

Congressional Testimony

The Enemy in our Backyard: Examining Terror Funding Streams from South America

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Hearing before the House Committee on Financial Services
Task Force to Investigate Terrorism Financing

Washington, DC
June 8, 2016



Introduction

Chairman Fitzpatrick, Vice Chairman Pittenger, ranking member Lynch, members of the Task Force to Investigate Terrorism Financing, on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance, I thank you for the opportunity to testify.

In Latin America, the combination of weak central governments, porous borders, and widespread corruption in public institutions creates an ideal environment for Transnational Organized Crime (TOC). According to the U.S. administration, “Not only are criminal networks expanding, but they also are diversifying their activities, resulting in the convergence of threats that were once distinct and today have explosive and destabilizing effects.”¹

Drug trafficking, trade-based money laundering, and terror financing in Latin America have merged as a single threat to the national security of the United States: drug cartels, smugglers, counterfeiters, insurgent groups, and terror organizations have coalesced, sometimes against local authorities and sometimes with their active complicity and support, for their mutual benefit. The result is a toxic mix in which drug traffickers rely on terror organizations to move their merchandise to their final destinations in North America and Europe. For their part, terror organizations offer the traffickers services that generate profits to fund their own terrorist activities.

Hezbollah plays a central role in this new landscape, as in Latin America. The group’s religious institutions and clerics, charitable and educational activities, its supporters’ licit commercial activities, and its illicit finance network and organized crime are not distinct endeavors involving different people but overlap.

In my testimony, I will illustrate how Hezbollah, thanks to its reliance on local Shi’a communities, is becoming a key player in the complex regional dynamics of Transnational Organized Crime.

The challenge of Hezbollah’s terror finance in Latin America

Last year, Congress passed the Hezbollah International Financing Prevention Act to “prevent Hezbollah’s global logistics and financial network from operating in order to curtail funding of its domestic and international activities; and (2) utilize diplomatic, legislative, and executive avenues to combat Hezbollah’s criminal activities in order to block that organization’s ability to fund its global terrorist activities.”

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

¹ The White House, National Security Council, “Transnational Organized Crime: A Growing Threat to National and International Security,” accessed June 6, 2016. (<https://www.whitehouse.gov/administration/eop/nsc/transnational-crime/threat>)

Congress and the Administration should continue to leverage these legislative and executive tools by aggressively focusing on the terror organization's activities in Latin America. As important as these tools are, they need to be complemented by additional steps to diminish Hezbollah's ability to exploit structural weaknesses prevalent in the region that have made it possible for it to interact with local criminal syndicates. Ultimately, this can only be possible if regional governments recognize the threat posed by Hezbollah in their own jurisdictions and take concrete steps. U.S. efforts will be far more effective when local governments cooperate.

The United States can help by advising regional partners to make the necessary legislative and law-enforcement adjustments to become more effective in their fight against terrorism. Washington can offer concrete assistance to help build capacity where there is a political will to cooperate in the fight against Hezbollah.

It should be obvious this is in the vital interest of not only the United States but also of Latin American governments. How this is to be accomplished is more complicated, and requires understanding the main factors that facilitate Hezbollah's activities in Latin America:

- Porous borders and a lack of strict custom and police controls at border crossings
- Weak central governments and corrupt public officials
- Lack, until recently, of adequate legislation to combat terrorism and terror finance
- The prevalence of a cash-based economy
- A local network of loyal supporters

These factors do not benefit Hezbollah alone; they are key facilitators of organized crime and terror finance in general. This permissive environment encourages criminal cartels and terror organizations to cooperate for their mutual benefit.

Porous borders

It is beyond dispute that Hezbollah interfaces with organized crime and drug traffickers. In February 2016, the U.S. Drug Enforcement Administration (DEA) uncovered a massive Hezbollah drug- and money-laundering scheme showing Hezbollah was moving drugs into Europe from South America through West Africa.² The DEA described the scheme as:

An intricate network of money couriers who collect and transport millions of euros in drug proceeds from Europe to the Middle East. The currency is then paid in Colombia to drug traffickers using the Hawala disbursement system. A large portion of the drug proceeds was found to transit through Lebanon, and a significant percentage of these proceeds are benefitting terrorist organizations, namely Hezbollah.³

² Drug Enforcement Administration, Department of Public Affairs, "DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme," February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

³ Drug Enforcement Administration, Department of Public Affairs, "DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme," February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

Hezbollah's links to other criminal organizations in Latin America have also been recently exposed. Brazilian federal police documents leaked in 2014 to the Brazilian daily *O Globo* revealed a connection between Hezbollah and the *Primeiro Comando da Capital*, or PCC.⁴ The Sao Paulo-based prison gang was established in 1992 and, along with the Rio de Janeiro-based *Comando Vermelho* (Red Command), is one of the primary exporters of cocaine through Brazil.⁵ According to the daily, Hezbollah allegedly asked the PCC to protect detainees of Lebanese origin inside the Brazilian penitentiary system. Hezbollah, for its part, is said to have helped the PCC gain access to international weapons smuggling channels and especially assisted in the sale of C4 explosives the PCC had stolen in Paraguay. The presumed currency of transaction between the two was cocaine and money laundering.

This association is plausible for a variety of reasons.

Narcotics travel from their production fields in South America to their main export markets through the central areas of South America, eventually reaching Brazil before they move to North America or Europe through West Africa. Porous borders are a critical component of the movement of drugs from the Andean plateaus, where coca is grown, to the distribution points further east in Brazil and Paraguay, where coca paste is refined into cocaine before being shipped to its main markets of the West. The same is true for marijuana: mostly produced in Paraguay, cannabis and its derivatives are then transferred to local and international markets.⁶

Drug cartels need middlemen, as well as commodity and service providers for the supply line and delivery to cartels in Colombia, Venezuela, and Central America. They need assistance facilitating transit to West Africa before drugs cross the Sahara on their way to Western Europe and enabling the producers, refiners, and cartels to launder their revenues and acquire the accessories for the trade in the process. Terror organizations can provide these services. For their part, terror groups rely on drugs, which they buy as well as help move, as a source of revenues for their own activities.

Paraguay plays a critical role in this scheme due to its porous borders. It is a country almost the size of California, but with 7 million citizens, is sparsely populated. It is also mostly an agricultural economy: four of its five top exports are beef, soybeans, and associated derivatives – the fifth is energy.⁷ Yet Paraguay is also an unofficial exporter of smuggled cigarettes, narcotics (both cocaine and marijuana), and weapons, alongside contraband electronics. Except for marijuana, which is grown along Paraguay's border with Brazil, and other drugs that are locally

⁴ Francisco Reali, "Polícia Federal aponta elo entre facção brasileira e Hezbollah (Federal Police link Brazilian faction and Hezbollah)," *O Globo* (Brazil), November 9, 2014. (<http://oglobo.globo.com/brasil/policia-federal-aponta-elo-entre-facciao-brasileira-hezbollah-14512269>)

⁵ "First Capital Command – PCC: Profile," *Insight Crime*, accessed June 4, 2016.

(<http://www.insightcrime.org/brazil-organized-crime-news/first-capital-command-pcc-profile>)

⁶ In 2011, Paraguay accounted for over 50 percent of South America's and 15 percent of world production, according to statistics compiled by the United Nations Office of Drugs Control. See United Nations Office of Drug Control's Liaison and Partnership Office in Brazil, "Paraguay and UNODC present an Integrated National Programme to Fight Organized Crime," May 4, 2011.

(<http://www.unodc.org/lpo-brazil/en/frontpage/2011/05/04-o-paraguai-e-o-unodc-apresentam-o-programa-nacional-integrado-de-luta-contra-o-crime-organizado.html>)

⁷ The World Bank, World Integrated Trade Solution, "Paraguay at a Glance: Most Recent Values," accessed June 4, 2016. (<http://wits.worldbank.org/CountrySnapshot/en/PRY/textview>)

refined,⁸ none of these goods is produced in Paraguay, making the country a transshipment point for goods, both licit and illicit, that elude custom controls and law enforcement.

Thanks to its free tax commercial area in Ciudad Del Este, Paraguay's second city, the country is also a key hub for selling consumer commodities. Ciudad Del Este at one point generated 60 percent of the country's GDP⁹ by selling electronics, alcohol, cosmetics, brand clothing, and other consumer products that Paraguay imports mainly from China – its second-largest trading partner in exports (25.3 percent in 2014) after Brazil.¹⁰ Ciudad Del Este is well known as the Paraguayan side of the so-called Tri-Border Area, or TBA. The confluence of the Iguassu River into the Paraná River forms a natural three-way boundary between Argentina, Brazil, and Paraguay. The Paraná separates Ciudad Del Este from the Brazilian city of Foz do Iguassu but also constitutes, thanks to its geography, an ideal point for criminal activities.

Border trade in Latin America is particularly lucrative due to differentials in taxes and currency exchange rates. When one adds smuggling and, frequently, the virtually non-existent custom controls, the potential for profits is clear. Transnational organized crime is particularly active in these border areas for the same reasons that attract smugglers – lax controls and corruption both favor any traffic, including that of illicit merchandise. The cooperation between criminal cartels trading in drugs and terror organizations using these areas for money laundering is made possible because licit trade is critical to illicit trafficking. Through trade-based money laundering, criminal organizations can dispose of profits from criminal activities – in Latin America, mainly drugs and weapons trafficking, but also tobacco smuggling and the contraband of licit products such as electronics. Porous borders enable terror groups and organized criminals to cooperate in pursuit of profit, which they then use to finance their own agendas.

The exploitation of porous borders by organized crime and terror groups is neither unique to the TBA nor to Hezbollah. Given the structural weakness of central authorities across the region, border areas are problematic. The TBA is rightly infamous for the highly profitable businesses selling tax-free consumer goods on the cheaper side of the border – Paraguay – and the smuggling of these goods, mainly to Brazil. Its notoriety was reinforced over the years by the presence of Hezbollah financiers, which the U.S. Treasury designated in 2006.¹¹ The TBA still offers numerous examples of how trade-based money laundering, fiscal fraud, smuggling, and trafficking in illicit goods are exploited by organized crime and terror organizations. But the TBA is just one of many places where the confluence of weak central government, porous borders, and corruption enable both organized crime and terror finance to thrive.

Brazil, the largest country and biggest economy in the region, borders every country in South America but two (Ecuador and Chile) and has ten TBAs with its neighbors. Latin America also

⁸ Mimi Yagoub, "Paraguay First Ecstasy Lab Shows Brazil Criminal Migration," *Insight Crime*, April 25, 2014. (<http://www.insightcrime.org/news-briefs/paraguay-first-ecstasy-lab-brazil-criminal-migration>)

⁹ Leslie Jermyn and Yong Jui Lin, *Paraguay (Cultures of the World)*, (Cavendish Square Publishing, 2010), page 16.

¹⁰ The World Bank, World Integrated Trade Solution, "Paraguay Imports by Country and Region, 2014," accessed June 4, 2016. (<http://wits.worldbank.org/CountryProfile/en/Country/PRY/Year/2014/TradeFlow/Import>)

¹¹ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

has five other tri-border areas that don't include Brazil – such as the Bolivia-Chile-Peru TBA in Visviri, Tripartito, and Charaná.

Many of these areas have common features. They are far from large cities and capitals where power and wealth are concentrated. Local nature is impervious. In some cases, at least one side of the TBA is lawless and dominated by local criminal cartels. Law-enforcement presence is scarce and poorly paid. In such conditions, contraband thrives.

One example is the Bolivia-Peru-Brazil TBA in Bolpebra, Assis Brazil, and Iñaparí. Bolpebra, the Bolivian frontier outpost on the Rio Acre across the water from Assis Brasil, is a key transit point for the smuggling of Peruvian cocaine and logging from Brazil.¹² Located in the middle of the Amazonian jungle, the town has only one policeman. Its mayor resides in Cobija, a Bolivian frontier city more than two hours away by car. The Bolivian Army has only an advance force in the area to fight drug traffickers.

These features are also not unique to tri-border areas. Thousands of miles of borders across the continent remain difficult to guard due to the impenetrable nature of the terrain. In such places, the sparse border crossings are insufficiently manned and poorly equipped to stop the flow of illicit goods. Poorly paid police forces are also vulnerable to corruption from organized crime.

The lax presence of authorities and sometimes the corruption of local officials make all this possible. The Paraná River section of the Brazilian-Paraguay border (130 miles of waterway with no human settlement on either side) was seriously undermanned, according to a senior Brazilian official who spoke to me on condition of anonymity. In some places, police presence is symbolic. Action taken against organized crime is not sustained over time, the senior official complained.

Such scarcity occurs on both sides of the border. According to a 2014 report about drug trafficking in Paraguay, published in the Mexican *Domingo Universal*,¹³ SENAD, the Paraguayan DEA, had only 12 officers involved in crop eradication operations along the 155 miles of dry border separating Brazil from Paraguay in the marijuana-producing area of Amambay. Paraguay has no aerial radars available to monitor the constant flights of small planes taking drugs in and out of the country.

Given these circumstances, priority is given to catching weapons and drugs, according to a Brazilian official speaking to me on condition of anonymity. Smugglers of cigarettes, electronics, and other consumer goods crisscrossing the river daily are left unmolested due to insufficient resources. Recent steps announced by the new interim government of Brazilian President Michel Temer, if followed by concrete action, are a welcome change. Brazil has announced the deployment of a large permanent military presence to secure the Paraguay-Brazil

¹² Silvia Antelo Aguilar, “El desafío de Bolpebra en las políticas de desarrollo fronterizo (The Challenges of Bolpebra en the border development policies),” *Sol del Pando* (Paraguay), August 30, 2014. (<http://www.soldepando.com/el-desafio-de-bolpebra-en-las-politicas-de-desarrollo-fronterizo/>)

¹³ Pablo Ferri y José Luis Pardo, “El aroma vierde de la tierra roja (The green aroma of the red land),” *Domingo Universal* (Mexico), July 27, 2014. (<http://www.domingoeluniversal.mx/historias/detalle/El+aroma+verde+de+la+Tierra+Roja-2682>)

border and the formation of an executive committee to coordinate border controls.¹⁴ But more is needed to secure the frontier.

In particular, the TBA remains a critical transit point for illicit traffic, especially if one extends its area to cover the entire border running between Ciudad Del Este in the south to Pedro Juan Caballero in the north. Both Hezbollah and the PCC, as well as other criminal and terror organizations, have taken roots in Paraguay, especially in the borderlands.¹⁵

Hezbollah is able to play a role because of sympathetic Shi'a communities involved in cross-border trade. Some of them are simply sympathizers who donate charity money to the group; some are more actively involved and participate in complex trade schemes designed to support illicit finance. Local organized crime is often a partner because its interests in money laundering revenues converge with those of Hezbollah.



Charity box for the “resistance” – namely Hezbollah’s military activities – at the Ponta Porã mosque on the Brazilian side of the Paraguay-Brazil border.¹⁶

¹⁴ “Brazil prepara un batacazo al comercio de Ciudad Del Este (Brazil prepares a crackdown on business in Ciudad del Este),” *ADN Paraguay* (Paraguay), May 27, 2016. (<http://www.adndigital.com.py/brasil-prepara-un-batacazo-al-comercio-de-ciudad-del-este/>)

¹⁵ Kyra Gurney, “Arrest of Key Operative Points to Growing PCC Presence in Paraguay,” *Insight Crime*, June 4, 2014. (<http://www.insightcrime.org/news-briefs/arrest-of-key-operative-points-to-growing-pcc-presence-in-paraguay>). The operative mentioned in the article, Ledson Moura de Silva (alias “Ledhinho”), was arrested in Pedro Juan Caballero, across the border from the Brazilian city of Ponta Porã.

¹⁶ The sign says: “In Support (*da’aman*) of Islamic Activity.” According to FDD’s David Daoud, Hezbollah charity boxes collecting money for resistance activities, which are found throughout South Lebanon, are labeled “*da’am*” – and that money goes specifically to “resistance” activities. الجمالية العربية (Ponta Porã Arab Community), *Facebook*, January 10, 2015.

(<https://www.facebook.com/photo.php?fbid=363431013837517&set=pb.100005118647246.-2207520000.1462376627.&type=3&theater>)

Hotspots for this type of activity include Encarnacion at the Argentine-Paraguay border in the southeast; Salto de Guafra, on the northern side of the Paraná River section of the Paraguay-Brazil border; and, further west, Pedro Juan Caballero (Paraguay) and Ponta Porã (Brazil). These locations deserve as much attention from U.S. authorities as the TBA.

Before discussing how trade-based money laundering functions in Paraguay for the benefit of Hezbollah and its organized crime partners, I wish to highlight the importance of ongoing Hezbollah networks in the TBA.

Lebanese communities

Terror organizations, much like organized crime, benefit from the acquiescence and complicity of local populations. Sympathy to the terrorists' political cause becomes a key enabler to their activities. Latin America is no exception, and Hezbollah relies on local supporters. They are mainly members of Shi'a families from South Lebanon who moved to Latin America – mostly to Argentina, Brazil, and Paraguay, and to a lesser extent Venezuela and other countries – during Lebanon's civil war in the early 1980s or soon thereafter. According to Brazilian-Lebanese political scientist Hussein Kalout, Muslim Lebanese have assimilated less into Brazilian society than their Christian counterparts, keeping a much stronger bond with their faith and language and transmitting them down to the next generations.¹⁷

The arrival of the Lebanese Shi'a in Latin America coincided with two additional key events: in Lebanon, the establishment of Hezbollah rapidly coopted the Shi'a population in the south to its ideology. In Latin America, a well-coordinated effort by the newly established Islamic Republic of Iran to export its revolution began recruiting support among Shi'a expatriate communities.

These two distinct but interconnected phenomena reinforced one another. Local communities that were less willing to assimilate and integrate were more receptive to teachers and preachers from their motherland. Iran's outreach relied mainly on Shi'a clerics of Lebanese extraction who came from the ranks of the newly established Iranian proxy Hezbollah, and thus embraced the Iranian revolutionary principle of loyalty to Iran's supreme leader while not irking Arab sensitivities. To this day, Hezbollah plays a central role in the management of the religious and educational structures tasked with transmitting a strong Lebanese-Shi'a identity to local communities, ensuring that their allegiance is tilted toward the organization.

This patient work conducted over more than three decades by a growing rank of clerics has borne fruit. Today, Shi'a mosques across Latin America are fully integrated into Hezbollah's and Iran's clerical structure; so are numerous schools and scouts groups, where the themes of resistance, anti-imperialism, and hatred for Israel are seamlessly weaved into the school curriculum and the religious calendar. Hezbollah media platforms, like Iran's, have developed Spanish and Portuguese language versions, including media outlets that are entirely hosted, produced, and staffed locally.

¹⁷ Quoted by Joe Dike, "How the Lebanese conquered Brazil," *Executive Magazine*, July 3, 2014. (<http://www.executive-magazine.com/business-finance/society/lebanese-conquered-brazil>)

The results are frightening. For example, numerous members of the Lebanese community in the TBA have posted memorial pictures of slain Hezbollah commander Mustafa Badreddine on their social media pages since his death in May 2016.¹⁸



Brazilian-Lebanese national and São Paulo resident Hajji Hayat Kabbout eulogizes Mustafa Badreddine on May 14, 2016, on Facebook, a day after his death was announced.¹⁹



Brazilian-Lebanese national and Foz do Iguassu resident Ali Maarouf Zahoui posts Badreddine's photo as his Facebook profile.²⁰

¹⁸ Anne Barnard and Sewell Chan, "Mustafa Badreddine, Hezbollah Military Commander, Is Killed in Syria," *The New York Times*, May 13, 2016. (http://www.nytimes.com/2016/05/14/world/middleeast/mustafa-badreddine-hezbollah.html?_r=0)

¹⁹ Hajji Hayat Kabbout, *Facebook*, May 14, 2016. (<https://www.facebook.com/hajjihayat.kabbout>)



Paraguayan resident of Ciudad Del Este Ahmad Ali Krayem memorializes Mustafa Badreddine on Facebook, May 13, 2016.²¹

Connections to Iran and Hezbollah are constantly reinforced by the steady stream of Iranian and Lebanese senior clerics who visit the region. Recent visits include Iranian clerics Mahmoud Mohammadi Araghi (the director of Iran’s seminar for the training of foreign converts in Qom, Al-Mustafa International University) in July 2015;²² Seyed Hassan Khomeini (grandson of Iran’s late supreme leader Ruhollah Ayatollah Khomeini) in June 2015;²³ and Mohsen Qomi (a member of Iran’s Assembly of Experts) in December 2012.²⁴ Lebanese cleric Seyed Ahmad

²⁰ Ali Maarouf Zahoui, *Facebook*, accessed June 2, 2016. (<https://www.facebook.com/ali.m.zahoui>)

²¹ Ahmad Ali Krayem, *Facebook*, accessed June 2, 2016. (<https://www.facebook.com/armando.krayem>)

²² Arresala – Centro Islâmico no Brasil, *Flickr*, “Sua Eminência Sheikh Mahmoud Mohammadi Araghi, diretor da Universidade Internacional Al-Mustafa, acompanhado de outros membros da instituição, visitaram a sede do Centro Islâmico no Brasil e acompanharam de perto os trabalhos e projetos da entidade (Your Eminence Sheikh Mahmoud Mohammadi Araghi, director of the Internatinoal University of Al Mustafa, accompanied by other members of the institution, visited the headquarters of Centro Islamico in Brazil and followed closely the works and projets of the organization),” July 2015. (<https://www.flickr.com/photos/arresala/albums/72157656707645662>)

²³ Arresala – Centro Islâmico no Brasil, *Flickr*, “No sábado, dia 1 de Dezembro de 2012, o Ayatullah Sheikh Mohsen Ghomi realizou um encontro com a comunidade islâmica brasileira, intelectuais e líderes sociais na sede do Centro Islâmico no Brasil, na cidade de São Paulo (On Saturday, December 1, 2012, the Ayatolah Sheikh Mohsen Ghomi held a meeting with the Islamic Brazilian community, intellectuals and social leaders at the headquarters of the Islamic Center of Brazil in the city of São Paulo),” June 9, 2015. (<https://www.flickr.com/photos/arresala/albums/72157654244588066>)

²⁴ Arresala – Centro Islâmico no Brasil, *Flickr*, “No sábado, dia 1 de Dezembro de 2012, o Ayatullah Sheikh Mohsen Ghomi realizou um encontro com a comunidade islâmica brasileira, intelectuais e líderes sociais na sede do Centro Islâmico no Brasil, na cidade de São Paulo (On Saturday, December 1, 2012, the Ayatolah Sheikh Mohsen Ghomi held a meeting with the Islamic Brazilian community, intellectuals and social leaders at the headquarters of the Islamic Center of Brazil in the city of São Paulo),” December 1, 2015. (<https://www.flickr.com/photos/arresala/albums/72157654244588066>)

Fadhlullah, the son of the late Lebanese Grand Ayatollah Seyed Mohammad Hussein Fadlallah, also visited in November 2015.²⁵



Hassan Khomeini with Iran’s Ambassador to Brazil and the U.S.-sanctioned Bilal Mohsen Wehbe in São Paulo (June 2015).

The dual role of Shi’a clerics as religious and political emissaries of the Islamic revolution was underscored in 2010 when the U.S. Treasury identified Bilal Mohsen Wehbe, a Shi’a religious minister, as Hezbollah’s representative in Latin America. According to Treasury, Wehbe “relayed information and direction between Hezbollah leaders in Lebanon and Hezbollah elements in South America,” and oversaw its counterintelligence activity in the tri-border area of Argentina, Brazil, and Paraguay.²⁶ Wehbe, who is currently associated with the Mesquita do Bras in Sao Pãulo, continues his activities undisturbed.

Another example is Sheikh Ghassan Youssef Abdallah, a Lebanese cleric who lives in Foz do Iguassu. Abdallah is the brother of U.S.-sanctioned Mohammed Youssef Abdallah, who also resides in Foz. Treasury designated Mohammad Abdallah in 2006 and identified him as the owner and manager of the Galeria Pagé in Ciudad Del Este. At the time, Treasury viewed him as a senior Hezbollah leader in the TBA who hosted fundraisers for the terror group, personally carried money to Lebanon, met with Hezbollah’s security division to coordinate Hezbollah activities in the TBA, and also engaged in a variety of financial crimes, including “the import of contraband electronics, passport falsification, credit card fraud, and trafficking counterfeit U.S. dollars.”²⁷

²⁵ Arresala – Centro Islâmico no Brasil, *Flickr*, “Seyyed Ahmad Fadlallah visita o Centro Islâmico no Brasil (Seyyed Ahmad Fadlallah visited the Islamic Center of Brazil),” November 14, 2015.

(<https://www.flickr.com/photos/arresala/albums/72157658999093763>)

²⁶ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

²⁷ U.S. Department of the Treasury, Press Release, “Treasury Targets Hezbollah Fundraising Network in the Triple Frontier Region of Argentina, Brazil, and Paraguay” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

Chilean government sources personally confirmed to me that, much like his brother, Ghassan Abdallah is linked to Hezbollah. He is active in Chile through the local Shi'a center in the capital Santiago,²⁸ and once ran the Shi'a mosque in Ciudad Del Este,²⁹ which his brother helped establish. Ghassan Abdallah was also one of a handful of Latin American-based Shi'a clerics to attend the Ahlul Bayt World Assembly international gathering in Qom in August 2007 – an indication of his senior rank and closeness to the office of the supreme leader, under whose auspices the Assembly operates.³⁰

Through its clerics, Hezbollah cultivates the loyalty of Shi'a communities in Latin America by providing educational services. One example is the *Grupo Escoteiro Libanese Brasileiro* (GELB), or the Lebanese Brazilian Scouts Group attached to Shi'a mosques and communities in numerous Brazilian cities. GELB has the outward appearances of youth movements, but is actually the mirror image of Hezbollah's Mahdi scouts,³¹ led by Lebanese instructors³² who do not hide³³ their sympathy for Hezbollah, and, in São Paulo, supervised by Wehbe,³⁴ the U.S.-sanctioned Hezbollah cleric.

Images available on GELB's Facebook pages show its members conducting military drills during last year's May 25 celebrations³⁵ ("Liberation Day"), which marks the date of Israel's 2000 withdrawal from South Lebanon. During the Ashura ceremonies in October 2015, scouts and their instructors at the Mesquita do Bras in São Paulo were wearing Hezbollah T-shirts³⁶

²⁸ "Sheij Ghassan Abdallah," *Centro Cultura Islamica Chile: Corporacion de Cultura y Beneficencia Islamica* (Chile), accessed June 6, 2016. (<http://islamchile.com/home/sheij-ghassan-abdallah/>)

²⁹ Associação Religiosa Beneficente Islamica no Brasil, "Quarto Encontro Internacional da Assembléia Mundial Ahlul Bait (A.S.) (Fourth Meeting of the International World Ahlul Bayt Assembly)," August 18, 2007. (http://www.mesquitadobras.org.br/not_vis.php?op=9&cod=10&pagina=28)

³⁰ Associação Religiosa Beneficente Islamica no Brasil, "Quarto Encontro Internacional da Assembléia Mundial Ahlul Bait (A.S.) (Fourth Meeting of the International World Ahlul Bayt Assembly)," August 18, 2007. (http://www.mesquitadobras.org.br/not_vis.php?op=9&cod=10&pagina=28)

³¹ منتدى مهدي الكشفي/جمعية كشافة الإمام المهدي (Mahdi Scout Forum / Imam al-Mahdi Scouts Association), *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/MahdiScoutForum/timeline>). The logos of the two scouts groups coincide: Gelb-sp-396, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/Gelb-sp-396-825890264125053/>)

³² See for example علي محمد الزين ('Ali Mohammad al-Zein), *Facebook*, accessed June 6, 2016.

(<https://www.facebook.com/profile.php?id=100008799946911>) and Hassan Ataya, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/hassan.ataya.52>)

³³ Haissam Fahes, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/haissam.fahes>)

³⁴ Gelb-sp-396, *Facebook*, May 27, 2015. (<https://www.facebook.com/825890264125053/photos/a.832782546769158.1073741838.825890264125053/832786926768720/?type=3&theater>)

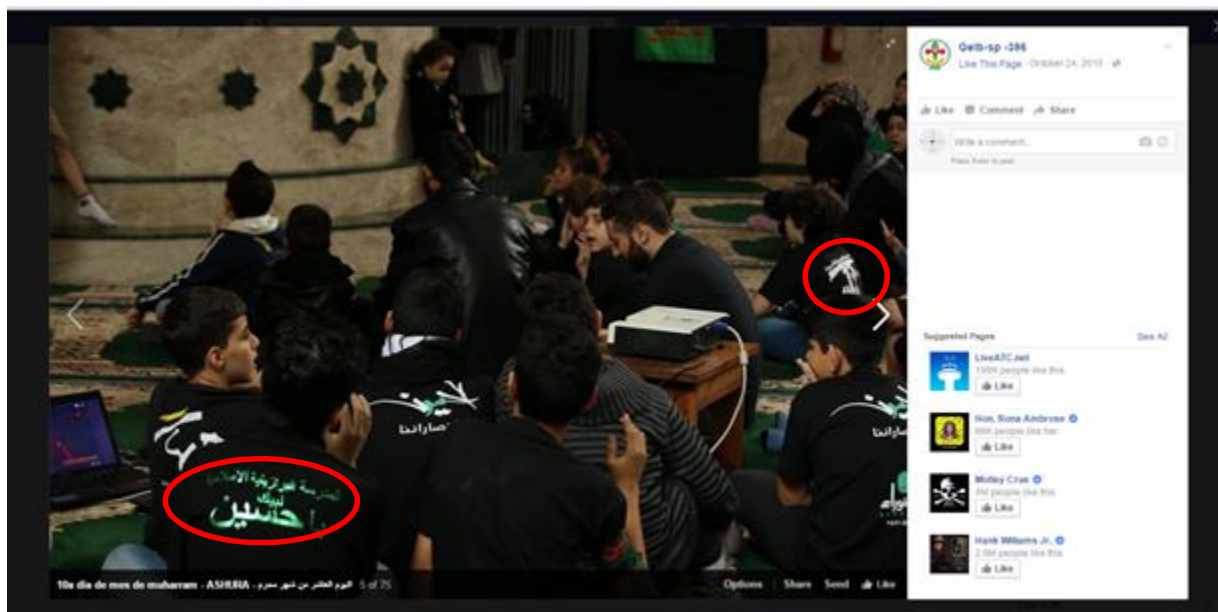
³⁵ Gelb-sp-396, *Facebook*, May 27, 2015.

(<https://www.facebook.com/825890264125053/photos/a.832782546769158.1073741838.825890264125053/832786256768787/?type=3&theater>)

³⁶ Gelb-sp-396, *Facebook*, October 24, 2015.

(<https://www.facebook.com/825890264125053/photos/a.896940400353372.1073741880.825890264125053/896941590353253/?type=3&theater>)

showing its logo and the Ashura 2015 logo³⁷ designed by Hezbollah's media relations department.³⁸



Children from the Grupo Escoteiro Libanese-Brasileiro at Ashura events in Sao Paulo's Mesquita do Bras on October 24, 2015, wearing Hezbollah T-shirts with the official Hezbollah Ashura logo for 2015.

Hezbollah is also presumed to have an active role in running Shi'a Lebanese schools in the TBA. Ahde Hade, senior educator with Hezbollah's Al Mahdi Schools in Lebanon, is connected through social media to key personnel among scouts leaders and educators such as Wehbe; Amara Abbas,³⁹ the head of the scouts in Foz; Nisrine Berri,⁴⁰ a senior manager; Michelle Hussein, the human resources manager;⁴¹ and Fadia Ibrahim,⁴² a teacher at São Paulo's Colegio Islamico-Brasileiro. The confluence of symbols, social media connections, and expressions of support for Hezbollah⁴³ all suggest that the schools catering to the Lebanese Shia in Brazil and the TBA might be an integral part of Hezbollah's Al-Mahdi network, and are intent on molding young Brazilian Shi'a to be supporters of Hezbollah.

³⁷ Gelb-sp-396, Facebook, October 24, 2015.

(<https://www.facebook.com/825890264125053/photos/a.897072987006780.1073741881.825890264125053/897073933673352/?type=3&theater>)

³⁸ “#الحسين سر انتصاراتنا الشعاع الرسمي لحملة عاشوراء 2015 - 1437” (Al-Hussein: the Secret of our Victories: The Official Logo of the Ashura Campaign 2015-1437), *Media Relations of Hezbollah* (Lebanon), accessed June 6, 2016. (<http://www.mediarelations-lb.org/article.php?id=14134&cid=324#.VxVY23qjBWB>)

³⁹ Amara Abbas, Facebook, accessed June 6, 2016. (<https://www.facebook.com/amara.abbas>)

⁴⁰ Nisrine Berri, Facebook, accessed June 6, 2016. (<https://www.facebook.com/nisrine.berri>)

⁴¹ Michele Hussein, Facebook, accessed June 6, 2016. (<https://www.facebook.com/muslimah.filhadoislam>)

⁴² Fadia Ibrahim, Facebook, accessed June 6, 2016. (<https://www.facebook.com/fadia.ibrahim.12>)

⁴³ Nisrine Berri, Facebook, February 11, 2016 (<https://www.facebook.com/photo.php?fbid=10153320961311860&set=a.10150877987416860.407698.723761859&type=3&theater>)



“I love Hezbollah” image posted by Nisrine Berri, a manager at São Paulo’s Colegio Islamico Brasileiro, on February 11, the anniversary of Iran’s Islamic Revolution of 1979.

Hezbollah’s cult of martyrdom is also prevalent. In June 2014, the Imam Ali mosque in Curitiba – the regional capital of the Brazilian state of Paraná – hosted a well-attended memorial service for Alaa Ataya, a young Hezbollah fighter killed in Syria⁴⁴ in March 2014. Hassan Ataya, his Brazilian uncle, led the memorial clad in a Hezbollah scarf⁴⁵ and exalted the young fallen as a role model. Ataya himself is a scout leader.



⁴⁴ Submit Regime Army Info, *Violation Documentation Center in Syria*, accessed June 6, 2016. (<http://www.vdc-sy.info/index.php/en/details/otherstatistics/121801#.VxRTwfkLcs>)

⁴⁵ Hassan Ataya, *Facebook*, April 15, 2014.

(<https://www.facebook.com/photo.php?fbid=610243135719751&set=pb.100002022111019.-2207520000.1460950059.&type=3&theater>)

Scout leader Hassan Ataya eulogizes his nephew, Alaa Ataya, at the Imam Ali Mosque in Curitiba (April 2014).

More recently, the Shi'a community in Ponta Porã informed its members of the “martyrdom” of Abbas Naseeb Haraz, a relative of a community member from Paraguay – likely from Pedro Juan just across the border – and announced an event to commemorate the fallen Hezbollah fighter.⁴⁶



Ponta Porã's mosque's Facebook page posting for March 20, 2015, informing the community of the martyrdom of Abbas Naseeb Haraz, a relative of a member of the community.

Community members routinely post photographs of the Brazilian flag juxtaposed with the Hezbollah logo⁴⁷ and photos of young Hezbollah men in South Lebanon proudly holding the same flag.⁴⁸ Hezbollah T-shirts can even be purchased online for 30 Brazilian *reals*, or less than \$10.⁴⁹

⁴⁶ The message noted that “In the Name of the Almighty. We are pleased to announce to you the news of the martyrdom of the *mujahid* brother Abbas Naseeb Haraz. His relatives in Paraguay (Ali Haraz). And on this occasion we invite you to hold a *Husseini* mourning meeting over His pure soul To be held on Friday, which falls on 03/20/2015 At 7:30 (Brazil time). This is an open invitation. The mourning Haraz family and all of the members of the Arab community of Ponta Porã. The Islamic Charitable Foundation, Ponta Porã, Brazil.”

⁴⁷ Chris Heinz, *Facebook*, accessed June 5, 2016.

(<https://www.facebook.com/photo.php?fbid=836256163160105&set=a.134465046672557.25209.100003271888084&type=3&theater>)

⁴⁸ Chris Heinz, *Facebook*, accessed June 5, 2016.

(<https://www.facebook.com/photo.php?fbid=771199342999121&set=a.134465046672557.25209.100003271888084&type=3&theater>)

⁴⁹ “Camiseta Hezbollah (Hezbollah Shirt),” *Camisetas BR* (Brazil), accessed June 6, 2016.

(<http://www.camisetasbr.com/10e83/camiseta-hezbollah-militares>)



Profile picture of Cris Heinz, a Brazilian convert to Shi'a Islam married to Mustapha Sabra, a Hezbollah sympathizer from Foz do Iguassu (November 2015).

Hezbollah and Iran also maintain a strong media presence in the Spanish language. Iranian-sponsored media for Latin America include Hispan TV, the Ahlul Bayt News Agency Spanish version,⁵⁰ Radio El Minarete,⁵¹ Annur TV⁵² and Takbir TV.⁵³

Hezbollah too has devoted considerable attention and resources to Muslim audiences in Latin America. Both Al-Manar⁵⁴ and Al-Mayadeen⁵⁵ have a Spanish version. Al-Mayadeen also has a subsidiary in the TBA, based in Foz do Iguassu – *A Fronteira*⁵⁶ and its Arabic version, *Shabakat Al-Hudud*.⁵⁷ The Foz do Iguassu-based network is owned by Ahmad Yassine Hejazi,⁵⁸ a local

⁵⁰ “Home Page,” *Agencia de Noticias Ahlul Bayt*, accessed June 6, 2016. (<http://es.abna24.com/>)

⁵¹ Diario Co Latino, “Asociacion Islamica Chiita inaugural Radio El Minarete (Shiite Islamic Association inaugurate Radio El Minarete),” December 30, 2015. (<http://www.diariocolatino.com/asociacion-islamica-shiita-inaugura-radio-el-minarete/>)

⁵² “Homepage,” *Annur TV* (Argentina), accessed June 6, 2016. (<http://annurtv.com/sitio/>) and *Annur TV*, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/AnnurTV/>)

⁵³ Takbir TV, *Facebook*, accessed June 2, 2016. (<https://www.facebook.com/TakbirTV/>)

⁵⁴ Al Manar Espanol is both available directly from Al Manar website (<http://spanish.almanar.com.lb/main.php>) or from its Facebook Page (<https://www.facebook.com/AlManarSpanish/>).

⁵⁵ Al Mayadeen Espanol is available directly from Al Mayadeen’s website (<http://espanol.almayadeen.net/>)

⁵⁶ “Homepage,” *Afronteira* (Brazil), accessed June 6, 2016. (www.afronteira.com/br)

⁵⁷ Shabakat Alhudud, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/Shabakat.Alhudud>)

⁵⁸ “Quem Somos (Who We Are),” *Afronteira* (Brazil), accessed June 6, 2016. (<http://www.afronteira.com/br/quem-somos>)

Lebanese businessman with Brazilian nationality, and is run by Ali Farhat,⁵⁹ a Brazilian-Lebanese resident of Foz do Iguassu who studied journalism at the local university.

The overlap between religious, political, intelligence, and financial activities by the same individuals highlights the difficulty of treating charitable activities as separate categories from radicalization, and terror fundraising. Hezbollah generates loyalty through apparently benign social structures. It then leverages loyalty to solicit funds and use business connections to its own advantage.

Lack of adequate legislative measures to combat terrorism and terror finance

These networks have been able to thrive partly because Brazil lags behind its Western counterparts in the adoption of legislative tools to combat terrorism and terror finance. Brazil only recently adopted anti-terror legislation,⁶⁰ after, in February 2016, the Financial Action Task Force's plenary lamented "Brazil's continued failure to remedy the serious deficiencies" and its failure to criminalize terror-financing.⁶¹ The new legislation stipulates that recruitment, training, and finance of terrorism are also punishable acts. Radicalization and incitement, however, are not, nor are the display of symbols and flags of Hezbollah at demonstrations and sports events.

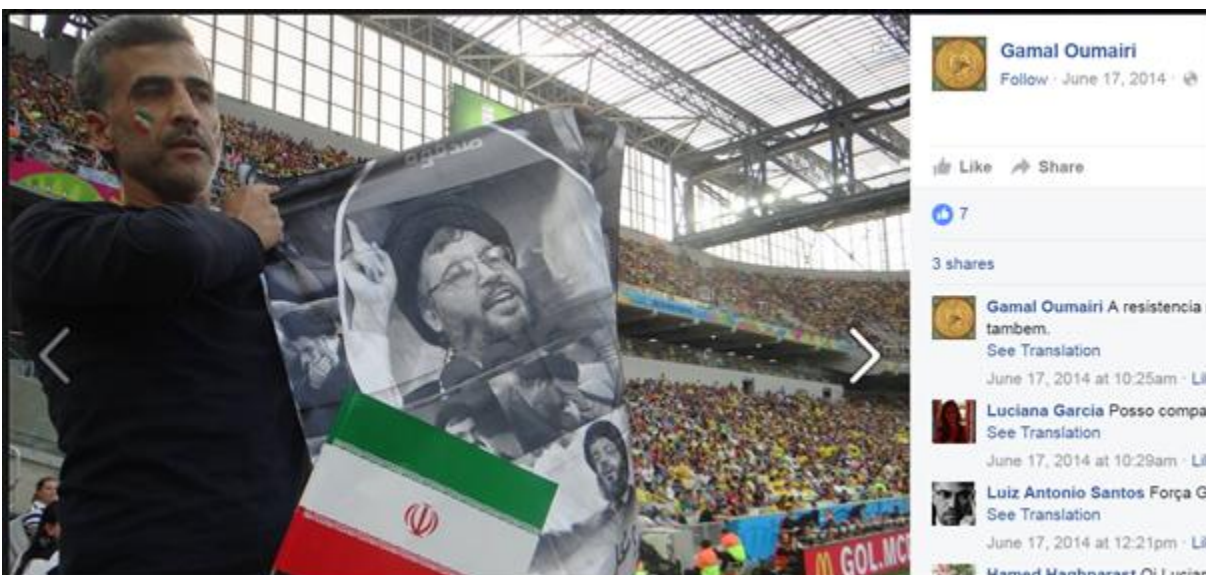


⁵⁹ Ali S Farhat, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/farhatfoz>)

⁶⁰ LEI 13.260, 3.16.2016. (Brazil Regulatory Law 13.260, March 16, 2016) (http://www.planalto.gov.br/CCIVIL_03/_Ato2015-2018/2016/Lei/L13260.htm) See here for an explanation of the law: Eduardo Soares, "Brazil: New Anti-Terrorism Law Enacted," *Library of Congress*, April 15, 2016. (<http://www.loc.gov/law/foreign-news/article/brazil-new-anti-terrorism-law-enacted/>)

⁶¹ Financial Action Task Force, "Outcomes of the plenary meeting of the FATF, Paris, 17-19 February 2016," accessed June 5, 2016. (<http://www.fatf-gafi.org/countries/a-c/brazil/documents/outcomes-plenary-february-2016.html>)

A pro-Hezbollah demonstration in the Avenida Paulista, in São Paulo (summer 2006).⁶²



Cheering Iran and Hezbollah during the Iran-Nigeria world cup soccer match, Curitiba Stadium (June 16, 2014).⁶³

The TBA offers proof of how the absence of proper local legislative tools to combat terror finance has limited the impact of U.S. measures to counter it. Interest in the TBA began in the 1990s and culminated with Treasury designations against nine individuals and two corporate entities (the shopping center Galeria Pagé and Casa Hamze, a business located in it that was owned by the U.S.-sanctioned Hamzi Ahmad Barakat).⁶⁴ I visited Galeria Pagé in April 2016. The shopping mall is still there – it has been renamed Galeria Uniamerica, although street currency traders serving its shops were still wearing its distinctive turquoise T-shirts.⁶⁵

Despite U.S. designations, Barakat continued his business activities until his arrest in Brazil in 2013, not for terror finance but fraud. His arrest is the best indication that the 2006 terrorist designation may have cut him off from the U.S. financial system but allowed him to continue to operate his businesses with impunity. It ultimately took a set of financial crimes in Brazil for authorities to take action against him.⁶⁶

⁶² Arresala – Centro Islâmico no Brasil, *Flickr*, “Manifestações em favor do Líbano e seu povo (Rallies in favor of Lebanon and its people),” August 6, 2006. (<https://www.flickr.com/photos/arresala/5349132338/>)

⁶³ Gamal Oumairi, *Facebook*, June 16, 2014.

(<https://www.facebook.com/photo.php?fbid=465339460269336&set=a.118174064985879.20187.100003798585566&type=3&theater>). Oumairi is the religious director of the Imam Ali Mosque in Curitiba, the regional capital of the Parana State and a key hub of Hezbollah activities. He personally took the photo before the Iran-Nigeria 2014 World Cup soccer match on June 16, 2014, adding the comment that “The Resistance showed its presence too.”

⁶⁴ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

⁶⁵ “Listas de precios: Todos as Lojas (List of Prices: All Stores),” *Compras no Paraguai* (Paraguay), accessed June 6, 2016. (<http://www.comprasnoparaguai.com/precos.php?fprod=n&wcat=gal+page>)

⁶⁶ “Libanés buscado por terrorismo en la Triple Frontera, cae por estafa de USD 5 millones (Lebanese sought for terrorism in the Tri-Border, caught for a scam for 5 Million USD),” *Ultima Hora* (Paraguay), May 20, 2013. (<http://www.ultimahora.com/libanes-buscado-terrorismo-la-triple-frontera-cae-estafa-usd-5-millones-n621286.html>)

Case study: the Mega-evasion investigation in the TBA

Having described the conditions that facilitate Hezbollah's operations in the TBA and its probable cooperation with drug traffickers, I will now turn to explaining the mechanism through which money is laundered there by terror organizations and organized crime. I will do so through reference to a recently leaked investigation into a tax evasion scheme in Ciudad Del Este, which local authorities have dubbed a "Mega-evasion" due to the participation of 285 local companies in the scheme.

The "Mega-evasion" investigation⁶⁷ exposed a group of local accountants who had issued false invoices on behalf of 285 companies and people registered in the TBA in order to evade taxes (Paraguayan authorities estimate the fraud at \$270 million).⁶⁸

The list was leaked in February 2016 as the investigation got underway.⁶⁹ As part of this investigation, authorities looked into a cluster of six companies on the list of suspects and established a possible link to Islamic terrorism. They also identified a Lebanese national and holder of a Paraguayan identity number, Ja'afar Balhas, as a shareholder in three of the six companies.

⁶⁷ "Destapan nueva mega evasion (Uncovering a New Mega Evasion)," *Paraguay.com* (Paraguay), June 4, 2015. (<http://www.paraguay.com/nacionales/destapan-nueva-mega-evasion-129013>)

⁶⁸ "Mega-evasion" por USD 270 millones ("Mega Evasion" for 270 million USD)," *La Nacion* (Paraguay), February 10, 2016. (<http://www.lanacion.com.py/2016/02/10/Mega-evasion-millonaria-por-usd-270-millones/>)

⁶⁹ "Salta lista de las empresas investigada por Mega-evasion en Ciudad Del Este (List of companies investigated for Mega Evasion in Ciudad Del Este)," *ABC Color* (Paraguay), February 12, 2016. (<http://www.abc.com.py/edicion-impresa/economia/salta-lista-de-empresas-investigadas-por-Mega-evasion-en-ciudad-del-este-1452500.html>)

CYA PARAGUAY S.A.

C.I.P. N°	Nombres	Apellidos	Capital	Rol
6.663.765	JAAFAR	BALHAS	6.800.000.000	Director Titular
1.687.516	RICARDO	GALEANO FARINA	6.800.000.000	Accionista
2.368.008	ARACELY MARIA CELESTE	GONZALEZ	6.800.000.000	Sindico Titular
*	JOSE	LOPEZ	6.800.000.000	Accionista
2.106.476	MAJED MOHAMAD SAID	MOHANNA	6.800.000.000	Vice presidente
1.399.060	JUAN CARLOS	SOSA BARRETO	6.800.000.000	Accionista
4.183.599	WALID AMINE	SWEID	6.800.000.000	Presidente
1.072.740	VICTOR MANUEL	TABOADA SERRATI	6.800.000.000	Director Titular

* Varias de estas personas vuelven a vincularse en distintas empresas dedicadas en mayor parte a la importación de productos electrónicos, maquillajes y su posterior venta. Comprende a

There is a second Lebanese partner in the cluster of companies – Walid Amine Sweid. Sweid is a prominent businessman who lives in the TBA and is associated with a number of successful business endeavors in recent years, including the establishment of a local factory for the production of blank CDs and DVDs. Sweid is the common thread connecting the six companies, all of them tied through the presence, as a shareholder or an employee, of Maria Celeste Aracely Gonzalez, a Paraguayan resident of Ciudad Del Este who works for Sweid.

It remains to be seen whether Sweid and Balhas act as financiers of Hezbollah or whether their companies will be convicted in the Mega-evasion case. Their network of companies is interesting, nevertheless, because it illustrates how money and merchandise are moved around in the TBA.

las personas que formaban parte de las empresas vinculadas a la Srta. González, obteniéndose lo siguiente:

BRAVAT HOME CENTER S.A.

C.I.P N°	Nombres	Apellidos	Capital	Rol
6.663.765	JAAFAR	BALHAS	2.000.000.000	Vicepresidente
2.368.008	ARACELY MARIA CELESTE	GONZALEZ	2.000.000.000	Accionista
7.437.742	JOSE HENRIQUE	RAMOS FERNANDEZ	2.000.000.000	Presidente
4.044.355	FABIOLA DEL CARMEN	SANTACRUZ AVEZADA	2.000.000.000	Sindico Titular
1.628.756	DIANA PATRICIA	SOSA DAVALOS	2.000.000.000	Sindico Suplente

De estas personas JAAFAR BALHAS de nacionalidad Libanesa con cedula paraguaya N° 6.663.765 se halla vinculado a través de empresas, al caso denominado "Mega Evasión" acaecido en Ciudad del Este, en febrero del 2016 y que involucra a 285 empresas y se halla investigada dentro de la Causa N° 09/2016 del Ministerio Publico, en una "investigación fiscal sobre producción de documentos no auténticos, evasión de impuestos y asociación criminal".

According to an article in the Paraguayan press from August 2015,⁷⁰ Sweid is close to senior Paraguayan politicians, customs inspectors, and the Paraguayan-Lebanese businessman, and now Paraguay's ambassador to Lebanon, Hassan Khalil Dia. Dia's family is highly influential in the TBA. His brother Hussein Dia recently posted photos of himself with Brazil's newly sworn-in president Michel Temer outside the National Congress in Brasilia.⁷¹ Hussein Dia owns Colisee SRL⁷² and Dia Imports Exports SRL⁷³ in Ciudad Del Este with his ambassador brother and another family member, Mahmoud, who is on the list of 285 companies and people investigated in the Mega-evasion case.

The Asuncion-based daily *ABC Color* published a photo of Sweid and ambassador Dia on a yacht, taken during a 2015 official visit by the president of Paraguay's parliament, Hugo Velázquez, to Lebanon. Sweid was described as a key player in the shipment of merchandise

⁷⁰ "Ex-Fiscal de Marcas con Velázquez, en el Líbano (Ex- Attorney of Brands with Velazquez, in Lebanon)," *ABC Color* (Paraguay), August 23, 2015. (<http://www.abc.com.py/edicion-impres/politica/exfiscal-de-marcas-con-velazquez-en-el-libano-1400634.html>)

⁷¹ Hussein Dia, *Facebook*, May 12, 2016.

(<https://www.facebook.com/photo.php?fbid=10153480550416498&set=a.10153480550441498.1073741829.631861497&type=3&theater>)

⁷² "Colisee S.R.L." *Find the Company*, accessed June 6, 2016.

(<http://fichas.findthecompany.com.mx/1/128331633/Colisee-S-R-L-en-Ciudad-Del-Este>)

⁷³ "Dia Import. Export S.R.L." *Gaceta Oficial De La Republica Del Paraguay* (Paraguay), June 7, 2005.

(http://www.gacetaoficial.gov.py/uploads/pdf/2014/2014-02-13/gaceta_2066_BACKEEGDICBEDEDIJDFBCJCDIAIHJBCICDKBHEIKB.pdf)

from the Far East to the TBA, including shipments suspected of including counterfeited goods.⁷⁴ Global Logistics Solutions,⁷⁵ a Hong Kong-based company, was mentioned as the merchandise transportation company. Corporate filings for Global Logistics Solutions confirm that Sweid owns the company, which he established in 2014.⁷⁶



Juan Carlos Duarte Martínez era superintendente de fiscales cuando Hugo Velázquez, actual titular de la Cámara de Diputados, se desempeñaba como fiscal general adjunto de Ciudad del Este. Ambos habían sido mencionados en sonados casos sobre presunta evasión de

ETIQUETAS

HUGO VELÁZQUEZ EL LIBANO
JUAN CARLOS DUARTE MARTÍNEZ

Walid Sweid on a yacht with the Paraguayan ambassador to Lebanon, Hassan Khalil Dia, the president of the Paraguay parliament, Hugo Velazquez, and other Paraguayan officials. The photo was published by ABC Color in August 2015.

⁷⁴ “Ex-Fiscal de Marcas con Velázquez, en el Líbano (Ex- Attorney of Brands with Velazquez, in Lebanon),” ABC Color (Paraguay), August 23, 2015. (<http://www.abc.com.py/edicion-impres/politica/exfiscal-de-marcas-con-velazquez-en-el-libano-1400634.html>): “Global Logistic es una empresa de transporte aéreo que ingresa al país mercaderías chinas por el aeropuerto Guaraní de Minga Guazú. Esto a través de las firmas importadoras Manhattan, Multradi, Dimadi, Orel, Bambú, MZ Trading, La Roma, Michigan, Amanecer, Paraguay Informática y G.G.R SA. En reiteradas ocasiones las mercaderías fueron decomisadas por sospechas de falsificación, pero mayormente terminan siendo liberadas por los fiscales de marca de la zona.”

⁷⁵ Not to be confused with Global Logistics Solution (HK) Ltd. Sweid’s company appears to have deliberately used the same name (minus an ‘S’) of another transport company in Hong Kong. The domain name for Sweid’s company, www.glsolution.com.hk is almost the same as the other company (www.glsolution.hk).

⁷⁶ Corporate entries for the Hong Kong-based Global Logistics Solutions Co. Ltd show that the company was incorporated in 2014. The sole shareholder of Global Logistics Solutions is a Chinese national who is listed as 50% shareholder for Sweid’s other company in Hong Kong, Spaltec Electronics. Spaltec and Global Logistics Solutions share an address. Entries for both companies can be retrieved at the Hong Kong’s Search Centre of the Integrated Companies Registry Information System (<https://www.icris.cr.gov.hk/csci/>) for a fee.

Along with Sweid, the photo showed Ricardo Galeano, a Paraguayan citizen who works for Sweid alongside Juan Carlos Sosa and Javier Vazquez. An ABC Color exposé of Sweid's businesses suggest that these men have political connections that allow the import of the fake products without paying taxes and "ensure that the whole system has the support of Customs officials, attorneys and business leaders."⁷⁷

As indicated, trade-based money laundering relies on commercial goods that are not produced in Paraguay but imported into it. The weapons often smuggled across the Paraguay-Brazil border for the benefit of criminal cartels are also often legally imported into Paraguay and not produced there.

The porous nature of the borders, therefore, does not relate only to what *exits* Paraguay, but also how and which merchandise *enters* Paraguay.

A landlocked country whose main exports are agricultural products, Paraguay imports most of its consumer goods by land or air. Imports by sea come through nine ports in neighboring countries, where in each, a small area of the harbor facilities acts as a Paraguayan free port. Paraguay maintains free port facilities in Buenos Aires and Rosario (Argentina); Paranaguá, Santos, and Río Grande do Sul (Brazil); Antofagasta and Iquique (Chile); and Montevideo and Nueva Palmira (Uruguay). Some imports come into Paraguay's southern port of Encarnacion and to Asuncion on the Parana and Paraguay Rivers.

Goods also arrive by air cargo to both Asuncion and Ciudad Del Este. Ciudad Del Este, a city of almost 350,000 residents, has a functioning airport but almost no traffic – only three scheduled passenger flights to Asuncion. Nevertheless, the local airport has a runway that allows the landing of large cargo planes.

Two cargo airlines land at Ciudad Del Este's airport – Emirates' Sky Cargo and the Miami-based Centurion Air Cargo. The former flies weekly on Thursday nights to Ciudad Del Este from Dakar, Senegal before continuing on to Campinas, Brazil; Quito, Ecuador; Willemstad, Curacao; Amsterdam; and Frankfurt. Centurion Air usually flies from Miami and sometimes from other regional destinations. Its flights are more frequent, though not as regular as the Emirates' weekly flight.

Flight data obtained from a commercial flight tracker⁷⁸ show that since April 21, four out of six Emirates' Skycargo flights were diverted to Campinas. Centurion Air's flights are not as regular, though they are frequent, and usually come in from Miami, where the airline is based. Most merchandise imported for sale to Ciudad Del Este appears to be flying from Miami.

⁷⁷ "Acusan a despachantes paraguayos de liderar esquema de contrabando (Paraguayan brokers are accused of leading a contraband scheme)," *ABC Color* (Paraguay), August 9, 2013 (<http://www.abc.com.py/edicion-impresia/economia/acusan-a-despachantes-paraguayos-de-liderar-esquema-de-contrabando-604933.html>)

⁷⁸ Data obtained from Flight Radar 24 (www.flightradar24.com). Accessed June 3, 2016.

Cargo Flights to Ciudad Del Este, December 2015 to June 2016

Airline	Aircraft	Date	From	To	Flight Number	Notes
Emirates	77X/B77L	2-Jun-16	Dakar	Ciudad Del Este	EK9913	diverted to Campinas
Emirates	77X/B77L	27-May-16	Ciudad Del Este	Campinas	EK9913	
Emirates	77X/B77L	26-May-16	Dakar	Ciudad Del Este	EK9913	diverted to Campinas
Emirates	77X/B77L	20-May-16	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFK	19-May-16	Dakar	Ciudad Del Este	EK9913	diverted to Campinas
Centurion Air Cargo	N904AR	16-May-16	Miami	Ciudad Del Este	GG551	
Centurion Air Cargo	N904AR	16-May-16	Miami	Ciudad Del Este	GG551	
Emirates	A6-EFK	13-May-16	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFK	12-May-16	Dakar	Ciudad Del Este	EK9913	
Emirates	A6-EFG	5-May-16	Dakar	Ciudad Del Este	EK9913	
Centurion Air Cargo	N902AR	1-May-16	Ciudad Del Este	Montevideo	GG515	
Centurion Air Cargo	N902AR	30-Apr-16	Miami	Ciudad Del Este	GG515	
Emirates	A6-EFK	29-Apr-16	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFK	28-Apr-16	Dakar	Ciudad Del Este	EK9913	
Centurion Air Cargo	N904AR	25-Apr-16	Ciudad Del Este	Bogota	GG351	
Centurion Air Cargo	N904AR	24-Apr-16	Miami	Ciudad Del Este	GG531	
Emirates	A6-EFL	21-Apr-16	Dakar	Ciudad Del Este	EK9913	diverted to Campinas
Centurion Air Cargo	N904AR	17-Apr-16	Ciudad Del Este	Bogota	GG514	
Centurion Air Cargo	N904AR	16-Apr-16	Miami	Ciudad Del Este	GG515	

Emirates	A6-EFM	15-Apr-16	Ciudad Del Este	Campinas	EK9913
Emirates	A6-EFM	14-Apr-16	Dakar	Ciudad Del Este	EK9913
Centurion Air Cargo	N902AR	10-Apr-16	Ciudad Del Este	Santiago	GG541
Centurion Air Cargo	N902AR	10-Apr-16	Miami	Ciudad Del Este	GG541
Emirates	A6-EFH	8-Apr-16	Ciudad Del Este	Campinas	EK9913
Emirates	A6-EFH	7-Apr-16	Dakar	Ciudad Del Este	EK9913
Centurion Air Cargo	N742WA	5-Apr-16	Ciudad Del Este	Asuncion	GG531
Centurion Air Cargo	N904AR	27-Mar-16	Ciudad Del Este	Asuncion	GG505
Emirates	A6-EFK	26-Mar-16	Ciudad Del Este	Campinas	EK9913
Emirates	A6-EFK	26-Mar-16	Dakar	Ciudad Del Este	EK9913
Centurion Air Cargo	N742WA	21-Mar-16	Ciudad Del Este	Asuncion	GG501
Centurion Air Cargo	N902AR	13-Mar-16	Ciudad Del Este	Santiago	KYE525
Centurion Air Cargo	N902AR	12-Mar-16	Miami	Ciudad Del Este	KYE525
Centurion Air Cargo	N742WA	7-Mar-16	Ciudad Del Este	Asuncion	KYE531
Centurion Air Cargo	N902AR	29-Feb-16	Ciudad Del Este	Santiago	KYE524
Centurion Air Cargo	N904AR	21-Feb-16	Ciudad Del Este	Santiago	KYE504
Centurion Air Cargo	N904AR	21-Feb-16	Miami	Ciudad Del Este	WE555
Centurion Air Cargo	N904AR	13-Feb-16	Ciudad Del Este	Buenos Aires	KYE531
Centurion Air Cargo	N904AR	13-Feb-16	Miami	Ciudad Del Este	KYE531
Centurion Air Cargo	N902AR	12-Feb-16	Ciudad Del Este	Santiago	KYE541
Centurion Air Cargo	N742WA	7-Feb-16	Ciudad Del Este	Santiago	WE531

Emirates	A6-EFK	5-Feb-16	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFH	4-Feb-16	Dakar	Ciudad Del Este	EK9913	
Emirates	A6-EFG	28-Jan-16	Dakar	Ciudad Del Este	EK9913	diverted to Campinas
Emirates	A6-EFJ	22-Jan-16	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFJ	21-Jan-16	Dakar	Ciudad Del Este	EK9913	
Centurion Air Cargo	N742WA	17-Jan-16	Ciudad Del Este	Santiago	WE531	
Emirates	A6-EFK	15-Jan-16	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFK	14-Jan-16	Dakar	Ciudad Del Este	EK9913	
Centurion Air Cargo	N742WA	10-Jan-16	Ciudad Del Este	Santiago	WE531	
Centurion Air Cargo	N742WA	10-Jan-16	Miami	Ciudad Del Este	KYE531	
Centurion Air Cargo	N742WA	21-Dec-15	Ciudad Del Este	Santiago	KYE540	
Centurion Air Cargo	N742WA	21-Dec-15	Miami	Ciudad Del Este	KYE541	
Emirates	A6-EFL	19-Dec-15	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFL	18-Dec-15	Dakar	Ciudad Del Este	EK9913	
Centurion Air Cargo	N904AR	13-Dec-15	Ciudad Del Este	Santiago	KYE515	
Centurion Air Cargo	N904AR	13-Dec-15	Miami	Ciudad Del Este	KYE541	
Emirates	A6-EFK	11-Dec-15	Ciudad Del Este	Campinas	EK9913	
Emirates	A6-EFK	10-Dec-15	Dakar	Ciudad Del Este	EK9913	
Centurion Air Cargo	N902AR	6-Dec-15	Ciudad Del Este	Santiago	KYE520	
Centurion Air	N902AR	6-Dec-15	Miami	Ciudad Del Este	WE971	

An analysis of import and export data for the six companies linked to Sweid and Balhas shows merchandise deliveries from China often coincide with the above flights. Bravat Home, for example, received fifteen separate shipments from China on April 8, 2016 by Emirates' Sky Cargo to Ciudad Del Este via Dakar.⁷⁹ The shipper, Spaltec Electronics, is a company registered in Hong Kong and 50-percent-owned by Sweid. Spaltec SA, a company also owned by Sweid in Ciudad Del Este, is under investigation in the same Mega-evasion case.

Spaltec Electronics in Hong Kong is the shipper for all recent deliveries received by Ponto Com Megastore S.A., another company linked to Sweid through one of his associates and currently under investigation in the Mega-Evasion case. Sweid sells electronics and beauty and fashion products with high-end labels through his companies ByDubai, Spaltec and Ponto Com,⁸⁰ alcohol and spirits through WASPY Inc.,⁸¹ and manufactures CDs in Factory Group SA.⁸² He is also listed as owner of Zomo Tobacco and CYA Paraguay.⁸³

A bill of lading for assorted electronics and bathroom accessories to Ponto Com Megastore from Spaltec Electronics in Hong Kong documents a delivery by air on April 29 (the day an Emirates' Sky Cargo flight landed at Ciudad Del Este). Global Logistics was the company responsible for the shipment. In short, Sweid owned every company involved in the transaction – the consignee, shipper, and transportation company.

⁷⁹ All shipments references come from data available through the Import Genius Latin American database, a commercial database providing import-export bills of lading from commercial ports in ten Latin American countries.

⁸⁰“Homepage,” *PontoCom* (Brazil), accessed June 6, 2016. (<http://www.pontocom.com/>); Spaltec, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/spaltec/info/?tab=overview>)

⁸¹ “Homepage,” *Wine and Spirits* (Paraguay), accessed June 6, 2016. (<http://www.winesandspirits.com.py/>)

⁸² “Factory Group S.A. Industrial and Comercial,” *Find the Company*, accessed June 6, 2016. (<http://fichas.findthecompany.com.mx/1/128332783/Factory-Group-S-A-Industrial-y-Comercial-en-Ciudad-Del-Este>)

⁸³ Information provided in person to the author by officials involved in the Mega-evasion investigation.

35 SHIPMENT RECORDS AVAILABLE

Bill Of Lading Number	176 61033162
Destination Port Name	Ciudad del Este (PY)
Destination Port UN Locode	PYACT
Manifest Number	16013MANI0000955
Origin Country	China
Origin Country Name	CHINA
Purchase Country	China
Purchase Country Name	CHINA
Shipment Date	2016-04-29
Transport Mode	Air
Transporter Company Name	GLOBAL LOGISTICS SOLUTION S.A.
Transporter Country	Hong Kong
Transporter Country Name	HONG KONG
Unlading Port Coast	#<PortCoast:0x0000001986d520>
Consignee	Ponto Com Megastore S.A.
Importer Name	PONTO COM MEGASTORE S.A.
Importer Tax Number	800771044
Shipper	Spaltec Electronic Group Limited
Shipper Name	SPALTEC ELECTRONICS GROUP LIMITED
Brand	REPUESTOS PARA TELEFONOS CELULARES
CIF Value USD	\$15,144
Description	CABINETES, BASTIDORES Y ARMADONES, EN: 5.003 UNIDADES PARTES PARA TELEFONOS CELULARES(DISPLAY) ORIGEN CHINA.
FOB Value USD	\$10,006
Gross Weight Kg	275
Hs Code	85177091
Item Quantity	5003
Item Unit	unid.
Net Weight Kg	275
Unit Value USD	\$2

April 29, 2016 Bill of lading for air shipment from Spaltec Electronics in Hong Kong to Ponto Com Megastore S.A. in Ciudad Del Este.

Sweid also used a U.S. company – Electro Game Export LLC incorporated in Florida in 2009 – to ship videogames to the Ciudad Del Este-registered Best West S.A. The three shipments from February and April 2010, when Sweid was still a managing director at Electro Game Export LLC, were worth a combined \$1.3 million.⁸⁴ Best West S.A. is also being investigated in the Mega-evasion case. Sweid no longer appears on Electro Game Export LLC's directory of personnel.

The shopping center where Sweid's many companies are located is part of a commercial real estate portfolio owned by the Jebai Group, a Lebanese-Paraguayan company that invests in

⁸⁴ Record available from Import Genius database.

Miami real estate.⁸⁵ Sweid's companies Ponto Com and Spaltec both list their address in the Jebai shopping center. Spaltec's social media suggest they are essentially the same company.⁸⁶

Other companies implicated in the same investigation but not linked to Sweid operate in similar fashion – many using Miami, rather than Hong Kong, as their transit point for merchandise and paperwork.

Tigers del Este, a company trading in electronics at Ciudad Del Este's Jebai shopping center, routinely made shipments of electronics relying on a Miami-based company named Tiger USA Inc. Both companies, Tigers del Este and Tiger USA Inc., are owned by a Lebanese national and Brazilian resident named Walid Abboud.⁸⁷

Abboud's company was incorporated by Joseph Shomar, a Florida-based public accountant who was linked to a 2008 scheme to defraud the Florida State Treasury. Shomar incorporated the construction company used for the scheme by Lebanese national Ali Hassan Hammoud. Hammoud was arrested in Miami on his way to Lebanon after he had managed to transfer \$5.7 million to Lebanon,⁸⁸ and was eventually sentenced.⁸⁹

A sample bill of lading, reproduced below, for Grupo Cell Motion S.A., another company investigated in the Mega-evasion case, shows that Chinese merchandise reaches Ciudad Del Este by Centurion Air Cargo flights from Miami. The shipper is also a Miami-based company.

⁸⁵ "Projects" *The Jebai Group*, accessed June 6, 2016. (<http://jebaigroup.com/projects/>)

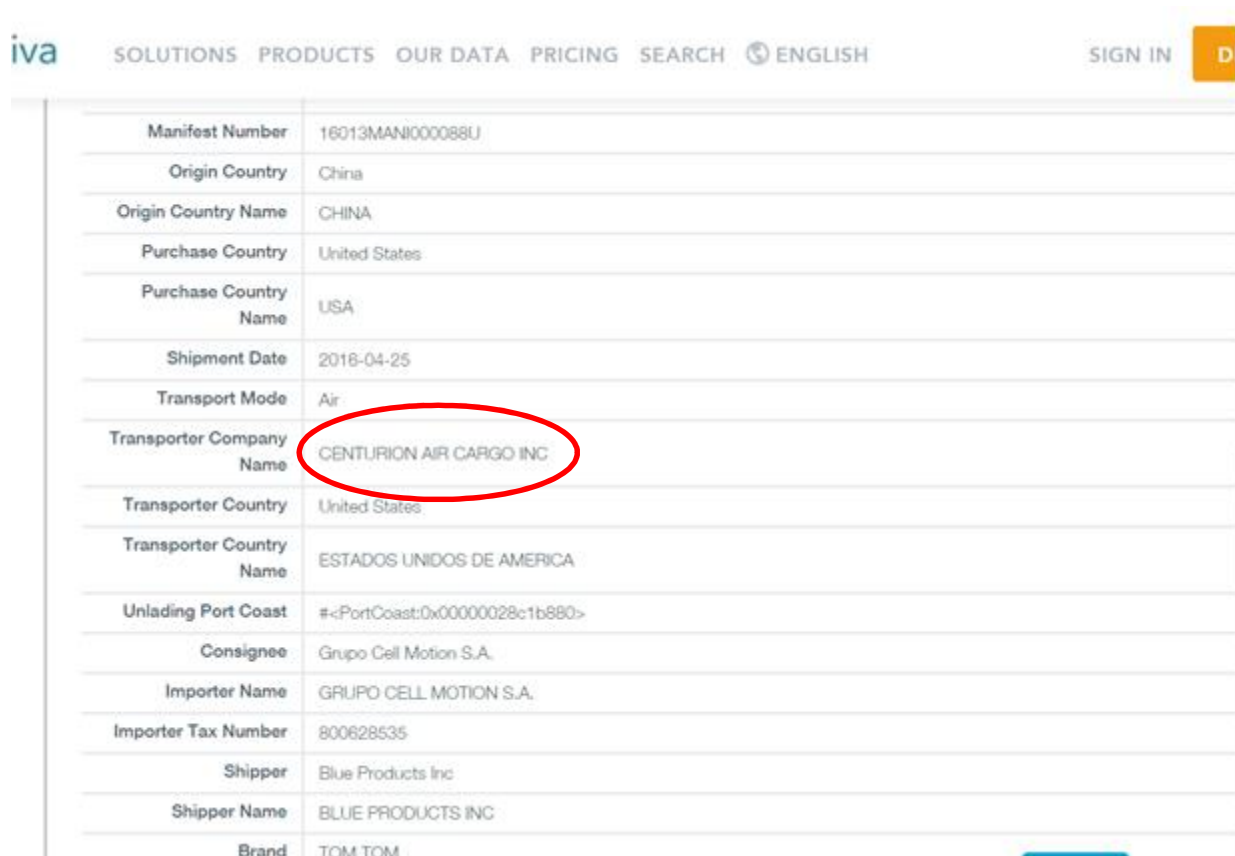
⁸⁶ Spaltec, *Facebook*, accessed June 6, 2016. (<https://www.facebook.com/spaltec/>)

⁸⁷ Walid Abboud, *LinkedIn*, accessed June 5, 2016. (<https://www.linkedin.com/in/walid-abboud-760a02a4>); Florida Department of State Division of Corporations, Corporate Filing, "Tiger USA, INC.," 77-0694557, accessed June 6, 2016.

(<http://search.sunbiz.org/Inquiry/CorporationSearch/SearchResultDetail?inquirytype=EntityName&directionType=Initial&searchNameOrder=TIGERUSA%20P070000872870&aggregateId=domp-p07000087287-feb94d4c-eb5a-4ca6-b9a9-6b8cee22d468&searchTerm=tiger%20usa&listNameOrder=TIGERUSA%20P070000872870>)

⁸⁸ Lucy Morgan, "Scheme thwarted after nearly taking Florida for millions" *Tampa Bay Times*, July 29, 2008. (<http://www.tampabay.com/news/politics/state/scheme-thwarted-after-nearly-taking-florida-for-millions/747388>)

⁸⁹ Federal Bureau of Investigation, Jacksonville Division Press Releases, "Former Bank Employee Charged with Making False Statements in Fraud Investigation" Accessed June 6, 2016. (<https://www.fbi.gov/jacksonville/press-releases/2010/ja060210.htm>)



iva SOLUTIONS PRODUCTS OUR DATA PRICING SEARCH ENGLISH SIGN IN	
Manifest Number	16013MANI000088U
Origin Country	China
Origin Country Name	CHINA
Purchase Country	United States
Purchase Country Name	USA
Shipment Date	2016-04-25
Transport Mode	Air
Transporter Company Name	CENTURION AIR CARGO INC
Transporter Country	United States
Transporter Country Name	ESTADOS UNIDOS DE AMERICA
Unlading Port Coast	#<PortCoast:0x00000028c1b880>
Consignee	Grupo Cell Motion S.A.
Importer Name	GRUPO CELL MOTION S.A.
Importer Tax Number	800628535
Shipper	Blue Products Inc
Shipper Name	BLUE PRODUCTS INC
Brand	TOM TOM

HB Games S.A. – a company registered at the Jebai Shopping Center in Ciudad Del Este and implicated in the Mega-evasion case – also appears to be using a Florida-registered LLC, Group HB LLC, to transfer merchandise through the U.S. from China to Paraguay. Hassan Bassal, a resident of Ciudad Del Este, owns both companies. His social media connections show him linked through friendship to Sweid.

This mechanism, whereby a sister company abroad buys merchandise in East Asia, usually China, before shipping it to Ciudad Del Este, appears prevalent among the 285 companies under investigation. Selling merchandise to oneself from jurisdiction to jurisdiction is a typical money-laundering method.

Conclusively proving a direct link between any of these companies and Hezbollah cannot rely on open sources alone. But the Mega-evasion case should raise alarm bells with U.S. authorities. After all, this scheme relied on a small group of accountants used by all companies involved in a massive case of tax evasion implicating companies buying products on U.S. markets and possibly using their limited liability companies to launder it in Florida. Numerous individuals implicated in this case through their companies are Lebanese nationals who do not hide their political sympathies for Hezbollah on social media.

Recommendations

Mr. Chairman, Ranking Member, and members of the Task Force, I offer the following recommendations:

1. Build local capacity working with regional allies

Paraguay needs its armed forces and drug-enforcement agency to build capacity to patrol border areas. The absence of monitoring capabilities through aerial radars in a region where drugs tend to move by small planes is a serious deficiency.

2. Facilitate cross-border cooperation

Custom and police authorities manning borders need to coordinate with neighbors. Joint cooperation and resource sharing are necessary components to combating the threat of transnational organized crime and terrorism. A key area would be intelligence sharing. Terror finance networks thrive in border areas by exploiting weak coordination among governments to patrol their shared borders. The United States can facilitate this cooperation. One important step would be to revive the Regional Intelligence Center established in 2006 to combat transnational crime and corruption in the TBA.⁹⁰

3. Improve controls at ports of shipment

As outlined in my testimony, Paraguay's borders may be porous, but much of the merchandise being shipped to the country to support illicit activities comes from abroad. Initiating more stringent controls and better monitoring of merchandise is desirable and possible. As noted, most problematic shipments by air reach the TBA from two points of departure – Miami International Airport and Dubai (via Dakar). The U.S. should immediately institute stricter controls over shipments to Ciudad Del Este leaving from Miami, and perform more effective and timely due diligence on companies shipping to the Paraguayan city. The same can be said over cargo arriving to the TBA from Dubai via Dakar. Washington is investing considerable energy working with Gulf allies to fight Hezbollah's terror finance. Seeking greater scrutiny over merchandise and its recipients before the weekly cargo leaves Dubai would go a long way to filter illicit shipments and raise the costs for Hezbollah middlemen in the TBA.

4. Designate more Hezbollah backers in Latin America

The U.S. administration has shown dedication in squeezing Hezbollah's sources of revenue and cutting the group from the global financial system. Still, it is important that the administration, whose focus in recent months appears to have been overwhelmingly on Lebanon and the Gulf, refocus on Latin America and target Hezbollah financiers by seeking new designations. The TBA and other border areas offer a target-rich environment. Recently Washington boasted of causing 10,000 bank accounts to close in Lebanon. It is to be hoped that similar action be soon taken against Latin American targets as well.

5. Work in concert with local authorities to close bank accounts in Latin America

The governments of Argentina, Brazil, and Paraguay are more receptive than at any time in the past ten years to U.S. leadership in the fight against terror finance, and terrorists' increasingly

⁹⁰ Eric Green, "U.S. 'Pleased' by Creation of South American Intelligence Center," *IIP Digital*, August 24, 2006. (<http://iipdigital.usembassy.gov/st/english/article/2006/08/200608231715051xeneerg0.9045221.html>)

brazen cooperation with drug cartels and other criminal groups. The U.S. should therefore encourage authorities to be more proactive in combating terror finance. Washington should also pursue the same approach adopted by Treasury in the past of reaching out directly to financial institutions. Based on internal figures that a senior Paraguayan official shared with me, most of the cash flows out of that country go to the United States. If that is indeed the case, it is plausible to assume that the U.S. financial system is being used to launder revenue from illicit trafficking. Having significant consequences for being on the wrong side of the U.S. Treasury would go a long way towards getting local banks to look at what is happening in their own backyard.

Latin America is a land with huge potential. Transnational crime is a serious obstacle to the development of strong institutions and robust economies, two pillars of democratic consolidation. It is in the national interest of the United States to help Latin American governments build them.

Mr. Chairman, on behalf of the Foundation for Defense of Democracies, I thank you for the opportunity to testify and look forward to your questions.