



CONGRESSIONAL TESTIMONY OF
JOSEPH M. HUMIRE

EXECUTIVE DIRECTOR
CENTER FOR A SECURE FREE SOCIETY (SFS)

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**“FINANCIAL NEXUS OF TERRORISM, DRUG
TRAFFICKING, AND ORGANIZED CRIME”**

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** SFS fellows and intern, Colin Heurin, helped compile research for this testimony*

Chairman Pearce, Vice Chairman Pittenger, Ranking Member Perlmutter, and distinguished members of the subcommittee. Good afternoon, and thank you for your leadership on this issue and inviting me to appear before you today.

There is an old refrain in the military saying, “amateurs talk strategy, professionals talk logistics.” This means that if we are serious about stopping the myriad of transnational threats facing our nation, we must dismantle the logistical networks of terrorists, drug traffickers, and organized crime. The illicit financial flows are the bloodstream of these threat networks, and they sustain a convergence of threats to the United States and our allies abroad.

The convergence of criminals, drug traffickers, terrorists, insurgents, and organized crime has increased and evolved over time. In 1997, a Department of Defense (DoD) task force study on transnational threats concluded that criminals and terrorists were “increasingly linked in new and more cooperative ways.”¹ Back then, however, most experts believed that crime-terrorism interactions were transactional. According to a 2014 report by the Combatting Terrorism Center, in a sample of 2,700 known criminal and terrorists in more than 122 countries, 98 percent were connected across an expanded all-channel network.²

No longer do illicit actors work independently in time and space. Illicit networks have gradually capitalized on globalization to move people, products, and resources through crime-terror pipelines. More importantly, these crime-terror networks are now sharing operating areas, intelligence, tactics, training, and protocols to undermine nation-states and challenge Westphalian state sovereignty.

Six years ago, the Drug Enforcement Administration (DEA), reported that 39 percent of the organizations listed in the US State Department’s Foreign Terrorist Organization (FTO) list have “confirmed links to the drug trade.”³ More recently, the State Department’s 2016 *Country Reports on Terrorism* describes at least 47 percent of FTOs as having financially profited from criminal activity to sustain their terrorist operations.⁴ This means that close to half of the organizations designated by our government as terrorists have members and affiliates involved in criminal activity, notably kidnapping-for-ransom, extortion, theft, robberies, and drug trafficking.

¹ US Department of Defense (DOD), Office of the Undersecretary of Defense for Acquisition and Technology, Defense Science Board, 1997 Summer Study Task Force on DOD Responses to Transnational Threats, Vol. 1, final report, October 1997.

² Scott Helfstein and John Solomon, “Risky Business: The Global Threat Network and the Politics of Contraband,” The Combatting Terrorism Center at West Point, May 2014.
(https://www.files.ethz.ch/isn/180775/RiskyBusiness_final.pdf)

³ Prepared testimony of US Drug Enforcement Administration (DEA) Special Operations Division Special Agent in Charge Derek S. Maltz, in U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Terrorism, Nonproliferation, and Trade, Narcoterrorism and the Long Reach of US Law Enforcement, Part II, Serial No. 112-81, 112th Cong., 2nd sess., November 17, 2011 (Washington, D.C.: US Government Printing Office, 2011).

⁴ This percentage is based on a close review of the listed sources of funding in Chapter 6 of the 2016 Country Reports on Terrorism cross-referenced with State Department’s Foreign Terrorist Organization list.

The evidence is beyond anecdotal. The crime-terror convergence is real, it's growing and evolving, and poses a significant threat to US national security.

No other organization on our FTO list embodies the crime-terror convergence than Lebanese Hezbollah. Of the close to 2,000 actors designated by our government as Foreign Narcotics Kingpins, several are affiliated or connected to Hezbollah.⁵ This is significant in our efforts to Counter Transnational Organized Crime (CTOC). I will elaborate further on this later in my testimony.

The paradigm of fighting terrorism, insurgency, and TOC separately no longer applies to the modern threat environment. In recent years, the US government has gone to great lengths to sharpen our national security authorities, tools, and methods to combat the crime-terror threat. More certainly can be done domestically, but if our global partners and allies continue to neglect the convergence of these threats, and fail to prioritize the crime-terror nexus, then any unilateral US effort to combat the financial nexus of crime, drugs, and terror will be insufficient.

Quite simply, to neutralize the financial nexus of terrorism, drug trafficking, and organized crime, we must build a global network of governments and civil society that are synchronized in our capabilities and political will to deal with the convergence of crime-terror networks.

In doing so, focusing on the Western Hemisphere would be a good start.

The crime-terror convergence takes place worldwide, however, no other region has more wholesale illicit actors than Latin America and the Caribbean. This region is also plagued with weak institutions, porous borders, high levels of corruption, and a collection of anti-American, authoritarian regimes that have enabled TOC to flourish in our hemisphere. International terrorists have paid attention to this growth of organized crime in Latin America.

In my testimony, I will highlight where regional cooperation with allied Latin American governments is sorely needed to counter the financial nexus of the crime-terror convergence. I pay special attention to Hezbollah as the gold standard of this convergence. I will also describe a countervailing force in Latin America, which consists of a handful of regional and extra-regional governments that have embraced armed non-state actors as a tool of statecraft and are using state mechanisms to provide cover and concealment for terrorists and Transnational Criminal Organizations (TCO). The government of Venezuela is at the core of this concern.

⁵ Of note is the January 2011 designation of the Joumaa drug trafficking and money-laundering network, the June 2012 designation of the Harb money laundering organization based in Colombia/Venezuela, and the May 2016 designation of the Waked money laundering organization based in Panama. All designations are pursuant to the Foreign Narcotics Kingpins Designation Act last updated on October 10, 2017. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/narco_sanctions_kingpin.pdf)

It Takes a Network to Defeat a Network

Today, illicit threat networks manifest themselves in what the Defense Department has called the four-plus-one (4+1) framework for US national security strategy.⁶ Essentially, Russia, China, Iran, and North Korea as the four (4) nation-states using crime-terror networks to threaten and destabilize the United States plus transnational violent extremism, which is the plus one (+1) representing armed non-state actors, such as Islamist terrorism and major TCOs. This approach has been core to our understanding of how to leverage Counter-Threat Finance (CTF) strategies to address the financial nexus of illicit networks.

In Latin America, a similar “4+1” framework can be applied to understand the threat networks delegitimizing the United States and destabilizing our regional partners. Cuba, Venezuela, Bolivia, and Nicaragua can be considered the four (4) nation-states acting against US national security interests in the region, and transnational organized crime is the plus one (+1).

Noted national security expert, Douglas Farah, has coined the term “criminalized states” to describe how the senior leadership of certain nation-states use TOC as an instrument of statecraft against its adversaries.⁷ He distinguishes between semi-consolidated and vertically-integrated criminalized states, with the latter being where a strong government directly participates in TOC activity, benefits from it, and embed criminals within state organs. In Latin America, it’s debatable whether any country has fully become a vertically integrated criminalized state but it’s undeniable that leaders in certain nation-states, notably the four identified earlier, have participated in TOC activity.

Under this context, US Southern Command (USSOUTHCOM), with responsibility for Latin America and the Caribbean, recently underwent a sea change under the leadership of Admiral Kurt Tidd to de-compartmentalize its various mission sets focusing more on the movement of illicit networks, and less on the commodities they move. “Illuminating the pathways” of transnational and transregional networks has become the priority for this combatant command.⁸

In doing so, USSOUTHCOM has aggressively pursued increased regional partnerships, information sharing, and multinational and military-to-military cooperation. The end goal is to strengthen a “friendly network” built on mutual trust and cooperation. Capitalizing on

⁶ Chairman of the Joint Chiefs of Staff, Marine Gen. Joe Dunford coined the 4+1 framework as a “threat baseline” for assessing risk in the national security landscape for the United States. (<https://www.defense.gov/News/Article/Article/923685/dunford-details-implications-of-todays-threats-on-tomorrows-strategy/>)

⁷ For a fuller discussion of criminalized states in Latin America and the threat they pose to U.S. national security interests see: Douglas Farah, “Transnational Organized Crime, Terrorism, and Criminalized States in Latin America: An Emerging Tier-One National Security Priority.” US Army War College Strategic Studies Institute, August 2012.

⁸ ADM Kurt Tidd, “Transnational Criminals Move at Network Speed. At SOUTHCOM, We’re Learning to Do the Same,” Defense One, Nov. 22, 2016. (<http://www.defenseone.com/ideas/2016/11/transnational-criminals-move-network-speed-southcom-were-learning-do-same/133369/>)

previous interagency success, such as the Joint Interagency Task Force-South (JIATF-S) model, a unity of effort is beginning to take form within our national security community focused on Latin America and the Caribbean.

That said, while our military may be improving its capabilities in dealing with the convergence of illicit networks in Latin America—our partner nations in the region are not. The problem begins with disparate legal frameworks on how to define international terrorism, designate foreign terrorist organizations, and share intelligence on transnational criminal activity.

Building a “friendly network” in Latin America to address the trifecta of crime, drugs, and terror must include synchronizing legal frameworks on international terrorism and TOC across the region. To this end, I must commend Congressman Robert Pittenger’s (R-NC) efforts at growing a global parliamentary network through the Congressional Task Force on Terrorism and Unconventional Warfare and its Parliamentary Intelligence Security Forums held around the world. For the past two years, Rep. Pittenger has hosted forums in Buenos Aires, Argentina with several countries represented from across the region. This network-centric approach is exactly what is needed to build a “friendly network” to counter the crime-terror threat.⁹

Operationalizing this network, however, is much more challenging. Adversarial, anti-American networks in Latin America have worked diligently over the past decade to oppose our international agreements, reject international law, abuse international finance and monetary systems, and challenge the world order.¹⁰ More specific to the US, they have expelled our military and law enforcement representation from their countries, closed information sharing protocols, established alternative legal frameworks and political forums, and controlled civil society and the press in their country to push an anti-American narrative delegitimizing the United States.

This adversarial network in Latin America threatens the sovereignty of our regional allies and its citizens and diminishes US capabilities region-wide. Their actions make it much more difficult for the US and our regional partners to cooperate on Anti-Money Laundering/Combating the Finance of Terror (AML/CFT) operations in Latin America. Most notably, they use loopholes in the legal framework of almost all Latin American countries to embolden the crime-terror convergence.

A first step to countering this threat is to assist a “friendly network” in Latin America of like-minded partners to develop anti-terrorism legal frameworks in their countries to be able to effectively define international terrorism, enhance authorities over crime-terror

⁹ For more on “Countering Threat Networks” see Joint Publication 3-25 from the Joint Chiefs of Staff, Dec. 21, 2016. (http://www.jcs.mil/Portals/36/Documents/Doctrine/pubs/jp3_25.pdf)

¹⁰ In Latin America, the Bolivarian Alliance of the Americas (ALBA) has acted most consistently against US regional interests and, except for Nicaragua, has diminished US presence in their countries. For more on the ALBA and its anti-American objectives see the book *The ALBA: Inside Venezuela’s Bolivarian Alliance* by Joel D. Hirst published in May 2012.

networks, and ultimately designate foreign terrorist organizations. In this regard, special attention should be paid to Lebanese Hezbollah.

A Dangerous Legal Vacuum

For several years, Hezbollah has operated in a state of legal grace in Latin America. Of the countries that do have anti-terrorism laws in Latin America, none recognize Hezbollah as a foreign terrorist organization.

According to SFS research, approximately 65 percent of the 33 countries in Latin America and the Caribbean have specific anti-terrorism laws on the books, but only six countries have provisions dealing with international terrorism.¹¹ Many of these laws are outdated and originally created to deal with domestic terror threats from violent actors challenging the state in the latter part of the 20th century.

This legal vacuum was pronounced in a recent high-profile terrorism trial in Peru against an alleged Hezbollah operative accused of carrying out terror-support activities in that country.¹² In October 2014, Lebanese national Mohamad Ghaleb Hamdar was arrested by Peruvian counterterrorism police in his apartment in the Surquillo neighborhood of Lima, the capital city of Peru. Hamdar was found with traces of nitroglycerin, a chemical substance used in TNT, on his left hand and throughout the trash of his apartment. He was also found with close to one thousand pictures of routes, the Jorge Chávez International Airport, and various public venues throughout Lima.

Copy of Fraudulent Identification Documents Hamdar Attained

National ID from Peru



Passport from Sierra Leone



Mohamad Ghaleb Hamdar confessed that Hezbollah provided him with a fraudulent passport from Sierra Leone, which he used to get identification documents in Peru under the alias “Muamad Amadar.”

¹¹ According to SFS research the following 22 countries in LAC have specific anti-terrorism laws: Antigua & Barbuda, Barbados, Jamaica, Colombia, Peru, Paraguay, Argentina, Dominican Republic, Belize, Virgin Islands, Costa Rica, Chile, St. Kitts & Nevis, Mexico, Bahamas, Trinidad & Tobago, Panama, Guyana, Brazil, El Salvador, Cayman Islands.

¹² For a concise summary of the Hamdar case in Peru, see Ilan Berman’s “Peril in Peru: Islamic Terror Shifts South” on January 17, 2017 in Foreign Affairs (<https://www.foreignaffairs.com/articles/peru/2017-01-17/peril-peru>)

The pictures discovered in his electronic devices made clear that Hamdar was engaged in close order reconnaissance of possible high-value targets, such as a United Nations Climate Change Conference that year, and route reconnaissance of a possible supply chain to move explosives and other materials throughout Peru.

Hamdar’s newlywed wife, Carmen Carrion Vela, helped him attain legal residency upon arriving in Peru a year before his arrest. Since she was a US-Peruvian dual-citizen with residence in Florida it was suspected Ms. Carrion Vela would eventually help Hamdar attain a visa to enter the United States. She was also arrested by Peruvian police and charged with providing material support to terrorism.

Immediately after his arrest, Hamdar admitted he was a member of Hezbollah and stated that the Lebanese terror group initially intended to provide him with identity documents in Venezuela but later decided to give him a fraudulent passport from Sierra Leone.¹³ He also confessed that Hezbollah asked him to take pictures and keep a journal during his stay in Peru and transmit all photos, documents, and records back to Lebanon.

Two and a half years after his arrest, in April 2017, Hamdar’s terrorism trial ended with Peruvian judges convicting him of immigration fraud but acquitting him of all terrorism-related charges.¹⁴ Despite Hamdar acknowledging his membership in Hezbollah during his initial interrogation—Peruvian federal judges felt his role with Hezbollah was not enough to consider him a terrorist.

On the invitation of the Public Prosecutors Office of Peru’s Interior Ministry, I was invited in October 2016 to provide expert testimony to the Hamdar trial. A lengthy debate took place within the trial as to whether Hezbollah is or is not a terrorist organization. I reminded the court that at least 60 countries around the world have already designated Hezbollah or its military wing as a terrorist organization.¹⁵ Nevertheless, since no official designation exists in Peru—being a member of Hezbollah is not a criminal act in and of itself.

This is a significant point because Peru is no stranger to terrorism. Its decades-long fight against domestic terror groups, the Shining Path and MRTA, have established some of the strongest anti-terrorism laws in the region. Had Hamdar said he was a member of the Shining Path he would have likely been convicted and sentenced to 25 years in prison. Since he was a member of Hezbollah he was almost set free. Thanks to the diligent work of Peru’s Public Prosecutor’s Office, the federal court’s not-guilty verdict was appealed

¹³ Author interviews with Peruvian prosecutors in Lima, Peru in October 2016.

¹⁴ “Absuelven a libanés acusado de terrorismo y detenido en Surquillo,” April 21, 2017, *El Comercio* (Lima, Peru) (<https://elcomercio.pe/peru/absuelven-libanes-acusado-terrorismo-detenido-surquillo-415800>)

¹⁵ The following countries have designated Hezbollah and/or its military wing as a terrorist organization: European Union (28 countries), Arab League (22 countries), Australia, Bahrain, Canada, France, Gulf Cooperation, Israel, Japan, Netherlands, New Zealand, United Kingdom, and the United States.

and later annulled by the Peruvian Supreme Court who will retry Hamdar this year on the same terrorism charges.¹⁶

The Hamdar case provides several important lessons for US policymakers. It highlights a legal miscommunication between US and regional officials on whether jihadist terrorist cells are operational in Latin America. If no Latin American country legally considers Hezbollah a terrorist organization, then the actions of its individual operatives, such as Hamdar, do not constitute operational terrorist activity in the region.¹⁷ This helps explain why Islamist terrorism is often underestimated in Latin America.

This became more important last summer (June 2017) when members of Hezbollah’s feared International Jihad Organization (IJO) was arrested in New York and Michigan after being active in Latin America. According to the Department of Justice, Ali Kourani and Samer El Debek, both US citizens of Lebanese descent, were caught casing targets such as the Panama Canal and US military and intelligence outposts, as well as airports in New York City.¹⁸ As members of the IJO, Koruani and El Debek, are part of the same Hezbollah network that successfully bombed an Israeli tour bus in July 2012 in Burgas, Bulgaria. According to court documents, Samar El Debek told FBI agents that he was familiar with the 2012 Hezbollah attack in Bulgaria because the bomber was connected to his family.¹⁹ El Debek had also previously traveled to Thailand, Malaysia, Panama, and Colombia, on surveillance and reconnaissance missions.

Pre-operational surveillance is one of the hallmarks of Hezbollah’s IJO in the planning of future attacks. Using multiple passports is a signature of their covert movement. Both Kourani and Debek fit this pattern of behavior, as does Mohamad Ghaleb Hamdar. The difference is Kourani and Debek were arrested in the United States where Hezbollah membership is criminalized and Hamdar was arrested in Peru where it is not.

Hamdar is currently sanctioned by the Treasury Department²⁰ and remains in the custody of Peruvian authorities. If a new trial in Peru’s Supreme Court is to convict and sentence Hamdar for his terror-support activities, this would be a de-facto designation of Hezbollah as a terrorist organization in Peru. The first designation of its kind and a legal precedent that other countries throughout the region could emulate. It would be the first time in the history of Latin America that a Hezbollah member is caught and convicted on terrorism-

¹⁶ Author interview with Peruvian prosecutors in Washington DC in October 2017.

¹⁷ Hamdar’s pre-operational surveillance and reconnaissance activities in Peru is similar to convicted Hezbollah IJO operative Hossam Taleb Yacoub’s terror-support activities in Cyprus in 2012 and Samar El Debek’s activities in Panama in 2011.

¹⁸ US Department of Justice, Press Release, “Two Men Arrested for Terrorist Activities on Behalf of Hizballah’s Islamic Jihad Organization,” June 8, 2017. <https://www.justice.gov/opa/pr/two-men-arrested-terrorist-activities-behalf-hizballahs-islamic-jihad-organization>

¹⁹ Court documents in the possession of the author.

²⁰ US Department of the Treasury, “Counter-Terrorism Designations,” October 20, 2016. <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20161020.aspx>

related charges. Making the Hamdar case one of the most important counterterrorism cases in the world for countering Hezbollah’s crime-terror network.

Hezbollah as a Transnational Criminal Organization (TCO)

A bombshell article by Politico last year alluded to the Obama administration’s alleged negligence of Hezbollah’s illicit activity in favor of the nuclear deal with Iran.²¹ Regardless of whether the allegations or suppositions in the Politico piece are true, expanding the public’s awareness to Hezbollah’s major role in drug trafficking has placed a renewed focus among US policymakers and public about the Lebanese terror group’s transnational criminal enterprise.

This policy focus has re-opened a debate on possibly designating Hezbollah as a Transnational Criminal Organization under Executive Order 13581 and 13773.²² Some skeptics say that designating Hezbollah as a TCO constrains sensitive intelligence source operations against the Lebanese terror group. Others state that this form of designation is unnecessary because law enforcement already has sufficient powers under the Foreign Narcotics Kingpin Designation Act and other executive orders to dismantle Hezbollah’s criminal enterprise.

Beyond the tactical considerations, there are at least two very important strategic benefits to designating Hezbollah a TCO:

1. It delegitimizes Hezbollah in the hearts and minds of Lebanese expats and the broader Shi’a community around the world.
2. It shines a light on Hezbollah’s criminal activity in Latin America, prompting our regional partners to examine their own laws to counter Hezbollah’s crime-terror activities in their countries.

Hezbollah’s lust for illicit profits flies in the face of the Shi’a Islamic values it preaches. The recent spike in criminal investigations and drug trafficking indictments against Hezbollah facilitators and affiliates has hurt the legitimacy of the group. Several of its leaders categorically deny that Hezbollah is involved in drug trafficking, money laundering, and other crimes.²³ Labeling Hezbollah as a TCO, therefore, can undermine its efforts to brand themselves as a “resistance movement” with clear principles and political ideology. By damaging Hezbollah’s reputation, we hinder their ability to recruit members or raise funds.

²¹ Josh Meyer, “The secret backstory of how Obama let Hezbollah off the hook” *Politico*, November 2017 (<https://www.politico.com/interactives/2017/obama-hezbollah-drug-trafficking-investigation/>)

²² E.O. 13581 signed in 2011 is meant to block property of Transnational Criminal Organizations, while E.O. 13773 signed in 2017 enforces federal law with respect to TCOs.

²³ Excerpt from The Washington Institute policy analysis by Matthew Levitt on April 26, 2016: “In a speech in December 2015, Hezbollah leader Hassan Nasrallah categorically denied charges that Hezbollah is involved in drug trafficking, money laundering, and other crimes, challenging his accusers to “Bring me the evidence!”

The second point is even more significant. As described in the previous section, Latin American countries are still struggling to understand Hezbollah’s terrorist activity despite its long history of international terrorism. Conversely, many of these same countries have already established laws to disrupt TCOs and are increasingly aware of Hezbollah’s criminal activity. Just about every country in the region has acknowledged that TOC is a major national security threat, and several are working with the international community to strengthen anti-money laundering (AML) tools and Threat Finance Units to combat this threat. Designating Hezbollah as a TCO in the United States will leverage the existing CTOC efforts endogenous in Latin America to focus more on Hezbollah.

Some of this is already taking place, evidenced by an announcement last month during the former US Secretary of State Rex Tillerson’s visit to Argentina that the two countries will increase cooperation to combat Hezbollah financing in South America.²⁴ Argentina’s leading role on the global stage as the current head of the G-20 and Financial Action Task Force (FATF), place it at the heart of AML/CFT efforts. Their partnership in combatting the crime-terror convergence is critical and welcomed as a strong US ally.

As Latin American governments increasingly investigate Hezbollah’s illicit activity in the region, they will undoubtedly find links to prominent TCOs. *Los Zetas* in Mexico, *La Oficina de Envigado* in Colombia, and *Primeiro Comando da Capital* (PCC) in Brazil, to name a few, are all prominent TCOs proven to have strong links to Lebanese Hezbollah. If they expand the investigation, they will find that Hezbollah also has strong relationships with indigenous agitprop groups such as *Los Etnocaceristas* in Peru and *Los Quebrachos* in Argentina. Ultimately, the financial nexus between TCO and Hezbollah will lead to a historic crime-terror hub in South America, known in Spanish as *La Triple Frontera* (Tri-Border Area—TBA) at the crossroads of Paraguay, Argentina, and Brazil.

Hezbollah members, facilitators, and supporters, long established in the TBA, remain active and are conducting legal and illicit activities undeterred by sanctions imposed on them by the United States. Since 2004, 11 individuals residing in Brazil and Paraguay have been sanctioned by the Office of Foreign Asset Control (of the US Treasury Department) for providing financial support to Hezbollah.²⁵ According to Brazilian business records, at least nine of these sanctioned individuals opened seven (7) new companies under their direct ownership after being sanctioned, and an additional eleven (11) under the names of family members and relatives.²⁶ In total, at least 18 companies have been opened in Brazil or Paraguay by Hezbollah members or facilitators after being sanctioned. This showcases how sanctioned Hezbollah operatives continue to stay

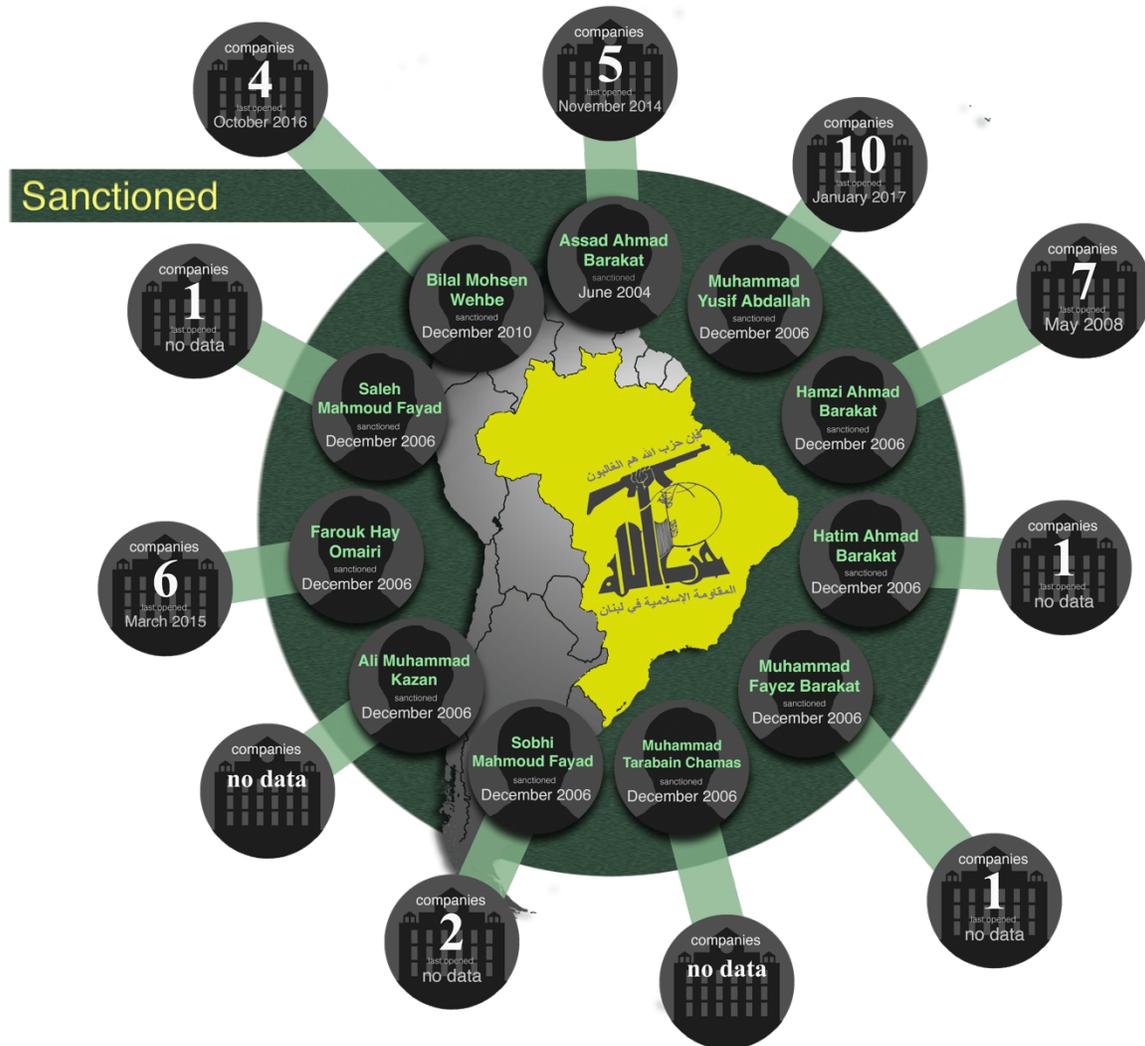
²⁴ “US and Argentina to Work Together to Cut Off Hezbollah Funding,” *Haaretz* (Israel), Feb. 5, 2018 (<https://www.haaretz.com/us-news/u-s-and-argentina-to-work-together-to-cut-off-hezbollah-funding-1.5789673>)

²⁵ US Treasury Press Release HP-190 on Dec. 6, 2006, “Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay,” <https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>

²⁶ The data is taken from Brazilian commercial registries and business records compiled by Leonardo Coutinho as part of an upcoming SFS Global Dispatch on the TBA.

commercially active in the TBA despite US sanctions. Below is a diagram, that is part of an upcoming SFS study, illustrating this fact.

Hezbollah Sanctions Evasion in the TBA



Source: Data taken from Brazilian commercial registries and business records as part of an upcoming SFS study by Leonardo Coutinho on the Tri-Border Area

The lax enforcement by regional partners and Hezbollah’s ability to set up front companies, to divert funds to family members, and to move freely from country to country, makes it nearly impossible for US sanctions to be enforced against designated individuals and entities in the TBA. The evidence demonstrates that once an individual or firm is identified, the actors move their cash and actions to new or unsuspected entities, or even across the border to avoid detection and punishment.

Designating Hezbollah as a TCO will send a strong signal to our Latin American partners that the US is prioritizing this threat. The US should take the lead on combatting the crime-terror nexus in Latin America, incentivizing our regional partners to examine their own laws, budgets, and authorities to ensure CTOC efforts are focused on terrorist groups as well, namely Hezbollah. For US sanctions against Hezbollah in Latin America to truly be effective our regional partners must investigate and prosecute these sanctioned individuals and entities in their countries. Failure to accomplish this will lead to a truncated and ineffective US sanctions strategy of whack-a-mole constantly chasing Hezbollah front companies and cutouts in the region.

Venezuela: A Global Hub for Crime-Terror Convergence

Venezuela has long been considered a regional hub for transnational organized crime. Longstanding links between Colombian and Mexican drug cartels and the Venezuelan government led to several US sanctions on regime officials dating back to 2008.²⁷ A 2015 money laundering case, however, exposed the Venezuelan government’s role in facilitating the financial nexus between global TCOs.

In March 2015, the US Treasury’s Financial Crimes Enforcement Network (FinCEN) issued a Notice of Finding labeling Banca Privada d’Andorra (BPA) as a foreign institute of “primary money laundering concern.”²⁸ The notice identified Russian criminal organizations, including one of the FBI’s ten “most wanted” fugitives, and Chinese money launderers using BPA to facilitate Venezuelan money laundering.²⁹ Through Panamanian shell companies, managed by high-ranking Venezuelan government officials tied to the state-owned oil company PDVSA, US financial authorities detected high-level managers and lawyers at BPA facilitating a variety of trade-based money laundering schemes to facilitate the movement of \$4.2 billion in transfers related to the Venezuelan regime.

Authorities in Andorra—a microstate between France and Spain—acted quickly by taking control of BPA to clean its books. They also removed some bank secrecy laws that shielded politically-exposed persons. In December 2017, these efforts yielded high-profile arrests in December 2017 in Madrid, Spain, of two former Venezuelan vice-ministers for energy and the cousin of the former energy minister and current Venezuelan ambassador to the UN, Rafael Ramirez.³⁰ Collectively, these three high-ranking Venezuelan officials had at least 24 accounts with BPA.

²⁷ US Treasury Press Release HP-1132 on Sep. 12, 2008, “Treasury Targets Venezuelan Government Officials Supporting the FARC,” <https://www.treasury.gov/press-center/press-releases/Pages/hp1132.aspx>

²⁸ US Treasury Notice on Mar. 6, 2015 of “Finding that Banca Privada d’Andorra is a Financial Institution of Primary Money Laundering Concern,” Billing Code: 4810-02 (https://www.fincen.gov/sites/default/files/shared/BPA_NOF.pdf)

²⁹ Andrey Petrov is a Russian Third-Party Money Launderer (TPML) that set up accounts at BPA. Petrov is suspected to have links to Semion Mogilevich, one of the FBI’s “most wanted” fugitives.

³⁰ José María Irujo, “Former ministers of Venezuela’s Hugo Chávez hid 2 billion Euros in Andorra,” *El País* (Spain), Dec. 14, 2017. (https://elpais.com/elpais/2017/12/14/inenglish/1513248259_101681.html)

The BPA case is instructive in understanding the sophistication to which some Venezuelan officials have used state institutions, such as PDVSA, to incentivize TOC. This is not limited, however, to just the state-owned energy industry in Venezuela, as the military industry, known as CAVIM, was also sanctioned in 2011 for engaging with sanctioned Iranian companies aiding its WMD programs. The most concerning case, however, may be an immigration scheme involving the Venezuelan Interior and Foreign Ministry and its current Vice President.

The Venezuelan Vice President, Tareck El Aissami, is the second most senior figure in Venezuela sanctioned by OFAC joining a list of 52 regime officials currently designated for drug trafficking, money laundering, human rights abuses, and other organized crime.³¹ Sanctioned as a Specially Designated Narcotics Trafficker in February 2017, US officials estimate that they have been able to block hundreds of millions of dollars of illicit revenue belonging to the Venezuelan VP from the US financial system.

Tareck El Aissami, however, is not only accused of facilitating drug trafficking. Several years before becoming the VP, he was the Venezuelan Interior Minister (2008-2012) during a period that an influx of Middle Eastern militants was provided state-issued Venezuelan identification documents. CNN and CNN en Español highlighted this potential scheme through a joint-investigation last year called “Passports in the Shadows.”³²

This CNN investigation uncovered a cache of passports and other documents provided to suspected members of terrorist groups by Venezuelan officials stationed in embassies and consulates throughout the Middle East. Misael Lopez Soto, the Venezuelan whistleblower who was the protagonist of the CNN documentary, provided an eyewitness account of this alleged immigration scheme as a former Venezuelan diplomatic official stationed in Iraq. Mr. Lopez Soto presented several cases of suspected Hezbollah members attaining official Venezuelan documentation. In some cases, these Middle Easterners were tied to drug trafficking, however, in other cases, they were tied to terrorism. The most prominent case uncovered by Mr. Lopez Soto involved a suspected terrorist tied to Hezbollah and connected to one of the 9/11 hijackers.³³

The topic of Venezuelan passports in the hands of Hezbollah members surfaced again last month after OFAC targeted Hezbollah’s financial network in Africa and the Middle East.³⁴ On February 2, 2018, Treasury’s OFAC sanctioned six individuals who acted for

³¹ Treasury sanctions on Tareck El Aissami on Feb. 13, 2017, was the first official sanction by the new Trump administration Treasury Secretary Steven Mnuchin. <https://www.treasury.gov/press-center/press-releases/Pages/as0005.aspx>

³² Scott Zamost, Drew Griffin, Kay Guerrero, Rafael Romo, “Venezuela may have given passports to people with ties to terrorism,” CNN and CNN en Español, Feb. 14, 2017, (<https://www.cnn.com/2017/02/08/world/venezuela-passports-investigation/index.html>). Originally aired on *Anderson Cooper 360°* and *Conclusiones* with Fernando Del Rincon.

³³ Author interview with Misael López Soto in Madrid, Spain in June 2017. The accused Hezbollah terrorist is Hakim Mohamed Ali Diab Fattah, a Venezuelan-Palestinian who shared the same flight school in Florida with 9/11 hijacker Hani Hanjour. (<https://www.diariolasamericas.com/pruebas-revelan-que-venezuela-oculta-sospechoso-terrorismo-n3553685>)

³⁴ US Treasury Press Release on Feb. 2, 2018, “Treasury Targets Hizballah Financial Network in Africa and the Middle East,” <https://home.treasury.gov/news/press-releases/sm0278>

or on behalf of Adam Tabaja, previously sanctioned by OFAC and described as “a Hezbollah member” who “maintains direct ties to senior...organizational elements, including the terrorist group’s operational component, the Islamic Jihad.” One of the individuals, Jihad Muhammad Qansu, who was sanctioned last month for supporting Tabaja’s terror-finance efforts possessed a Venezuelan passport.

Whether it’s Hezbollah, Chinese Triads, the Russian Mafia, or the FARC—the Venezuelan government has proven to be complicit in providing a haven for criminal and terrorist networks. This is a complex challenge for US national security and one that requires thinking outside the box. Increasing evidence indicate that the Venezuelan regime is using its state apparatus to provide cover and concealment for terrorists and traffickers alike. It’s time we consider designating their government as a state sponsor of terrorism and transnational organized crime.

Policy Recommendations

The convergence of threat networks contributes significantly to the deterioration of the fabric of society and the state. As TOC grows, so does terror finance, and ultimately the state either becomes complicit in illicit activity or weakens to the point of ineffectiveness. The crime-terror convergence must be considered a tier-one national security priority for both the United States and our global partners. Synchronizing our anti-terrorism legal frameworks and enhancing our Counter Threat Finance (CTF) collaboration with trusted partners and allies strengthens the “friendly network” needed to combat the crime-terror convergence.

The following are my policy recommendations to accomplish this:

1. The US government should designate Hezbollah as a TCO to make it clear that in the present climate crime and terror are not separate and apart from each other, rather that they are two sides of the same coin.
2. The US government should work with regional partner governments in Latin America to strengthen anti-terrorism legal frameworks and criminalize memberships in foreign terrorist organizations. This could include working with the Organization of American States or conditioning some aid to Latin American countries to improve their anti-terrorism laws.
3. The US government should leverage its knowledge and experience in developing strong AML/CFT regimes, to provide guidance and assistance to states that are working to implement and improve their AML/CFT strategies and laws.
4. The US Congress should increase the budget of the US Treasury Department’s FinCEN and the Office of Terrorism and Financial Intelligence (which house OFAC) to work with regional partners on improving the sharing and collection of accurate threat financial intelligence (referred to as “TFIN”) of state-support to crime-terror networks, with a special focus on Venezuela and Iran.