advantageous to Iran for obvious reasons.

In the industrial and mining area, the Iranians have acquired so-called industrial installations throughout Venezuelan territory, including a tractor factory in Bolivar State, a cement plant in Monagas, a car assembly plant in Aragua and a bicycle factory in Cojedes. Some of these installations in reality are used primarily as warehouses for the storage of illegal drugs, weapons and other items useful to them and their terrorist clients. In addition, the Islamic Republic bought a gold mine in Bolivar which indeed produces gold, but also produces uranium. Recently, Venezuela signed agreements with Iran and Russia for the transfer of nuclear technology.

The weekly flights between Caracas, Damascus and Tehran have been mentioned several times. Additionally, however, Iran and Venezuela have formed a joint shipping line, the IRISL Group. On December 30, 2008, Turkish authorities intercepted 22 containers marked "tractor parts" in the Port of Mersin that in fact contained materials for making bombs and weapons bound from Iran to Venezuela. IRISL has now been blacklisted by the U.S. Government.

Iranian technical assistance has been provided to Venezuela in the areas of defense, intelligence, energy, security and industry. Iran has agreed to build an explosives plant in Carabobo state and produces weapons in the so-called tractor plant in Bolivar. Tech-

nical assistance, as we have seen, will now be granted to Venezuela by Iran in the area of nuclear power and for the purpose of finding and efficiently mining uranium deposits. I might add, recently a delegation of Iranians went to Bolivia for the same purpose.

Iranian participation in drug trafficking through Venezuela to Central America, Mexico, the United States, Caribbean and West Africa and Europe is extensive and the proceeds are used to finance further penetration of Iranian interests in the region, as well as to fund the terrorist organizations mentioned above.

Ocean-going tuna boats purchased in Ecuador and refitted in a shipyard in Panama which was bought by a private sector ally of Chavez are now used to transport cocaine across the Atlantic. This is perfect because it has tuna on top and cocaine below, and the smell of the tuna masks the cocaine. The so-called cement plant packages cocaine in bags marked cement and are taken by the tuna boats across the Atlantic to West Africa, and from there, transshipped to Europe. Other routes through Venezuela to Santo Domingo head to the Gulf Coast, and to the U.S. west coast and Florida. Cocaine is also flown or shipped in boats through Central America, particularly Honduras and Guatemala into Mexico, and from there, to the United States. Protection of the drug trade by the Venezuelan National Guard is notorious. In summary, Iran over the past several years has built up an extensive network of facilities throughout the region concentrated in Venezuela, Ecuador, Bolivia, Central America and Panama, and involved with the financing of terrorist organizations, drug trafficking, weapons smuggling, money laundering and the provision of chemical precursors to the Colombian drug cartels. It is becoming increasingly clear that one of the principal motivations of all this activity is to be able to retaliate against the United Stats if it is attacked, particularly through damaging the Venezuelan oil facilities and blocking the Panama Canal.

In short, the Iranian penetration into the Western Hemisphere indeed is a security threat to the United States and the rest of the hemisphere. The United States and other governments should implement immediate action to confront this threat, including action against Venezuelan financial institutions, patrolling the mouth of the Orinoco River, actively monitoring Iranian activities in Panama and throughout the hemisphere while denouncing the activities outlined above in hemispheric and international fora. District attorney Morgenthau has it right. When will the rest of the government, other than the Treasury, come along, not to mention the rest of the hemisphere? Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Bailey follows:]

IRANIAN PENETRATION INTO THE WESTERN HEMISPHERE THROUGH VENEZUELA

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Tuesday, October 27, 2009

House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere; Subcommitee on Middle East and South Asia, and Subcommittee on Terrorism Nonproliferation and Trade

Introduction

In an editorial published in its edition of April 24, 2009, *The New York Times* wrote: "We have no patience for Mr. Chavez. ... But Mr. Chavez is no strategic threat." The *Times* was wrong. The Venezuela of Hugo Chavez *is* a strategic threat to both the national interests and more importantly to the national security of The United States and the rest of the Western Hemisphere. Recently Manhattan District Attorney Robert Morgenthau travelled to Washington expressly to address an audience at the Brookings Institution concerning the investigations by his office with reference to the close collaboration between Iran and Venezuela and the dangers this collaboration posed to the United States and the rest of the Hemisphere. Despite that, Andres Oppenheimer of *The Miami Herald* subsequently interviewed a high-ranking White House official who repeated the now habitual State Department line of many years that although the Venezuela of Hugo Chavez was annoying, it did not represent a real or potential threat to national or hemispheric security.

This threat consists of various elements, such as massive purchases of armaments from Russia, but by far the most significant is Venezuela's facilitation and encouragement of the penetration of the Western Hemisphere by the Islamic Republic of Iran. In the last several years, at least since 2004, Iran has created a large network of installations of various kinds in Venezuela and in other countries in Latin America and has engaged vigorously in activities covering the areas of diplomacy, commerce, finance, industry, energy, and others. The total of the announced investments of Iran in Latin America exceeds twenty billion dollars. The curious thing here is that there is no history whatsoever of Iranian involvement in Latin America prior to the current surge of interest. There is no affinity at all between monarchic or Islamic Iran and the countries of the Hemisphere; historical, cultural, political, economic or otherwise. Nevertheless, as we shall see, the last few years have seen a totally unprecedented level of interest and numerous activities of the Islamic Republic in the Hemisphere.

These activities have been made possible thanks to the essential collaboration of president Chavez of Venezuela, providing Iran an operational base from which to expand its influence and operations throughout the continent. Many if not most of these activities and installations are designed to facilitate and provide cover for illegal and subversive endeavors that not only involve the Iranian government but also terrorist organizations such as Hamas, Hezbollah, Islamic Jihad, the Colombian FARC and ELN and drug cartels from Colombia, Mexico and elsewhere.

Page Two

Financial

The Venezuelan government created a binational Iranian-Venezuelan development bank, an alliance between the Banco Industrial de Venezuela and Iran's Development and Export Bank, and facilitated the formation of an entirely Iranian-owned bank, the Banco Internacional de Desarrollo, as well as a binational investment and development fund and the opening in Caracas of offices of Iranian commercial banks. All of this activity is designed to facilitate the funding of the terrorist organizations mentioned above and to circumvent financial sanctions imposed by The United States, The European Union and The United Nations. The Iranian Development and Export Bank has now also opened a branch in Quito. The Treasury Department has sanctioned the Iranian banks and various individuals but so far has not sanctioned any Venezuelan bank.

This is odd because Iran makes extensive use of the Venezuelan banking system, especially Banesco (including Banesco Panama), Banco Occidental de Descuento, Banco Caroni and Banco Guyana. The availability of these financial institutions for Iranian use, the fact that Venezuela not only does not apply internationally-declared financial sanctions to Iran but on the contrary actively encourages and assists in Iranian evasion of these sanctions makes a mockery of the sanctions themselves and the institutions and countries declaring them.

INDUSTRIAL AND MINING

The Iranians have acquired "industrial" installations throughout Venezuelan territory, including a "tractor" factory in Bolivar State, a "cement" plant in Monagas, a car assembly plant in Aragua, and a bicycle factory in Cojedes. Some of these installations in reality are used primarily as warehouses for the storage of illegal drugs, weapons and other items useful to them and their terrorist clients. In addition, the Islamic Republic bought a gold mine in Bolivar which indeed produces gold, but also produces uranium. Recently Venezuela signed agreements with Iran and Russia for the transfer of nuclear technology. Since the Venezuelan government now controls all ports and airports there is no way of ascertaining what is entering or what is leaving the country other than what the government wants the public to know. In addition tuna processing facilities, corn processing plants and a dairy products plan have been purchased by Iran in Sucre, Barinas, Yaracuy, Guarico and Zulia. A private sector goup which works closely with the Venezuelan government and which supplies the products sold in the Mercal popular markets has purchased six ocean-going tuna boats in Ecuador and a shipyard in Panama where those boats were modified before being deployed in the Caribbean and Atlantic.

TRANSPORTATION

_ Weekly flights connect Caracas and Tehran, stopping in Damascus. These flights, which are alternately Conviasa and IranAir flights , although ostensibly commercial, accept no commercial passengers and land and unload official passengers and cargo without any immigration or customs controls.

Additionally Iran and Venezuela have formed a joint shipping line, The IRISL Group. On December 30, 2008 Turkish authorities intercepted 22 containers marked "tractor parts" in the port of Mersin that in fact contained materials for making bombs and weapons, bound from Iran to Venezuela. IRISL has now been blacklisted by the U.S. government.

ENERGY

__The Venezuelan state oil company PDVSA and the Iranian state oil company PetroPars have formed a joint venture for the exploration of a block in Anzoategui State and the Venezuelan petrochemical company PEQUIVEN and the National Petrochemical Company of Iran have formed a joint venture to manufacture plastics in Zulia State.

TECHNICAL ASSISTANCE

Iranian technical assistance has been provided to Venezuela in the areas of defense, intelligence, energy, security and industry. Iran has agreed to build an explosives plant in Carabobo state and produces weapons in the "tractor" plant in Bolivar. Technical assistance, as we have seen, will now be provided to Venezuela by Iran in the area of nuclear power. Note that Iran actually has little or no experience or expertise in the peaceful use of nuclear energy, a well-understood and mature technology applied in numerous countries and by numerous companies around the world. It is often overlooked that the claim of Iran that its nuclear facilities and activities are for peaceful purposes, namely the production of nuclear energy. is on the face of it ridiculous, since if it were true, nuclear power plants would already have been built and would be functioning in Iran. If is therefore obvious that the "technical assistance" being provided by Iran (and Russia) to Venezuela (and Bolivia) is for the purpose of finding and efficiently mining uranium deposits.

DRUG TRAFFICKING

_ Iranian participation in drug trafficking through Venezuela, to Central America, Mexico, the U.S., the Caribbean and West Africa/Europe is extensive and the proceeds are used to finance further penetration of Iranian interests in the region as well as to partially fund, along with extortion and kidnapping, the terrorist organizations mentioned above. The ocean-going tuna boats mentioned above load cocaine from Iranian installations in the delta of the Orinoco River, which is navigable for a substantial distance from the Atlantic. The cocaine is stored in the so-called "cement"

plant and packed in bags marked "cement", taken across the Atlantic to West Africa, unloaded there and transshipped to Europe. A "cement" plant is perfect for this purpose since its supposed product is shipped in bags and because some of the chemicals used in cocaine production are also used in cement production. In similar fashion, tuna boats are perfect for transporting cocaine because in the upper hold deck there actually is tuna, the smell of which masks the cocaine. Other routes through Venezuela channel cocaine through Santo Domingo (Haiti and The Dominican Republic) to the Gulf Coast of the U.S. and the west coast of Florida. Cocaine is also flown or shipped in boats through Central America, particularly Honduras and Guatemala. into Mexico and from there to the U.S. Protection of the drug trade by the Venezuelan National Guard is so notorious that reference is made to to the "Cartel of the Diamonds" (referring to the insignia of rank on National Guard officers' epaulets.

ELSEWHERE IN THE REGION

__Iran has opened embassies in Nicaragua, Ecuador and Bolivia. The Nicaraguan embassy serves as the base for activities in the rest of Central America and Panama, its "diplomats" being primarily intelligence and security agents operating in the subregion. Part of the reason for the extremeoly violent reaction of Chavez to the overthrow of Manuel Zelaya in Honduras is because the Iranians had opened a "maintenance" facility in Honduras for the "tractors" produced in Venezuela, in reality a drug transshipment warehouse. Some tractors were, in fact, donated to Honduras by Venezuela. These tractors, ostensibly produced in Venezuela are actually assembled from Argentine tractor parts sent to Venezuela as part of the three-year old agreement whereby Venezuela ships fuel oil to Argentina in return for Argentine products, particularly machinery and equipment.

In addition, there are Iranian projects for ports in Nicaragua, petrochemical facilities in Ecuador and a cement plant in Bolivia. Already mentioned have been the opening of a branch of the Iranian Export Bank in Ecuador. Recently a delegation of Iranian officials and technicians travelled to Bolivia to assist the Bolivians in identifying deposits of uranium in the country. In November of 2009 an Iranian delegation will visit Brazil, to "strengthen economic and cultural ties" with that country.

CONCLUSION

__In summary, Iran over the past several years has built up an extensive network of facilities throughout the region, concentrated in Venezuela, Ecuador, Bolivia, Central America and Panama and involved with the financing of terrorist organizations, drug trafficking, weapons smuggling, money laundering, the provision of chemical precursors to the Colombian drug cartels and diamond smuggling (Venezuela has been expelled from the international agency charged with regulating the diamond trade).

It is becoming increasingly clear that one of the principal motivations of all this activity is to be able to retaliate against The United States if it is attacked, particularly through the destruction of the Venezuelan oil facilities and blocking the Panama Canal. In short, the Iranian penetration into the

Western Hemisphere indeed *is* a security threat to The United States and the rest of the Hemisphere, contrary to *The New York Times*, The White House and the State Department. The United States and other governments should implement immediate actions to
confront this threat, including action against Venezuelan financial institutions and patrolling the mouth of the Orinoco River as well as actively monitoring Iranian activities in Panama and throughout the Hemisphere, while denouncing the activities outlined above in Hemispheric and international for a. District Attorney Morgenthau has it right. When will the rest of the government (other than the Treasury) come along, not to mention the rest of the Hemisphere?

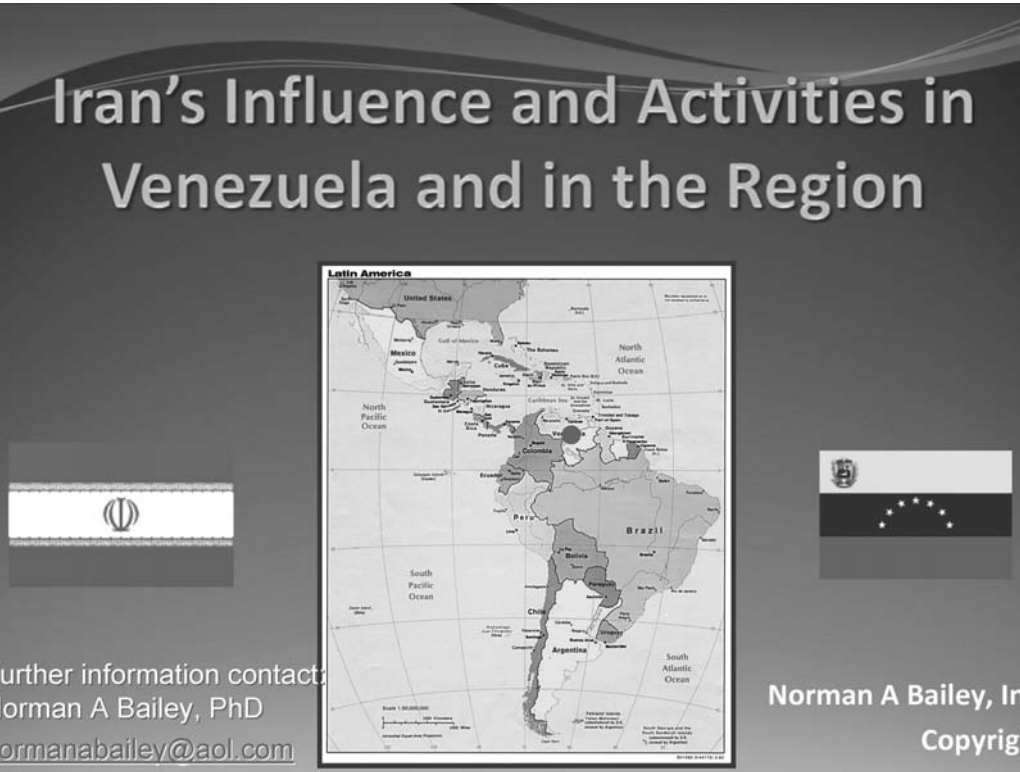
A Note on Sources

Considering the importance of this threat to the national security, remarkably little work has been done on the matter as compared to the analysis of Chinese penetration, which is in fact primarily economic and commercial in nature. Some of the above is based on confidential information through informants inside and outside of Venezuela. Most of it is based on open sources. But see Ely Karmon, *Iran's Goals in Latin America,* The International Institute for Counter-Terrorism, Herzliya, Israel ; Douglas Farah, *Iran in Latin America: An Overview,* The Woodrow Wilson International Center for Scholars, Summer 2009, and Steve Stecklow and Farnaz Fassihi, *Iran's Global Foray has Mixed Results,* Wall Street Journal online (wsj.com), September 29, 2009.

APPENDIX

The power-point presentation appended to this paper is an integral part thereof.

Iran's Influence and Activities in Venezuela and in the Region



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General Context

In the last 5 years, Iran has created a large network of entities and businesses in Venezuela and in the region, allowing the Islamic Republic to establish and develop a strong presence in the area. The broad range of activities includes: diplomatic, military, commercial, financial, industrial, energy, petrochemical, and many others. The estimated amount of these investments is 20 billion US dollars, as of 2009.

This effort has been possible thanks to the important collaboration of Hugo Chavez, the President of Venezuela. One of the state policies he has implemented consists in giving the Iranians all the necessary tools to use the country as its main operations base in the region, and from there to expand its influence and activities to other countries.

We have identified significant facts that show that most of those activities are designed to cover illegal and criminal endeavors that not only involve the Iranian government, but also terrorist organizations such as Hezbollah and Hamas, and drug cartels from Colombia, Mexico and Venezuela.

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Sectors in which Iran has an active presence in Venezuela

- Financial and Trade Services
- Industrial (Light and Heavy)
- Food Industry
- Transportation
- Energy and Chemical
- Construction Industry
- Technical Assistance
- Diplomacy
- Military

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Financial and Trade Sectors

- Creation of a binational development bank (Iran – Venezuela)
- Alliance between Venezuela's Industrial Bank and the Development and Export Bank of Iran
- The establishment of offices of Iranian commercial banks in Caracas (Saderat Bank)
- Binational Investment and Development Fund
- Incorporation of a Venezuelan Commercial Bank , 100% owned by Iran's Saderat Bank (Banco Internacional de Desarrollo)
- Active use of local Brokerage Houses
- Use of currency exchange trading houses
- Use of domestic banks by Iranian entities
  - Banesco
  - Banco Occidental de Descuento
  - Banco Caroni
  - Banco Guayana

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Industrial Sector

Tractor Factory	• VENEIRAN (Bolivar State)
Cement Plant	• Edhasse Sanat (Monagas State)
Car Assembly Plant	• VENIRAUTO (Aragua State)
Bicycle Factory	• FANABI (Cojedes State)
Gold Mine	• Minerven (Bolivar State)

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Food Industry

Tuna Processing Plant – Eveba (Sucre State)

Corn Processing Plants – La Veguita
(Barinas, Yaracuy and Guárico States)

Dairy Products Plant (Zulia State)

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Transportation Industry

Weekly Flight

Air Iran-Conviasa
(Caracas,Damasco,
Teheran)

Container Direct Shipping Route
IRISL
(Iran/Venezuela)

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Energy and Petrochemical

Joint Venture for the exploration, appraisal and development of the Ayacucho 7 Block

Anzoátegui State, in the Orinoco Oil Belt

PDVSA
PETROPARS

Synthetic Chemical Plastic Plant

El Tablazo, Zulia State

PEQUIVEN
National Petrochemical Company Iran

PETROPARS

PDVSA

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Technical Assistance

- **Military**
  - Army
  - Navy
  - Paramilitary
- **Intelligence**
  - **Disip** Electronic Surveillance
  - Direccion de Inteligencia Militar **(DIM)**
- **Energy**
  - Orinoco Oil Belt **PDVSA**
  - Petrochemical Complex EL Tablazo, **PEQUIVEN**
- **Government**
  - Ministerio de la Presidencia
  - Ministerio de Relaciones Exteriores **(MRE)**
- **Food and Agricultural**
  - Dairy Industry
  - Milling industry

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Diplomacy

Iran has increased its diplomatic relations in the region, as never before. Among the countries where Iran has opened a diplomatic representation or increased the number of diplomats we find Nicaragua, Bolivia, Ecuador, Venezuela, Cuba, Grenada, Saint Vincent and the Grenadines.

In some of the embassies, such as the one in Nicaragua, Iran has a very large number of personnel. We have information that a large number of those "diplomats" are members of the Iranian Intelligence Service (Vevak).

Panama does not have diplomatic relations with Iran, but is frequently visited by members of the Iranian Embassy in Nicaragua.

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Military

- Training of the Venezuelan Armed Forces in asymmetric war and techniques to sabotage the energy infrastructure.
  - Army, Navy and Militias
- Agreement to build an explosive plant in Carabobo State
  - Cavim
- Infrastructure and machinery to build weapons, Bolivar State.
  - Tractor Factory Veneiran

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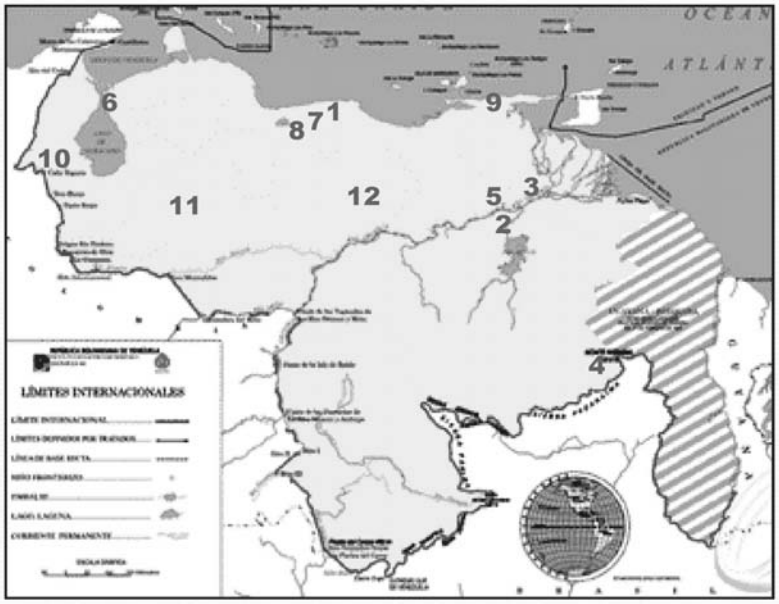
Iran's Main Activity Areas

1. Financial Infrastructure
2. Tractor Factory
3. Cement Plant
4. Gold Mine
5. Energy Sector
6. Chemical Plant
7. Car Assembly Plant
8. Bicycle Factory
9. Tuna Processing Plant
10. Dairy Products Plant
11. Corn Flour Plant
12. Housing Development



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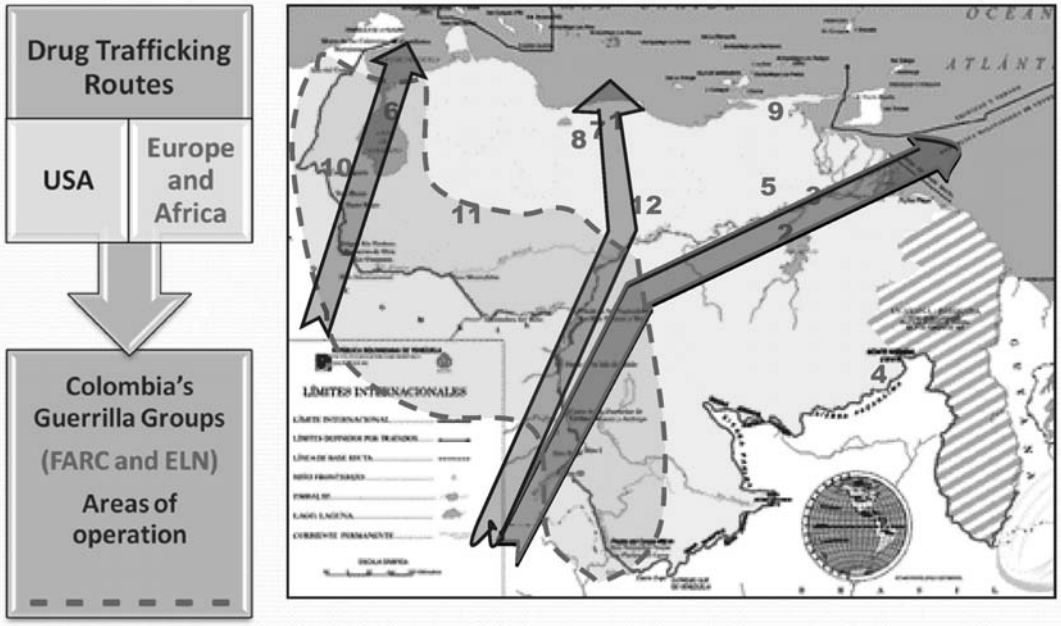
Iran's Presence in the Drug Trafficking Routes



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Iran's Connections in the Region

Venezuela	Main operating base in the region
Panama	Financial Sector
Nicaragua	Deep sea port construction
Honduras	Maintenance facility for the Iranian tractors
Ecuador	Energy and petrochemical projects
Bolivia	Cement plant

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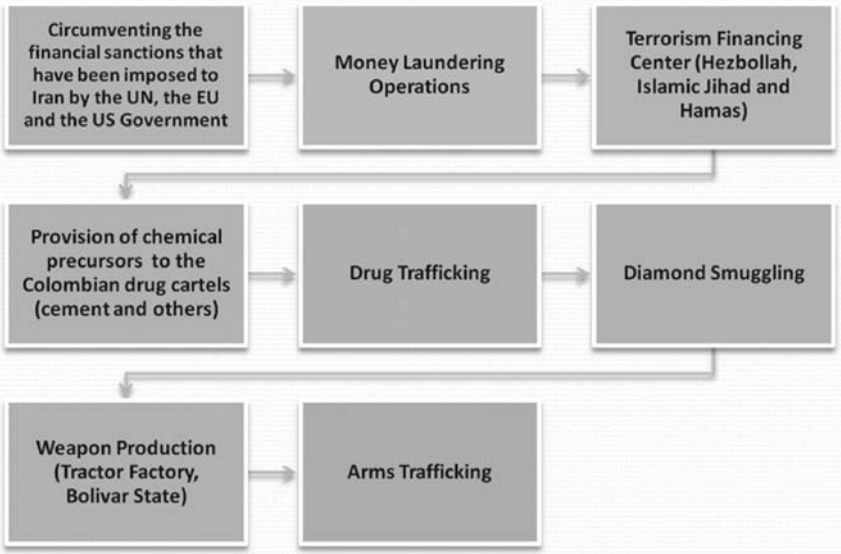
Illegal and Criminal Activities in which Iran is involved in Venezuela and in the Region



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Conclusion

The Islamic Republic of Iran has successfully accomplished its plan to establish a strategic and important presence in the Western Hemisphere.

With the information we have collected up to date, it is clear that the Iranian activities in the region are different from what both governments have announced publically.

The US and other governments should implement immediate actions to confront the threat that those activities represent to our national security.

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Mr. ENGEL. Thank you very much. Let me start with the questioning. I know that prior to World War II, Hitler and Stalin had a pact and they both invaded Poland. We have found that in the past marriages of convenience have been made. The relationship between a conservative, theocratic government, like Iran, and a number of secular leftist governments in Latin America seems rather unnatural to me. Forced, unlikely to appeal to citizens of those countries. Can someone describe the public perception of Iran in countries where the ties are the closest, such as Venezuela, Nicaragua and Bolivia? To what extent has there been any discord between the idealogy of Iran's conservative, theocratic government and that of secular Latin American governments, like Venezuela and Bolivia? How do moderate leftist leaning governments, like Chile and Brazil, view Iran's overtures toward Latin America? Anyone want to take a stab at that?

Mr. FARAH. I have just spent some time in Ecuador and in Bolivia and I think that most people are fairly oblivious to the Iranian presence there. The tractor factory that is supposed to be rolling out these tractors is actually rolling out about five or six a month that arrive there and sell for far more than other tractors that actually function, so it is not much of a boon for the people there. There is a cheese and milk factory on the Altiplano that is also largely nonproductive. So I don't think that there is a great deal of connectivity with the people in the regions, but I do think there is a great deal of concern in the banking sectors of Bolivia, and Ecuador and elsewhere of what the Iranians are doing there and the constant Venezuelan accompanying of Iranian officials to meetings, and the recruiting of young people, as I outline in my written testimony, for training in Iran I think is one of the other things that has caused a great deal of concern, particularly in Bolivia, Venezuela, Ecuador and from the Communist party of the FMLN in El Salvador.

They have been taking cadres of students and government workers over to Iran for training for 30–90 days in counterintelligence, crowd control, a whole series of things. So I think there is among the people who are in the political elites or in these political circles a great deal of concern. I think in the strata below that there is not much known about it and it is viewed as one of the other sort of ongoing multicircus things that President Chavez and others do to keep people distracted. I think in the people who actually work in the regions, in the areas where Iran is most active, there is a great deal of concern about that.

Mr. ENGEL. Thank you. Dr. Milani?

Mr. MILANI. To answer your excellent question, I can think of three major areas where the two countries have been ideologically pushed together. One is the incredible similarities between Christian liberation theology and radical Shiaism. A number of scholars have written about the commonalities between the two, and that is why the two countries can form a united front. Second, both Mr. Ahmadinejad and Mr. Chavez are populists and believe in the same kind of "model of resistance" against the U.S. In fact, if you study the writings by Chavez and others about the so-called U.S. imperialism, they have remarkable similarities to what Khomeini used to say, the "Great Satan." I think, finally, the most important

one is a practical reason: The enemy of my enemy is my friend. The two countries see in the United States a great threat, and therefore, they have formed a united front.

Mr. ENGEL. Thank you. Let me ask one other question. We have heard a lot of mention of terrorist groups, like Hezbollah or Hamas. We have reports that Hezbollah conducts fundraising in Latin America, along with other activities. In March of this year in congressional testimony, Admiral Stavridis, then Commander of the U.S. Southern Command, or SOUTHCOM, noted that two U.S. antidrug operations in 2008 targeted Hezbollah connected drug trafficking in Colombia and the tri-border region of Argentina, Brazil and Paraguay. Separately, in April 2009, police in Curacao in the Netherlands, Antilles, arrested 17 people for alleged involvement in a drug trafficking wing with connections to Hezbollah.

How would you characterize Hezbollah's role in drug trafficking in the region in relation to its financing? What is the extent of Hezbollah's financial network in Latin America? How important is such financing to Hezbollah? What types of infrastructure does Hezbollah have in Latin America and the Caribbean, and where is it? Is it the tri-border area of Argentina, Brazil and Paraguay? Is that the main nexus of Hezbollah activities? Or are there other areas of concern in the region? Want to try that?

Mr. BAILEY. Well, yes, both Hamas, Hezbollah and other terrorist organizations such as Islamic Jihad raise money, and have been doing so, for many, many years in the tri-border area, and they continue to do so. Another major center for this activity is the island of Margarita off the coast of Venezuela where the Islamic Cultural Center which has 4-feet thick concrete walls and armed guards and is notoriously lacking in art exhibits and musical programs is a major center of these kinds of activities. It is not only drug trafficking, although that is a major source of financing, it is also extortion, and kidnapping and other activities of this kind.

Mr. ENGEL. Thank you. Mr. Farnsworth, did you have your hand up? No?

Mr. FARNSWORTH. Well, I would simply reaffirm what Dr. Bailey said and add that the tri-border area has traditionally been defined as a lawless region of the world, and so, frankly, a lot of bad things go on in there. Having said that, it clearly is an area where Hezbollah has been active in terms of financing some of their operations. I think the key question is, what is that money to be used for? I think that it goes to my oral testimony about the intentions of the Iranian regime and the affinity organizations that it supports. The question is, is that money channeled back to the Middle East to be utilized for activities in the Middle East region or is it designed to be used for activities in Latin America itself to expand perhaps the Iranian revolution into the Latin American framework? That is the question I think that remains undefined.

To go the question that you asked, Mr. Chairman, about are these activities expanding, I think the answer to that is yes because we are seeing now Hezbollah engagement in drug trafficking, as Admiral Stavridis said, we are seeing engagement in other activities that frankly didn't exist in the past, and so it is always a little bit dangerous to predict the future, but based on trends, one could anticipate that this behavior will increase. Even if that

money is designed to return to the Middle East, if you will, nonetheless, the lawless activities that are going on to engage in that fundraising are disruptive, and, in fact, destructive to much of Latin America, and drug trafficking is a perfect example, as well as to the United States.

Mr. ENGEL. Thank you. Well, let me ask my last question to Ms. Siegel Vann because this tracks some of your testimony, Ms. Siegel Vann. As you mentioned, there has been an uptick in the number of anti-Semitic acts in Venezuela. You mentioned the thrashing of a synagogue by hooligans, which I think was more than just hooligans. There have also been police raids on a Jewish center in Caracas in 2004 and 2007. The State Department's annual human rights report indicates that incidents and attacks against Jewish institutions have become more frequent in Venezuela. So let me ask you, to what extent is the rise of anti-Semitism in Venezuela linked to the country's strengthening its relationship with Iran under President Ahmadinejad? That would be Venezuela's strengthening.

Obviously, Ahmadinejad is known for his anti-Jewish and anti-Semitic views. Do you see a pattern of increasing anti-Semitism in other countries in the region with increasing Iranian engagement, such as Nicaragua or Bolivia? Is the anti-Semitic messaging in Latin America similar to the anti-Semitic references in Iran?

Ms. SIEGEL VANN. Mr. Chairman, we haven't detected an uptik in anti-Semitism in other countries other than Venezuela. We have seen isolated cases, but we cannot refer it directly to Iran's involvement in the hemisphere. What we have seen is that in crisis situations, like the Lebanon war or the crisis in Gaza at the beginning of this year, we did see that there was an increase in radical extremist rhetoric in the media, anti-Semitic/anti-Zionist rhetoric, and we can say that that has to do very much with the permissive atmosphere that President Chavez has created for this type of discourse.

So even though we cannot see a cause/effect relationship exactly, we can say that a new type of discourse is now present in the hemisphere where we didn't have it before. Anti-Semitism in general terms has become politically incorrect very much in most of Latin America, and as Latin American societies become more democratic, more inclusive, Jewish communities have really enjoyed an atmosphere of tolerance and inclusiveness. We have seen that since President Chavez increased its strategic cooperation with President Ahmadinejad this type of atmosphere has changed.

Mr. ENGEL. Thank you. Mr. Mack?

Mr. MACK. Thank you, Mr. Chairman. I want to follow-up on the chairman's question. Clearly, I think we agree that there is a threat to the Jewish community in Venezuela. Do you think now is the time for the United States Congress to speak out against anti-Semitism in Venezuela?

Ms. SIEGEL VANN. I believe at this point we have been in very close contact with our partners from the Jewish community in Venezuela and with other political representatives and members of civil society who continually give us an overview of what is going on there. The Jewish community now is really living in a situation where they don't know what is going to happen tomorrow. It is a

fact that since the attack against the Tiferet Israel Synagogue the atmosphere in Venezuela has improved for the community. Attacks in the official media have decreased about 70 percent, there is increasing security in Jewish institutions, and there are open channels of communication with the government, so there has really not been any overt attack against the community.

Having said that, because of the atmosphere that has been created, we don't know when this can change. I don't know if this is the moment really for the U.S. Congress to intervene. I know that the U.S. Congress has been very much involved and very much concerned about this situation and it is something that the community appreciates tremendously, such as we do, but I do believe that at this point it is a wait and see situation, but we have to monitor and keep our eyes open and have the channels of communication open at this point. I really don't know if this is the moment to interfere in a stronger way.

Mr. MACK. Okay. So the answer was no, you don't think we should do that now. So let me ask you this. What has to happen that then would make it the right time? I mean, you know, in these issues the question always is what do you wait for? Let me just finish by saying, you know, we don't want to look back and say, wow, you know, we should have moved in Congress and with one voice and spoke out against anti-Semitism in Venezuela. So the question is, what has to happen? What is it that has to happen? We have already seen such an attack on the Jewish community in Venezuela. What further has to happen for us to do something?

Ms. SIEGEL VANN. Well, I think that the message was delivered loud and clear during the attack against the synagogue. I think that President Chavez understood very well that their type of behavior was not correct, and I think that he, or the people who followed him, understand that this shouldn't be their modus operandi. I do believe that it is very important to have the cooperation of governments in the region which we did have during those times as well.

Mr. ENGEL. If I can just interrupt for a minute.

Ms. SIEGEL VANN. Yes.

Mr. ENGEL. I just want to point out that this committee, the Foreign Affairs Committee, sent a very strongly worded letter to President Chavez signed by 11 Democrats and nine Republicans. It was truly a bipartisan letter with strong words in it. I think Mr. Mack's question is a very excellent question, but I do think at times when the United States Government speaks out it does have a positive effect. I agree with you that the timing has to be right. I am sorry. Just wanted to add that.

Ms. SIEGEL VANN. So basically I do think that having partnerships with different countries in the region has helped a great deal. There were many countries that saw the attack against the synagogue in very negative ways and approached the Chavez government letting him know that this was a no, no. So I do believe that our partnerships with different governments in the region are a very good dissuasive for this——

Mr. MACK. Thank you. Let me just point out that there is a pattern with Hugo Chavez. He pushes and he pushes until he gets in trouble, and then he says he is sorry or he won't do it again, and

then when no one is looking, he does it again. I don't want to wait for the opportunity when he is going to do it again. The chairman is right, there was a letter that went from this committee, but there is also a resolution in the House that I believe is very important that we move forward. Maybe tomorrow there will be an opportunity for that. I don't know. I think now is the time. It is always the right time to speak out against anti-Semitism. So, with that, Mr. Chairman, my time is up. Thank you.

Mr. ENGEL. Thank you. Mr. Ackerman?

Mr. ACKERMAN. Thank you, Mr. Chairman. Iran seems to be reaching out to various places in the world, different countries. Today, I think we have the Western Hemisphere under the microscope. Is what they are doing based on a counter reaction to what some of us are trying to do? Notably, to try to place the toughest, strongest sanctions upon Iran because of their nuclear weapons program in order to prevent eventually having to possibly go to war? Are they reaching out to other countries so as to undermine the possibility of sanctions so that other countries, whether it be Venezuela or some other countries in Latin America or all of Latin America, not voting in the United Nations for sanctions, are they trying to make themselves sanction proof? Mr. Farnsworth?

Mr. FARNSWORTH. Well, yes. Thank you for the question. I think that that is what the situation has evolved into. I don't think that is how it began. This relationship has been budding for several years and it really, in my view, is at the behest of President Chavez of Venezuela. If you look at what happened initially, the Iranian response was not overly receptive, it was a little bit skeptical. I believe it was the chairman who said well, what is the relationship between these two countries? They are dramatically different character nations. I think over time the Iranians have realized the value not just of a relationship with Venezuela, but frankly being introduced into the neighborhood with Bolivia, Nicaragua, Ecuador, and that is what is involved in the sanctions issue.

Mr. ACKERMAN. Got to get through everybody.

Mr. FARNSWORTH. Absolutely.

Mr. ACKERMAN. Thank you.

Mr. FARNSWORTH. Sure.

Mr. ACKERMAN. Ms. Vann?

Ms. SIEGEL VANN. Definitely we think that Iran is seeking support in the hemisphere in order to sidestep isolation and sanctions against them in the Middle East and around the world.

Mr. ACKERMAN. Thank you. Mr. Farah?

Mr. FARAH. Well, I think it is clear, particularly given the financial institutions that they are working through, that that is one of their primary goals because if their banks are sanctions to the New York u-turn and they can't go there but Venezuelan banks, Ecuadorian banks can, and as long as they have access to that, they are not going to be very hurt by the sanctions.

Mr. ACKERMAN. Dr. Milani?

Mr. MILANI. Yes. I think it is both a reaction to the U.S., but also, it is part of the emergence of Iran as a regional player with ambitions to play on global stage. It is very important to remember that the foundation of the relationship with Hugo Chavez was not

laid during Ahmadinejad's presidency, but was laid during the tenure of the more moderate Mohammad Khatami.

Mr. ACKERMAN. Dr. Bailey?

Mr. BAILEY. Yes, definitely, the involvement of Iran in the Western Hemisphere is intended to find ways to circumvent sanctions and also to prepare itself to retaliate against the United States in case it is attacked.

Mr. ACKERMAN. Different question. Are any of you aware of or tracking the upsurge in the planning or actual construction anywhere in Latin America of mosques? Anybody? Something I think we have to take a close look at.

Mr. FARAH. The one place where you see a notable increase in the presence is in Panama. I am not aware in any other country where it is noticeable but Panama is seeing a significant upsurge in the presence of Pakistanis and Pakistani mosques.

Mr. ACKERMAN. Dr. Milani, you seem to have taken a very studied but moderate attitude toward the threat of the Iran/Venezuela axis and implied that maybe it wasn't the strongest of axis' that we should be looking at. I would like to go just down the line. If you could pick the biggest, fill in the blank, Iran-some Western Hemisphere country axis that we should be the most concerned about. Why don't we start with Dr. Milani?

Mr. MILANI. Well, I think at this time it would be Venezuela, but Brazil would be the key to watch.

Mr. ACKERMAN. Dr. Bailey?

Mr. BAILEY. Well, Venezuela obviously, and tremendous activity in Panama.

Mr. ACKERMAN. Mr. Farah?

Mr. FARAH. I would say the one country with largely ignored scrutiny is Nicaragua, and it has the longest and most longstanding radical ties to the Iranian revolution, Daniel Ortega.

Mr. ACKERMAN. Ms. Vann?

Ms. SIEGEL VANN. I would say Venezuela, but Chile, even though it has the largest Palestinian community in the hemisphere, generally very moderate. We have heard that in the last few months there has been some presence from foreign actors that have been stirring things up among——

Mr. ACKERMAN. Thank you. Mr. Farnsworth?

Mr. FARNSWORTH. My view is without Venezuela you wouldn't have Iran in the region in the way it is, so Venezuela, clearly.

Mr. ACKERMAN. So we have at least four countries to be—it is quite a mix, and I think that fills up our plate. Mr. Chairman, back to you.

Mr. ENGEL. Thank you, Mr. Ackerman. As you can hear, we have three votes and I am told those will be the last votes of the day, so I am going to try to see if we can get people to ask questions before we have to go to vote. Mr. Royce?

Mr. ROYCE. Thank you, Mr. Chairman. Mr. Farah, I mentioned in my opening statement some of the observations about our intelligence collection there in this hemisphere and a press report I saw had an official complaining that we don't even have fly overs, another official says we don't even know what we don't know, and yet, you pick up the Wall Street Journal and there is a story about an intrepid report who shows up at a factory that is a jointly

owned Iranian and Venezuelan factory, so you have done that kind of aggressive reporting throughout your career. What is your assessment of intelligence collection capabilities here? Then maybe also you could tell us a little bit more about your observation on Nicaragua, which is something that is off our radar and it would be interesting to know. Go ahead.

Mr. FARAH. Thank you, Congressman Royce. I think that partly because of the antipathy of Venezuela, Bolivia, Ecuador, they have reduced our embassy staffs so much there, especially in Bolivia where they have PNG'ed out most of the embassy in Venezuela, that we have limited capability and we have not concentrated on nonofficial covert type folks in Latin America I think for some time, so I think that the intelligence gathering is not great there, and I think that the embassies have confined so many of their people to such limited access across the countries. I was just down in the Lago Agrio region on the Colombia/Ecuador border where American embassy personnel are simply not allowed to go, and it is this relatively safe place and you can actually walk across to Colombia, but there is all kinds of interesting stuff going on that you wouldn't know about unless you were able to get on the ground there.

So I think the assessment of our ability to move in the hemisphere and our resources allocated to that are minimal, and I think it is somewhat concerning. I think that journalists or people doing other types of research, such as myself, are unconfined by what the embassy rules are and it lets us do a lot more than sometimes they are able to. Nicaragua, I would say that Daniel Ortega, if you will recall, during the Sandinista time Iran had the largest embassy in Nicaragua aside from, and they were constantly complaining about the size of the U.S. Embassy. There is a history of Ortega where, as you recall, the last thing he did in 1990 as he was leaving office was grant citizenship to almost 900 foreigners living in Nicaragua. Many of them were Red Brigade, and Iranians and other folks.

Violeta Chamorro tried very hard to undo some of that, but most of that stayed. So he has a history that goes back. He always said, Ortega has always said that the Sandinista and Iranian revolutions were twin revolutions, they were same year, same anti-imperialists, et cetera, and so I think that as sort of a gateway to Central America and given Ortega's longstanding history of ties to subversive groups, particularly the FARC and the Tumpac Amarus in Peru and elsewhere, that that relationship is extremely dangerous. I think what Ortega brings to the table is an ability to run clandestine networks that are very useful to Iran that other governments simply don't have, including Venezuela, don't have near the sense of development of those type of networks as Ortega brings to the table.

Mr. ROYCE. And what is Ahmadinejad looking for in Brazil on his trip there? What do you think his objective is?

Mr. FARAH. Well, I think, you know, Brazil does have nuclear technology and is, I think, the emerging leader in the hemisphere that is garnering a lot of international attention. Lula, I think, until very recently had been very studied in his relationship with Iran. If you will look back, he refused to meet with Ahmadinejad for several years. When Venezuela insisted initially that Iran be brought into this nuclear program and asked Brazil to help, Brazil

said no because of Iran's involvement. I think Lula has changed. I think in the last few months he seems to have changed his mind on a lot of those issues. I think they are a serious power, their economic entry of the world. Chavez is viewed, I think, largely as a clown. Lula is not. If he gets legitimized by Lula it is something much more important than Chavez could ever give him.

Mr. ROYCE. On the other hand, Lula has the opportunity basically to send the message after the meeting that Latin America is no place for Iran to be meddling, so we will have to wait and see how that plays out.

Mr. FARAH. If he were to do that, or to stand up to Chavez more publicly, it would have a tremendous impact in the region. No question.

Mr. ROYCE. The last, I have no reason to believe there is a connection, but you read the cases of the myriad, this endemic kidnapping that occurs across Venezuela of businesspeople, and especially in the province in which the President's brother happens to be governor. Who is doing that kidnapping? Is there any indication? Is that just local?

Mr. FARAH. I think some of it is spillover from the FARC and some of it is people—I think, you know, if you look at the homicide in Caracas, it is higher than Medellin was during the drug wars of Medellin.

Mr. ROYCE. Yes.

Mr. FARAH. So I think the lack of rule of law is endemic there, and I think that the Chavez government has proved singularly inept at providing that.

Mr. ROYCE. Thank you very much, Chairman.

Mr. ENGEL. Thank you, Mr. Royce. I would like to try to finish this before we go to vote, so I would just see if we can restrict the questions maybe to a quick question or two so we can give everybody a chance. Mr. Klein?

Mr. KLEIN. Thank you, Mr. Chairman. One of the things that we have been watching is the transportation issues between Caracas and Tehran, air flights. There has also been a report by the United States State Department, Country Reports on Terrorism, that was published in April of this year that stated that Venezuelan citizenship, identity and travel documents remain easy to obtain and making the country a potential attractive weigh station for terrorist threats. They have also assessed from our transportation system that there is a gaping hole in aviation security. We have direct flights between the United States and Miami, I mean, Miami and Venezuela, obviously. Frequent flights. Can you help us assess the threat of what is coming in, what is not coming in? Should we be developing a policy that deals differently? I mean, I think there is some concern about this.

Ms. SIEGEL VANN. I think that one of the problems is that really we don't have a clear assessment or real understanding of the scope of the problem. There is a lot of hearsay and we have read a lot of reports regarding people who are in the airport, reports through open sources that talk about this. The truth is that there is nothing really concrete about it that we can point out to. I think it is very important to start assessing and start collecting the data that will lead us to an assessment of how dangerous this is and if

we have to really establish some sort of policy with respect to that. The flights, I just read last week another report about them, but again, the information is really very dubious, even the sources. It is not really clear what is going on there. They talk about some phantom planes. People really don't know.

Mr. BAILEY. The question, and Dina's response to it, goes back to the previous question of how good is our intelligence in Latin America? We have, and I know this as from my own experience, decent intelligence operations in Mexico and Colombia, period. Our intelligence apparatus in the rest of Latin America is very, very thin. In order to get the kind of information that we need with reference to some of these activities, quite frankly, we are not equipped for. Often, open source and private organizations do a better job than the U.S. intelligence community.

Mr. KLEIN. So are we just closing our eyes to the fact that this is a place where we have no real good information, and cargo and individuals can be coming in from this point to the United States without any—I mean, obviously on our receiving end there is some level of verification, but is there a concern that we should be taking a deeper look at this?

Mr. BAILEY. Well, it is certainly a concern in my mind. It is a matter that has to do with the fact that dealing in Latin America for the people in the intelligence community is no longer a good career path because that is not the way to get promoted. You want to deal with the Middle East, and the Far East and China, and, you know, et cetera, et cetera.

Mr. FARAH. I would just add that every country in the Bolivarian revolution has lifted all visa restrictions on Iranians coming and going. Bolivia, Ecuador, Venezuela and Nicaragua have all lifted restrictions, so you have no idea how many people are coming and going there. Ecuador lifted restrictions on everybody and now they are inundated with Russian organized crime, Chinese organized crime, and every major bust of foreigners or illegal immigrants into the United States that aren't Mexican, Guatemalan, pass through Ecuador. I think it is one of the serious issues.

Mr. ENGEL. Thank you. We have about 4 minutes left. I am going to divide it between Mr. Fortenberry and Mr. McCaul. Mr. Fortenberry?

Mr. FORTENBERRY. Thank you, Mr. Chairman. Let me do this quickly. First of all, thank you for holding the hearing. Dr. Milani and Dr. Bailey, you hold similar sentiments but your conclusions are quite different. Dr. Milani, you drew a loose parallel between the Iranian revolution, liberation of theology, and you concluded by suggesting that the Iranian presence in the hemisphere is a nuisance. Dr. Bailey, you suggested prior to this later surge of interest in the hemisphere by Iran there was no cultural or political historic tie so that, in your view, this rises to a very serious level of national security concern. These panels are helpful in that you get a spectrum of perspectives, but clearly, there is some incompatibility here in the conclusions, so I would like you to further unpack your conclusions, please.

Mr. MILANI. Well, I think you need to put the relationship in a sort of comparative perspective. When you talk about grave national security, what can Iran actually do to the United States by

its relationship in Venezuela? You have to look at the actual numbers economically speaking, in terms of military exchanges, and other areas. The only area that I do not know, and I am not going to make any judgment about, is of course the case of terrorism. If you look at all of the interactions and activities between Iran and Venezuela, they are not very different from what Iran is doing with many other countries.

Now, that does not mean Iran is not a threat to the United States just because it has the same kind of relationship with others, but compare what Iran, for example, is doing in Lebanon, what Iran is doing in Afghanistan and Iraq with what Iran is actually doing in Venezuela and ask yourself: What is the national interest of Iran in Venezuela? There really aren't much. I think there is great deal of sensationalization about this whole business. That is why I said you need to watch it carefully. It has the potential to become a serious one, but not yet.

Mr. FORTENBERRY. Thank you. Dr. Bailey, you care to respond?

Mr. BAILEY. The fact that, as Doug said, terrorists can come and go, Iranians and others, freely in these countries, the financing of terrorist organizations, the involvement in drug trafficking, the capacity, for retaliation, if the United States were to attack Iran or, for that matter, if Israel were to attack Iran, of damaging the oil facilities in Venezuela and blocking the Panama Canal to my mind represents an important national security threat to the United States.

Mr. ENGEL. Let me call quickly on Mr. McCaul.

Mr. MCCAUL. Thank you, Mr. Chairman. I will be brief because I have to. I want to follow-up on this potential terrorist threat. The alliance between Iran and Venezuela has been highlighted very well. I am concerned about also the alliance between Hezbollah and the drug cartels in Mexico, the movement of human trafficking. We know Kourani was captured. He actually got in to the United States. You don't need a visa to enter Mexico from Venezuela? Then, when the former Ambassador Shapiro is asked about Venezuelan passports, he basically said that anybody in this room except for me could probably obtain a Venezuelan passport because it can be forged so easily.

So I think that is of grave concern. I am also concerned that if we pass this legislation, the Iran Sanctions Act, that Venezuela is going to be one of the first violators of that act in terms of sending refined petroleum to Iran. Then what would the response be to that? So, with the 30 seconds I have left, I am going to throw it to perhaps Dr. Bailey and Dr. Milani.

Mr. BAILEY. Well, there is no question about it that Venezuela is in violation of sanctions imposed not only by the United States, but by the European Union and the United Nations in many different areas, and nothing is happening to them as a result of that, with the exception of certain measures taken by the Treasury Department. All praise to the Treasury Department. It is the only branch of the U.S. Government that is doing anything effective about the situation. So, again, I say that as far as I am concerned, you don't have to forge Venezuelan passports, I will happily give you one, and identity documents and so on and so forth. So if you run into somebody in Latin America that says his name is Guil-

lermo Rodriguez but he speaks Farsi, you can be pretty sure that he is not really a Venezuelan.

Mr. ENGEL. Dr. Milani, if you could do it quickly, you will have the last word.

Mr. MILANI. Thank you. I think any time you try to pressure Iran or Venezuela, what you do at the end is make them closer. Rather than make them closer, I think you need to have subtle ways of creating distance between them, subtle political ways, rather than putting them in a corner so that they would need one another and therefore they would solidify their relationship.

Mr. ENGEL. We will let those be the last words. As I can see on my screen, we are down to zero minutes remaining in the vote. I want to thank all of our excellent witnesses. I want to thank Mr. Mack, as always, and I want to thank the chairs and the ranking members of the other subcommittees, Mr. Ackerman, Mr. Sherman and Mr. Royce, for cooperating. I thank you all very, very much. It has been very enlightening to me, and I know to the other members of the subcommittees. The hearing is now adjourned.

[Whereupon, at 3:56 p.m., the subcommittees were adjourned.]

APPENDIX

Material Submitted for the Hearing Record

JOINT SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

SUBCOMMITTEE ON THE WESTERN HEMISPHERE
Eliot L. Engel (D-NY), Chairman

and

SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA
Gary L. Ackerman (D-NY), Chairman

and

SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION AND TRADE
Brad Sherman (D-CA), Chairman

October 20, 2009

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend the following OPEN joint hearing of the Subcommittees on the Western Hemisphere, Middle East and South Asia, and Terrorism Nonproliferation and Trade, to be held in Room 2172 of the Rayburn House Office Building:

DATE: Tuesday, October 27, 2009

TIME: 2:00 p.m.

SUBJECT: Iran in the Western Hemisphere

WITNESSES: Mr. Eric Farnsworth
Vice President
Council of the Americas

Ms. Dina Siegel Vann
Director, Latino and Latin American Institute
American Jewish Committee

Mr. Douglas Farah
Senior Fellow, Financial Investigations and Transparency
International Assessment and Strategy Center

Mohsen M. Milani, Ph.D.
Professor and Chair
Department of Government & International Affairs
University of South Florida

Norman A. Bailey, Ph.D.
Consulting Economist
The Potomac Foundation

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee as noted above.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *WHEM/MESA/TNT* MEETING

Day *Thursday* Date *10/27/09* Room *2172 RHOB*

Starting Time *2:15 pm* Ending Time *3:56 pm*

Recesses [*0*] (_____ to _____)

Presiding Member(s) *Ackerman, Engel*

CHECK ALL OF THE FOLLOWING THAT APPLY:

Open Session [✓]
Executive (closed) Session [ ]
Televised [ ]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING or BILLS FOR MARKUP: *(Include bill number(s) and title(s) of legislation.)*

Iran in the Western Hemisphere

SUBCOMMITTEE MEMBERS PRESENT:

Engel, Mack, Ackerman, Royce, Sherman, Inglis, Sires, Poe, G. Green, C. Smith, Klein, Fortenberry, B. Lee, McCaul, Watson, Manzullo, Berkley, Boozman, D. Scott

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not Members of HIRC.)*

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] No [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Engel, Mack, Ackerman, Burton, Sires, Connolly, G. Green

ACTIONS TAKEN DURING THE MARKUP: *(Attach copies of legislation and amendments.)*

n/a

RECORDED VOTES TAKEN (FOR MARKUP): *(Attach final vote tally sheet listing each member.)*

Subject	Yeas	Nays	Present	Not Voting

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:56 pm*

Subcommittee Staff Director

Joint Hearing - "Iran in the Western Hemisphere"
October 27, 2009 at 2:00 PM in Rayburn 2172
Congressman Albio Sires Statement

OPENING STATEMENT:

Thank you for holding today's hearing. If we do not foster solid relationships with the countries closest to us, we are asking for a conflict close to home. Now it seems like Iran is intent on bringing that conflict to us, and Chavez is acting as the coordinator!

Maybe Ahmadinejad isn't joining the Bolivarian revolution, but he is still dangerous. With more allies, Iran could avoid sanctions and hide illicit activity. Iran is becoming a larger threat to us and the hemisphere.

If we want to have a safer neighborhood, we need to be a better neighbor. Ahmadinejad is busy courting the region, but what are we doing? Soon he will visit Brazil. What are we doing to show Brazil that we want to be a genuine partner?

With that said, the United States should not get too wrapped up in the politics of Iranian influence. We should ask ourselves: what are we doing to promote our basic tenants of opportunity, human rights and democracy in the region? How are we helping the vulnerable populations? Oppression in Venezuela is worsening, and anti-Semitism is growing. Regardless of Iran's role in the country, this is unacceptable!

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

Opening Remarks
Iran in the Western Hemisphere
Ranking Member Dan Burton
October 27, 2009

Thirty years of experience makes it clear that we cannot ignore or negotiate away the problem of Iran. One week from \tomorrow, on November 4, will mark the 30th anniversary of the capture of our embassy in Tehran.

Unquestionably, Iran is seeking alliances in the Western Hemisphere in order to challenge the United States. This is not a new practice for the regime. Thirty years ago, the Iranian revolutionary government immediately sought alliances with the communist governments of Cuba and Nicaragua. Some of the players have changed and the net has expanded for the sole purpose of opposing and thwarting our interests.

We must not be naïve to the growth of these alliances. Former Director of National Intelligence, Mike McConnell told the Senate Intelligence Committee in unclassified testimony in February of 2008 that most cooperation between Iran and Venezuela has been on the economic and energy fronts, but military cooperation is growing, and the two nations have discussed cooperation on nuclear energy. Just one year later, the new Director of National Intelligence, Dennis Blair told the same committee that Venezuela "is serving as a bridge to help Iran build relations with other Latin American countries." This is indeed the case, for Hugo Chavez has visited Iran repeatedly, as recently as last month and Ahmadinejad is obviously looking to grow his current level of influence through a scheduled visit to Brazil next month.

Terrorism is a growing threat. We should continue to be watchful of the weekly flights between Iran & Venezuela that began in 2007. The State Department has expressed concern about these flights in its annual terrorism report, maintaining that the flights, which connect Iran and Syria with Caracas, have minimal controls over transit. Multiple witnesses before us today raise concerns about these flight and other connections to terrorist activity.

In March of 2009, Admiral James G. Stavridis, then SOUTHCOM commander, testified to Congress that the main concern about Iran's increased activity in Latin America is its links to Hezbollah. In fact, Hezbollah has been identified as the organization behind the two Argentine bombings in the early 1990's that killed 115 people. Admiral Stavridis also highlighted the danger of drug traffickers and Islamic radicals partnering in this Hemisphere as a major threat.

I want to thank our witness, Dr. Bailey for his testimony stating that Hugo Chavez is a strategic threat to US interests. His statement on conventional wisdom is especially apt regarding what he calls "the now habitual State Department line of many years that although the Venezuela of Hugo Chavez was annoying, it did not represent a real or potential threat to national or hemispheric security." He brings to our attention a very important point, that "at least since 2004, Iran has created a large network of installations of various kinds in Venezuela and in other countries in Latin America and has engaged vigorously in activities covering the areas of diplomacy, commerce, finance, industry, energy, and others." And all of this after having historically no interest in the region.

It is clear to me as the Ranking Member of the Committee on the Middle East and South Asia, that Iran has not been satisfied with limiting itself to attacks on our troops in Afghanistan and Iraq. This regime has the explicit intent to bring conflict to our own backyard. The Iranians are clearly at the

vanguard of jihad—a death struggle against the West and our way of life. They are engaged; the question we need to ask is, "Are we?"

The Honorable Gerald E. Connolly (VA-11)

HCFA Tri-Subcommittee Hearing: Iran in the Western Hemisphere
Tuesday, October 27, 2009
2pm

Each sovereign nation has the right to develop alliances that are beneficial to its national interest. But when those alliances cultivate activities that are harmful to other nations, they become something else. This is the point we have reached with Iran and its presence in Latin America.

Several illegal activities in Latin America are connected to the government of Iran. For example, Iran-backed Hezbollah has undertaken illicit activities in the Tri-Border Area (TBA) of Argentina, Brazil, and Paraguay. The terrorist group has profited from film piracy in the TBA and drug trafficking in the TBA and Colombia. The group is also suspected in two bombings in Buenos Aires that killed a total of 115 people: The 1992 bombing of the Israeli Embassy and the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA). Eight of the nine original arrest warrants issued for the AMIA bombing were for Iranian government officials. These violent, anti-Israel activities are not the only source of concern.

Though Iran and Venezuela have been linked since the founding of OPEC in 1960, the two countries have recently strengthened their relationship. This is especially troubling because of potentially harmful activity undertaken under the guise of an innocuous, diplomatic relationship. One example is the absence of customs enforcement on weekly flights from Caracas to Tehran. It is unclear who or what is being transported on these flights.

These developments are troubling enough, but they are further complicated by Iran's audacity in the nuclear arena—specifically its missile tests and erstwhile secret enrichment facility in Qom. The nuclear issue is pressing and does not exist in a vacuum. Just last month, Venezuelan President Hugo Chavez expressed his support for Iran's nuclear energy development. There have been mixed reports that signal possible Iranian assistance in Venezuela's search for uranium deposits.

The Iran-Venezuela relationship is even more troubling because Venezuela serves as a diplomatic conduit for Iran. Venezuela has reportedly played an important part in cultivating the relationship between Iran and the Latin American countries of Bolivia, Ecuador, and Nicaragua. It is unclear how deep these relationships go, but Iran has pledged financial assistance to these countries in the form of infrastructure projects. Additionally, Iran has opened embassies in these and other Latin American

The Honorable Gerald E. Connolly (VA-11)

countries. This embassy construction indicates that Iran plans to have a prolonged presence in Latin America.

Iran's presence in the Western Hemisphere is a cause for concern because of illegal activities—in both hemispheres—that have been directly linked to the Iranian government. Continuous, close scrutiny of the situation in Latin America is an essential element for U.S. diplomacy in the region.

Statement of Congressman Gene Green
House Foreign Affairs Committee
"Iran in the Western Hemisphere"
October 27, 2009

Thank you, Mr. Chairman, for holding this hearing today, and I would like to welcome our panel.

Iran poses serious problems to the stability of its own region, and its overt ambitions to develop a nuclear weapons program are troubling.

I strongly believe that we must work with our international allies and the UN Security Council to ensure Iran's nuclear program is permanently shut down.

Stability in the Middle East is of the utmost importance to not only the Middle Eastern countries, but to the international community.

The question before us today, however, is whether Iran currently is or is trying to cause instability in our region.

Iranian investment in Latin America has increased in recent years including signing three energy sector memorandums of understanding with Venezuela.

Additionally, in February 2008 testimony before the Senate Select Intelligence Committee, then Director of National Intelligence Michael McConnell maintained that while most cooperation between Iran and Venezuela has been on the economic and energy fronts, military cooperation is growing, and the two countries have discussed cooperating on nuclear energy.

Yet, there are several views about the level and significance of Iran's linkages with our region, because for the most part, Iran's promised aid and investment have not materialized.

Therefore, my primary questions for our panel today are whether they believe that Iran's activities in Latin America pose a threat to our interests in Latin America and to what extent are Iran's overtures toward Latin America politically aimed at the United States as opposed to a genuine interest in expanding linkages with Latin America?

Finally, while it is not surprising that Venezuela and Bolivia are interested in fostering relations with Iran, I am interested to know how other Latin American countries view Iran's overtures toward Latin America.

The pending visit of Ahmadinejad to Brazil next month is concerning.

Thank you again, Mr. Chairman, for holding this hearing today and I look forward to the testimony of our panel.

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