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Implications for U.S. Interests and the Western Hemisphere”

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Chairman Rubio, Ranking Member Boxer and Members of the Committee:

Thank you for the invitation today to discuss the ongoing and accelerating crisis in Venezuela and its implications for the United States and regional security issues. I speak on behalf of only IBI Consultants and myself. The views are mine and do not necessarily reflect those of CSIS or IASC.

There is little doubt that Venezuela has for a decade now posed a significant threat not only to U.S. security interests in the Western Hemisphere, but to the survival of democracy and the rule of law in the region. A recent investigation by *Veja*, a respected Brazilian magazine, shows that Venezuela, with the help of Argentina, actively tried to help Iran's nuclear program in violation of international sanctions.¹ More than a dozen senior Venezuelan officials have been publicly identified by U.S. officials as being directly involved in supporting and participating in drug trafficking and support of designated terrorist groups.

The threat originating in Venezuela is not confined to Venezuela. The late Hugo Chávez, acting in concert with his allies Rafael Correa in Ecuador, Evo Morales in Bolivia, Daniel Ortega in Nicaragua, Cristina Fernández de Kirchner in Argentina, set out to redefine the political landscape in Latin America. And to a large degree they have been successful. Unfortunately the changes wrought under the banner of "Socialism for the 21st Century" have brought massive corruption; rising violence; a disdain for the rule of law; the rise of equating an individual leader as the state ("Chávez is Venezuela"); a significant and ongoing, concerted effort to silence peaceful opposition and independent media; and collapse of institutions designed to guarantee oversight and transparency of public individuals and entities.

My testimony will focus on this alliance, of which Venezuela is the indisputable leader and primary axis around which the others revolve. However, and this what presents the greater strategic threat emanating from Venezuela, it is not acting alone, but in concert with multiple other nations.

Venezuela and its allies have moved perilously close to being "criminalized states," that is, states where the senior leadership is aware of and involved and act on behalf of the state, with transnational organized crime (TOC), where TOC is used as an instrument of statecraft, and where levers of state power are incorporated into the operational structure of one or more TOC groups.² The Maduro administration is the central component to a multi-state ongoing criminal enterprise, carried out in concert with Iran and a growing Russian presence, whose primary strategic objective is to cling to power by whatever means necessary and harm the United States and its allies.

¹ Leonardo Courinho, "Chavistas confirmam conspiração denunciada por Nisman," *Veja*, March 14, 2015, accessed at: <http://veja.abril.com.br/noticia/mundo/chavistas-confirmam-conspiracao-denunciada-por-nisman>

² This definition is drawn from my study of transnational organized crime in Latin America. For a full discussion see: Douglas Farah, *Transnational Organized Crime, Terrorism, and Criminalized States in Latin America: An Emerging Tier-One National Security Priority* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, August 2012), accessed at: <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1117>.

Democracy was far from perfect before the advent of the “Bolivarian Revolution,” as Chávez defined his movement. Many of the region’s countries were emerging from years of brutal and repressive military dictatorship, many of them backed by the United States. The new electoral systems were often rigid, exclusive and corrupt. However, rather than bringing about necessary reforms, Chávez created a system that has completely corrupted the electoral system, institutionalized massive corruption, criminalized non-violent dissent, and made common cause with transnational terrorist and drug trafficking organizations. Beginning with the Chávez government and continuing into the Maduro administration Venezuela has actively pursued an official military doctrine that embraces the use of weapons of mass destruction against the United States.³

The stakes in the unfolding crisis in Venezuela for U.S. interests and the survival of democracy in Latin America are high. The consequences of the growth of the poisonous Bolivarian criminal enterprise are lethal.

Few understood this better than Alberto Nisman, the courageous Argentine prosecutor who was investigating the 1994 Iran-backed bombing of the AMIA Jewish center in Buenos Aires. Before being murdered on January 18 Nisman had documented the Bolivarian-Iran actions across the Western Hemisphere, including two attempted attacks backed by Iran in the United States. The week before his death, Nisman had formally accused Argentine President Cristina Fernández de Kirchner and senior members of her inner circle of illegally seeking to cut to hide Iran’s role in the AMIA case in exchange for oil to relieve Argentina’s chronic fuel shortages. The warming relationship between Iran and Argentina was directly brokered by Venezuelan leaders. Whether or not the Argentine or Iranian government had direct roles in the unsolved murder of Nisman, the three nations together clearly created a climate in which he could be killed with impunity.⁴

As the Veja investigation shows, Venezuela was a key player in the efforts of Iran to reestablish nuclear ties to Argentina, and that such a relationship was of primary interest to

³ The primary text outlining this philosophy, from which Chávez adopted his military doctrine is Peripheral Warfare and Revolutionary Islam: Origins, Rules and Ethics of Asymmetrical Warfare (*Guerra Periférica y el Islam Revolucionario: Orígenes, Reglas y Ética de la Guerra Asimétrica*) by the Spanish politician and ideologue Jorge Verstryngue. The tract is a continuation of and exploration of convicted terrorist Ilich Sánchez Ramírez’s thoughts, incorporating an explicit endorsement of the use of weapons of mass destruction to destroy the United States. Verstryngue argues for the destruction of United States through series of asymmetrical attacks like those of 9-11, in the belief that the United States will simply crumble when its vast military strength cannot be used to combat its enemies.

Although he is not a Muslim, and the book was not written directly in relation to the Venezuelan experience, Verstryngue moves beyond Sánchez Ramírez to embrace all strands of radical Islam for helping to expand the parameters of what irregular warfare should encompass, including the use of biological and nuclear weapons, along with the correlated civilian casualties among the enemy.

⁴ For a fuller discussion of the Nisman murder see: Douglas Farah, “The Murder of Alberto Nisman: How the Government of Cristina Fernández de Kirchner created the environment for a perfect crime,” International Assessment and Strategy Center, March 2015. For a fuller discussion of the triangulation efforts of Iran, Venezuela and Argentina in the nuclear program, see: Courihno, op cit.; Douglas Farah, “Back to the Future: Argentina Unravels,” International Assessment and Strategy Center, February 2013, accessed at:

http://www.strategycenter.net/docLib/20130227_BacktotheFuture.pdf

the Iranians.⁵ Because of the high value Iran placed on the acquisition of nuclear technology, Chávez promised to personally request Argentina's help, and to do so immediately.⁶

In addition nuclear overtures, Venezuela and Argentina have developed an elaborate and opaque mechanism for transferring millions of dollars in funds between the two nations with no oversight or accountability. One of the primary mechanisms was a program called "200 Socialist Factories," (*200 Fábricas Socialistas*). Venezuelan government documents show that this program, although producing few functioning factories and even fewer economic benefits, allowed for direct Iranian participation in the ventures, most likely as a way of moving money that otherwise would be frozen under international financial sanctions.⁷

Of concern to the United States should be the stated policy of the Bolivarian bloc of nations to break the traditional ties of the region to the United States. To this end, the Bolivarian alliance has formed numerous organizations and military alliances – including a military academy in Bolivia to erase the vestiges of U.S. military training -- which explicitly exclude the United States.⁸

U.S. influence is being replaced by a lethal doctrine of asymmetrical warfare, inspired by authoritarian governments seeking perpetual power and nurtured by Iran. Through an interlocking and rapidly expanding network of official websites, publishing houses, think tanks and military academies, the governments of Venezuela, Argentina and Cuba have created a dominant narrative that identifies the United States as the primary threat to Latin America.

A constant in the narrative, and a particular favorite of the late Chávez, is that a U.S. invasion is imminent and unavoidable. This is because the alleged United States policy is based on pillaging the region's natural resources, toppling the revolutionary regimes leading the march to Latin American independence, and subjugating its citizens. This preposterous narrative is often used by Maduro to justify the repressive and illegal arrest of opposition leaders who are held for months and years without trial or charges, as alleged accomplices in the fabricated crimes.

This narrative has long been a part of the Latin American landscape, shaped by mass movements, armed insurgencies and Marxist ideologies, and based on the turbulent history of relations between the United States and the region. What is different now is the overt

⁵ It is important to remember that throughout the 1970s until 1993 Argentina had a robust nuclear relationship with Iran, and the current Iranian reactors were retrofitted and upgraded with Argentine nuclear technology. Nisman, in his indictment of Iranian leaders for planning the AMIA bombing, stated that a major trigger for Iran's decision to blow up the AMIA building was the decision by Argentina, under pressure from the U.S. and Europe, to pause its nuclear cooperation with Iran. In addition to the Veja article, see: Kaveh L. Afrasiabi, "Iran Looks to Argentina for nuclear fuel," *Asia Times*, November 6, 2009, accessed at: http://www.atimes.com/atimes/Middle_East/KK06Ak02.html

⁶ Courinho, op. cit.

⁷ Documents in possession of the author.

⁸ These include recently founded Community of Latin American and Caribbean States (*Comunidad de Estados Latinoamericanos y Caribeños-CELAC*), and the Bolivarian Alliance for the Peoples of Our America (*Alianza Bolivariana para los Pueblos de Nuestra América-ALBA*).

multi-government sponsorship of the effort and the official adoption of these positions as policy and doctrine. This gives the current campaign deeper roots and access to levers of state power.

As discussed at length below, Iran, identified by successive U.S. administrations as a state sponsor of terrorism, has expanded its political alliances, diplomatic presence, trade initiatives, and military and intelligence programs in the Bolivarian axis, primarily through the deep ties with Venezuela.

In 2012 the United States intelligence community assessed that Iranian leadership was more willing to launch a terrorist attack inside the Homeland in response to perceived threats from the United States.⁹

In 2013 the Argentine prosecutor Nisman released a report documenting through little-studied reports, informants, and the Iranian media, how official Iran state policy embraced assassination and terror, something which it never tried to hide and has never recanted, and the role of Venezuela in Iran's strategy.

Many of the assumptions undergirding Prosecutor Nisman's work were drawn directly from the Iranian constitution, an extraordinary document in which Iran stakes its claim to world domination in the name of Allah. It is worth a somewhat extended review here, given the repeated statements of solidarity with Iran and its revolution by Venezuelan leaders. The preamble to the Iranian constitution states:

With due consideration for the Islamic Element of the Iranian Revolution, which has been a movement for the victory of all oppressed peoples who are confronted with aggressors, the constitution shall pave the way for perpetuation of this revolution within and outside the country, particularly in terms of the expansion of international relationships with other Islamic and popular movements. The Constitution seeks to lay the groundwork for the creation of a single world nation...and perpetuate the struggle to make this nation a reality for all the world's needy and oppressed nations.

It goes on to say that:

In establishing and equipping the country's defense forces, we will allow for the fact that faith and ideology constitute the foundation and the criterion we must adhere to. Therefore, the army of the Islamic Republic of Iran and troops of the Revolutionary Guard will be created in accordance with the objective mentioned above, and will be entrusted with the task not only of protecting and preserving our borders, but also an ideological mission, that is to say, Jihad in the name of Allah and the world.¹⁰

⁹ James R. Clapper, Director of National Intelligence, "Unclassified Statement for the Record: Worldwide Threat Assessment of the US Intelligence Community for the Senate Select Committee on Intelligence, January 31, 2012, p. 6.

¹⁰ Translation of the Iranian Constitution of 1979 provided by the University of Nevada Las Vegas, accessed at: <https://faculty.unlv.edu/pwerth/Const-Iran%28abridge%29.pdf>

Shortly after Nisman's 2013 report the U.S. Department of State issued a Congressionally – mandated report on Iran's activities in Latin America which completely ignored Nisman's fieldwork, as well as dissenting views within the U.S. government – most notably U.S. Southern Command, which has military responsibility for the region. Instead the State Department concluded that, while Iran's interest in Latin America "is of concern," Iranian "influence in Latin America and the Caribbean is waning."¹¹ In September 2014 the Government Accountability Office (GAO) issued a sharp critique of the State Department effort, noting the report only fully addressed two of the 12 issues raised, while partially addressing six issues, and leaving four completely unaddressed.¹²

In addition to serving as a gateway for Iran's presence in the region, Venezuela has also been the primary conduit for Russia's growing presence in the region, something of growing concern.

Riding on the wave of radical anti-U.S. populism sponsored by Venezuela, Russia is now firmly allied with the ranks of Latin America's populist, authoritarian and virulently anti-American leaders of the Bolivarian Alliance for the Peoples of Our America – (*Alianza Bolivariana para los Pueblos de Nuestra América* – ALBA). The Putin government is providing ALBA nations with weapons, police and military training and equipment, nuclear technology, oil exploration equipment, financial assistance, and an influential friend on the United Nations Security Council and other international forums.

In return, these allies are shielding Russia from international isolation, providing political and diplomatic support, and an important regional media network – both traditional and social – that offers unstinting support for Putin while casting the United States as the global aggressor. At the same time, ALBA countries are increasing Russia's access to the hemisphere's ports and airspace, and ultimately, increasing Russia's sphere of influence in a region where the United States has seldom been so challenged.¹³

Gen. John Kelly, the commander of the U.S. Southern Command, in his 2015 testimony before Congress, noted Russia's growing activities in Latin America were part of a global strategy of using "power projection in an attempt to erode U.S. leadership and challenge U.S. influence in the Western Hemisphere...Russia has courted Cuba, Venezuela and Nicaragua to gain access to air bases and ports of supply for Russian naval assets and strategic bombers operating in the Western Hemisphere."¹⁴

¹¹ U.S. Department of State, "Annex A: Unclassified Summary of Policy Recommendations," June 2013. Most of the seven-page report was classified.

¹² United States Government Accountability Office, "Combatting Terrorism: Strategy to Counter Iran in the Western Hemisphere Has Gaps that State Department Should Address," September 2014, p. 8, accessed at: <http://www.gao.gov/assets/670/666202.pdf>

¹³ Douglas Farah and Liana Eustacia Reyes, "Russia in Latin America: A Strategic Challenge," University of Miami, Center for Hemispheric Policy, January 15, 2015, accessed at: https://umshare.miami.edu/web/wda/hemisphericpolicy/Perspectives_on_the_Americas/Farah%20-%20Final.pdf

¹⁴ "Posture Statement of General John F. Kelly, United States Marine Corps, Commander United States Southern Command Before the 114th Congress Senate Armed Services Committee," March 12, 2015, accessed at: http://www.southcom.mil/newsroom/Documents/SOUTHCOM_POSTURE_STATEMENT_FINAL_2015.pdf

Where the Russian state establishes a presence, Russian organized crime invariably follows. The immediate consequence is the rapid increase in cocaine flows from Latin America to Russia, and the former Soviet Union, with almost all of the cocaine originating from countries that Russia vehemently supports – Venezuela, Nicaragua, Ecuador, and Bolivia.¹⁵

The FARC,¹⁶ the hemisphere's oldest and largest insurgency and designated drug trafficking and terrorist organization by both the United States and European Union¹⁷, remains at the center of a multitude of criminal enterprises and terrorist activities that stretch from Colombia south to Argentina, and northward to Central America and into direct ties to the Mexican drug cartels, primarily the Sinaloa organization. Despite ongoing peace talks with the government over the past two years, the insurgency remains involved in the massive laundering of drug money, and recent cases by the Drug Enforcement Administration (DEA) have shown the direct and growing criminal drug ties of the FARC and Hezbollah.

Following the model pioneered by Iran and Hezbollah, senior Venezuelan military and political leaders have allowed the FARC to traffic cocaine through Venezuela to West Africa, sharing in the profits. Almost every major shipment of cocaine to West Africa that U.S. law enforcement officials have been able to trace back have originated from or passed through Venezuelan territory.¹⁸

Under the protection of the governments of Venezuela, Ecuador, Nicaragua and Bolivia – as well as powerful friends in El Salvador and Panama -- the FARC maintains a robust international infrastructure that is producing and moving thousands of kilos of cocaine and laundering hundreds of millions of dollars. It has emerged as a pioneer hybrid criminal-terrorist insurgency, using drug money to sustain an ideological movement. Over time the ideology has faded and the FARC has become much more of a business enterprise, helping to enrich its leadership and the leadership of the regional governments it supports.

As one study of internal FARC documents, noted

When Chávez became president of Venezuela in February 1999, FARC had not only enjoyed a relationship with him for at least some of the previous seven years but had also penetrated and learned how to best use Venezuelan territory and politics,

¹⁵ For the most comprehensive look at Russian Organized Crime in Latin America, see: Bruce Bagley, "Globalization, Ungoverned Spaces and Transnational Organized Crime in the Western Hemisphere: The Russian Mafia," paper prepared for International Studies Association, Honolulu, Hawaii, March 2, 2005.

¹⁶ *Fuerzas Armadas Revolucionarias de Colombia* (Revolutionary Armed Forces of Colombia).

¹⁷ "FARC Terrorist Indicted for 2003 Grenade Attack on Americans in Colombia," Department of Justice Press Release, September 7, 2004. accessed at: http://www.usdoj.gov/opa/pr/2004/September/04_crm_599.htm and: Official Journal of the European Union, Council Decision of Dec. 21, 2005, accessed at: http://europa.eu.int/eurlex/lex/LexUriServ/site/en/oj/2005/l_340/l_34020051223en00640066.pdf

¹⁸ Author interviews with Drug Enforcement Administration and National Security Council officials. For example two aircraft carrying more than 500 kilos of cocaine that were stopped in Guinea Bissau after arriving from Venezuela. See: "Bissau Police Seize Venezuelan cocaine smuggling planes," Agence France Presse, July 19, 2008.

*manipulating and building alliances with new and traditional Venezuelan political sectors, traversing the Colombia-Venezuela border in areas ranging from coastal desert to Amazonian jungle and building cooperative relationships with the Venezuelan armed forces. Once Chávez was inaugurated, Venezuelan border security and foreign policies shifted in the FARC's favor.*¹⁹

In this context there is also growing evidence that the Venezuela government under Chávez and Maduro is actively promoting drug trafficking and TOC/terrorist groups, particularly the FARC and Hezbollah.²⁰ Perhaps the strongest public evidence of the importance of Venezuela to the FARC is the public designation of three of senior government officials by the U.S Treasury Department's Office of Foreign Assets Control (OFAC).

OFAC said the three--Hugo Armando Carvajál, director of Venezuelan Military Intelligence; Henry de Jesus Rangél, director of the Venezuelan Directorate of Intelligence and Prevention Services; and Ramón Emilio Rodríguez Chacín, former minister of justice and former minister of interior -- were responsible for "materially supporting the FARC, a narco-terrorist organization." It specifically accused Carvajál and Rangél of protecting FARC cocaine shipments moving through Venezuela, and said Rodríguez Chacín, who resigned his government position just a few days before the designations, was the "Venezuelan government's main weapons contact for the FARC."²¹

In November 2010, Rangél was promoted to the overall commander of the Venezuelan armed forces²² and in January 2012 was named defense minister as part of Chávez's promotion of close associates tied to drug trafficking and the FARC.²³ In July 2014 Carvajal was detained in Aruba because of a U.S. indictment against him for drug trafficking in support of the FARC. Aruban authorities released him before he could be extradited. He received as a conquering hero when he returned to Venezuela.²⁴

¹⁹ "The FARC Files: Venezuela, Ecuador and the Secret Archives of 'Raúl Reyes,'" International Institute for Strategic Studies," May 2011.

²⁰ The strongest documentary evidence of Chávez's support for the FARC comes from the Reyes documents, which contained the internal communications of senior FARC commanders with senior Venezuelan officials, discussing everything from security arrangements in hostage exchanges to the possibility of joint training exercises and the purchasing of weapons. For full details of these documents and their interpretation, see: "The FARC Files: Venezuela, Ecuador and the Secret Archives of 'Raúl Reyes,'" op cit.

²¹ "Treasury Targets Venezuelan Government Officials Support of the FARC," U.S. Treasury Department Office of Public Affairs, Sept. 12, 2008. The designations came on the heels of the decision of the Bolivian government of Evo Morales to expel the U.S. ambassador, allegedly for supporting armed movements against the Morales government. In solidarity, Chavez then expelled the U.S. ambassador to Venezuela. In addition to the designations of the Venezuelan officials, the United States also expelled the Venezuelan and Bolivian ambassadors to Washington.

²² "Chávez Shores up Military Support," Stratfor, November 12, 2010.

²³ "Venezuela: Asume Nuevo Ministro De Defensa Acusado de Narco por EEUU," Agence France Presse, January 17, 2012.

²⁴ "Venezuela gives 'hero's welcome' to freed Carvajal," BBC News, July 28, 2014, accessed at: <http://www.bbc.com/news/world-latin-america-28520775>

As legendary Manhattan district attorney Robert M. Morgenthau warned as he left public service in 2009 after decades of public service, including pursuit of numerous (and ongoing) criminal investigations into the Chávez government's role in TOC:

...[L]et there be no doubt that Hugo Chavez leads not only a corrupt government but one staffed by terrorist sympathizers. The government has strong ties to narco-trafficking and money laundering, and reportedly plays an active role in the transshipment of narcotics and the laundering of narcotics proceeds in exchange for payments to corrupt government officials.²⁵

OFAC charges were buttressed by three other developments: A public presentation of Colombian intelligence on FARC camps in Venezuela and the meeting of high-level FARC commanders with senior Venezuelan officials, delivered at a session of the Organization of American States in July 2010;²⁶ the public release of an analysis of all the FARC documents - captured by the Colombian military from the March 1, 2008 killing of senior FARC commander Raúl Reyes -- by a respected British security think tank that outlined some of the same ties;²⁷ and the public statements of Walid Makled, a Venezuelan who was formally designated a drug kingpin by the U.S. government.

Arrested by Colombian police after he fled Venezuela, Makled was eventually extradited back to Venezuela. Preet Bharara, U.S. Attorney for the Southern District of New York, dubbed Makled, also known as "The Turk," a 'king among kingpins'. While in Colombian custody Makled gave multiple interviews and showed documents that he claimed showed he acquired control of one of Venezuela's main ports, as well as an airline used for cocaine trafficking, but paying millions of dollars in bribes to senior Venezuelan official.

According to the U.S. indictment against him, Makled exported at least 10 tons of cocaine a month to the United States by keeping more than 40 Venezuelan generals and senior government officials on his payroll. "All my business associates are generals. The highest," Makled said. "I am telling you, we dispatched 300,000 kilos of coke. I couldn't have done it without the top of the government."²⁸ What added credibility to Makled's claims were the documents he presented showing what appear to be the signatures of several generals and senior Ministry of Interior officials accepting payment from Makled. "I have enough evidence to justify the invasion of Venezuela" as a criminal state, he said.²⁹

²⁵ Robert M. Morgenthau, "The Link Between Iran and Venezuela: A Crisis in the Making," speech at the Brookings Institution, September 8, 2009.

²⁶ Colombia, Venezuela: Another Round of Diplomatic Furor," Strafor, July 29, 2010.

²⁷ The FARC Files: Venezuela, Ecuador and the Secret Archives of 'Raúl Reyes,'" An IISS Strategic Dossier, International Institute for Strategic Studies, May 2011.

²⁸ The Colombian decision to extradite Makled to Venezuela rather than the United States caused significant tension between the two countries and probably means that the bulk of the evidence he claims to possess will never see the light of day. Among the documents he presented in prison were checks of his cashed by senior generals and government officials and videos of what appear to be senior government officials in his home discussing cash transactions. For details of the case see: José de Córdoba and Darcy Crowe, "U.S. Losing Big Drug Catch," The Wall Street Journal, April 1, 2011; "Manhattan U.S. Attorney Announces Indictment of one of World's Most Significant Narcotics Kingpins," United States Attorney, Southern District of New York, November 4, 2010.

²⁹ "Makled: Tengo suficientes pruebas sobre corrupción y narcotráfico para que intervengan a Venezuela," NTN24 TV (Colombia), April 11, 2011.

There is growing evidence of the merging of the Bolivarian Revolution's criminal-terrorist pipeline activities and those of the criminal-terrorist pipeline of radical Islamist groups (Hezbollah in particular) supported by the Iranian regime. The possibility opens a series of new security challenges for the United States and its allies in Latin America.

Among the cases that provide evidence of these ties are:

- In 2008, OFAC designated senior Venezuelan diplomats for facilitating the funding of Hezbollah.

One of those designated, Ghazi Nasr al Din, served as the *charge d'affaires* of the Venezuelan embassy in Damascus, and then served in the Venezuelan embassy in London. According to the OFAC statement in late January 2008, al Din facilitated the travel of two Hezbollah representatives of the Lebanese parliament to solicit donations and announce the opening of a Hezbollah-sponsored community center and office in Venezuela. The second individual, Fawzi Kan'an, is described as a Venezuela-based Hezbollah supporter and a "significant provider of financial support to Hizbollah." He met with senior Hezbollah officials in Lebanon to discuss operational issues, including possible kidnappings and terrorist attacks.³⁰

- In April 2009, police in the island country of Curacao arrested 17 people for alleged involvement in cocaine trafficking with some of the proceeds being funneled through Middle Eastern banks to Hezbollah.³¹
- A July 6, 2009 indictment of Jamal Yousef in the U.S. Southern District of New York alleges that the defendant, a former Syrian military officer arrested in Honduras, sought to sell weapons to the FARC -- weapons he claimed came from Hezbollah and were to be provided by a relative in Mexico.³²

Such a relationship between non-state and state actors provides numerous benefits to both. In Latin America, for example, the FARC gains access to Venezuelan territory without fear of reprisals; it gains access to Venezuelan identification documents; and, perhaps most importantly, access to routes for exporting cocaine to Europe and the United States -- while using the same routes to import quantities of sophisticated weapons and communications equipment. In return, the Venezuelan government offers state protection, and reaps rewards in the form of financial benefits for individuals as well as institutions, derived from the cocaine trade.

Iran, whose banks, including its central bank, are largely barred from the Western financial systems, benefits from access to the international financial market through Venezuelan, Ecuadoran and Bolivian financial institutions, which act as proxies by moving Iranian

³⁰ "Treasury Targets Hizbollah in Venezuela," United States Department of Treasury Press Center, June 18, 2008, <http://www.treasury.gov/press-center/press-releases/Pages/hp1036.aspx>

³¹ Orlando Cuares, "17 arrested in Curacao on suspicion of drug trafficking links with Hezbollah," Associated Press, April 29, 2009

³² United States District Court, Southern District of New York, *The United States of America v Jamal Yousef*, Indictment, July 6, 2009.

money as if it originated in their own, unsanctioned financial systems.³³ Venezuela also agreed to provide Iran with 20,000 barrels of gasoline per day, leading to U.S. sanctions against the state petroleum company.³⁴

There is now a significant body of evidence showing the FARC's operational alliance with Hezbollah and Hezbollah allies based in Venezuela under the protection of the Maduro government, to which relatively little attention has been paid.

A clear example of the breadth of the emerging alliances among criminal and terrorist groups was Operation Titan, executed by Colombian and U.S. officials beginning in 2008. Colombian and U.S. officials, after a 2-year investigation, dismantled a drug trafficking organization that stretched from Colombia to Panama, Mexico, West Africa, the United States, Europe and the Middle East. The operation then continued on for several more years as part of the Lebanese-Canadian National Bank case.

Colombian and U.S. officials say that one of the key money launderers in the structure, Chekry Harb, AKA "Taliban" acted as the central go-between among Latin American drug trafficking organizations (DTOs) and Middle Eastern radical groups, primarily Hezbollah. Among the groups participating together in Harb's operation in Colombia were members of the Northern Valley Cartel, right-wing paramilitary groups and the FARC.

While there has been little public acknowledgement of the Hezbollah ties to Latin American transnational organized crime (TOC) groups, recent indictments based on DEA cases point to the growing overlap of the groups. In December 2011, U.S. officials charged Ayman Joumaa, an accused Lebanese drug kingpin and Hezbollah financier, of smuggling tons of U.S.-bound cocaine and laundering hundreds of millions of dollars with the Zetas cartel of Mexico, while operating in Panama, Colombia, the DRC and elsewhere.

"Ayman Joumaa is one of top guys in the world at what he does: international drug trafficking and money laundering," a U.S. anti-drug official said. "He has interaction with Hezbollah. There's no indication that it's ideological. It's business."³⁵ Joumaa was tied to broader case of massive money laundering case that led to the collapse of the Lebanese Canadian Bank, one of the primary financial institutions used by Hezbollah to finance its worldwide activities.

Another little-studied aspect of Venezuela's vast financial network is the use of PDVSA, the state oil company, to move hundreds of millions of dollars, with no legal financial backing, through its friends and allies in the Petrocaribe association, which was established by Chávez as a way to provide subsidized oil to poorer countries in the region. Under the construct, the receiving country is supposed to pay for 50 percent of the oil deliveries at market prices on delivery and pay for the other 50 percent over a 22-year period at a 2 percent interest rate.

³³ For a look at how the Ecuadoran and Venezuelan banks function as proxies for Iran, particularly the Economic Development Bank of Iran, sanctioned for its illegal support of Iran's nuclear program, and the Banco Internacional de Desarrollo, see: Farah and Simpson, op cit.

³⁴ Office of the Spokesman, "Seven Companies Sanctioned Under Amended Iran Sanctions Act," U.S. Department of State, May 24, 2011, <http://www.state.gov/r/pa/prs/ps/2011/05/164132.htm>

³⁵ Sebastian Rotella, "Government says Hezbollah Profits From U.S. Cocaine Market via Link to Mexican Cartel," ProPublica, December 11, 2011.

Yet the numbers don't add up in Central America's strongest Bolivarian members, Nicaragua and El Salvador. Hundreds of millions of dollars are received and spent with no auditing, no accountability and generally no trace.

The decision made by the leadership of the governing Sandinista party (FSLN) in Nicaragua and the governing Farabundo Martí (FMLN) in El Salvador, to work with the ALBA bloc of nations³⁶ and their non-state allies such as the FARC in Colombia to move hundreds of millions of dollars in untraceable ways through inter-connected state oil companies, sets them apart from other Central American nations. While Venezuela's oil exports plummet and the price of oil has collapsed, these two governments receive ever-larger amounts of cash that is untraceable.

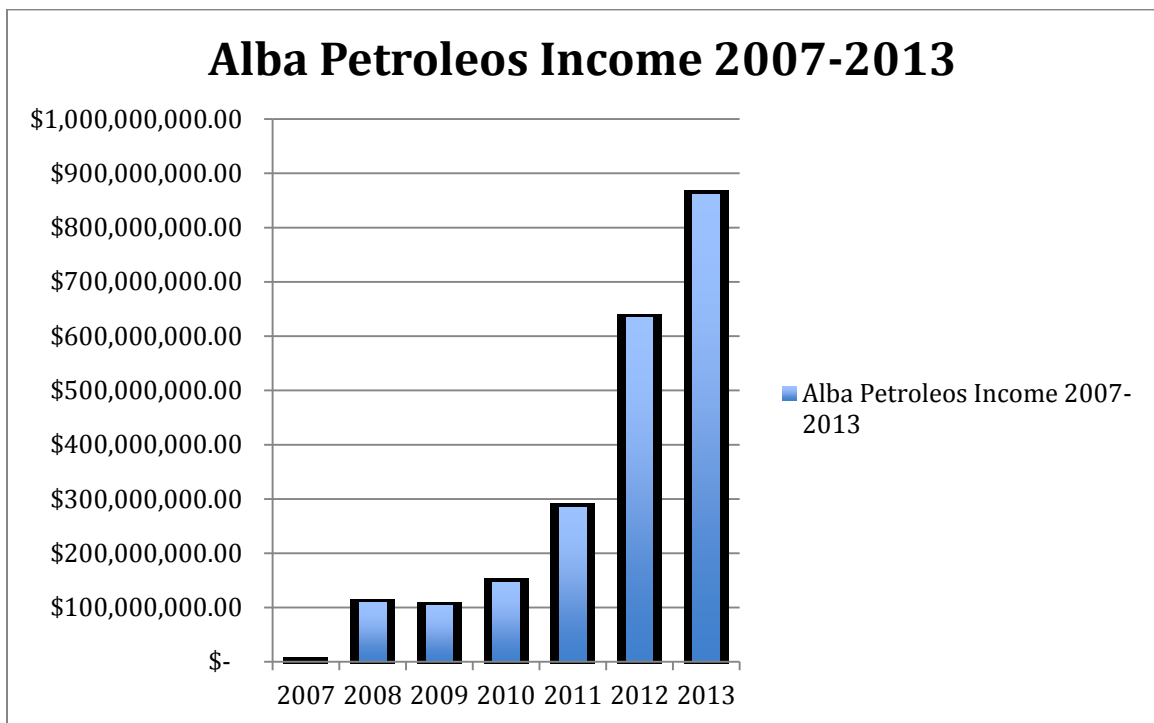


Figure 1: Earnings reported by ALBA Petróleos in El Salvador, which is 60 percent owned by Venezuela's PDVSA, showing an enormous and unjustified growth in income over seven years.

In El Salvador, the governing FMLN controls ALBA Petróleos, which is 60 percent owned by PDVSA. President Salvador Sánchez Cerén is a member of the ALBA leadership and former guerrilla commander with close ties to the FARC. According to public statements of FMLN

³⁶ The name is derived from former Venezuelan President Hugo Chavez's desire to recreate the original country created by South American liberator Simón Bolívar, which included Venezuela, Colombia, Panama, Bolivia and Ecuador. Chávez dubbed his movement, which has relied heavily on the FARC both for financing and as a non-state armed actor, the Bolivarian Revolution. The radical populist bloc is formally known as ALBA, the Bolivarian Alliance for the Peoples of Our America or *Alianza Bolivariana Para los Pueblos de Nuestra America*. It members include Venezuela, Ecuador, Bolivia, Nicaragua, Jamaica, the Dominican Republic and El Salvador.

leaders such as José Luis Merino³⁷, ALBA Petróleos began with \$1 million from PDVSA in 2007 and by the end 2013 had revenues of \$862 million, with no explanation for the massive growth.³⁸ Merino, who is a senior ALBA Petróleos advisor, publicly stated that he knew that “many people are nervous because ALBA Petróleos was born six or seven years ago with \$1 million and now has \$400 million. Let me correct myself, \$800 million, and we are trying to change the lives of Salvadorans.”³⁹



Figure 2: Salvadoran President Salvador Sánchez Cerén (center) with FARC leader Manuel Marulanda (immediate left) and Raúl Reyes (immediate left, in camouflage) at a FARC camp in 2001.

One of the signature programs of ALBA in Nicaragua was to have been the construction of a large oil refinery. Named the “Supreme Dream of Bolívar” (*Sueño Supremo de Bolívar*), the refinery received \$32 million in start up funding in 2008 and an additional \$60 million over the following three years. In 2012 the program received an additional \$141.2 million.

³⁷ Merino, better known by his nom de guerre Ramiro Vásquez, was a Communist Party urban commando during El Salvador’s civil war and carried out a number of high profile kidnappings both during and after the war. He was a well-known weapons provider to the FARC. His relationship with the FARC leadership, as well as the Chávez government, were well documented in captured FARC documents, where he is identified as “Ramiro the Salvadoran.”

³⁸ These figures are taken from ALBA Petróleos official financial filings.

³⁹ “José Luis Merino defiende a Alba Petróleos por ataques de ANEP,” Verdad Digital, October 31, 2013.

Yet all that is visible of the \$237.2 million dollar investment is an empty field of compact earth with the flagstaffs bearing the flags of Nicaragua, Venezuela, Cuba and ALBA. Construction machinery has remained idle at the site for three years.⁴⁰



Figure 3: The empty field where \$237.2 million have reportedly been spent over the past five years to build an as-yet invisible oil refinery. La Prensa (Nicaragua)

These last few cases, though far afield from Venezuela, constitute a key part of Venezuela's reach across the hemisphere and its ability to create corrupt structures, move well over \$1 billion a year in unaccounted funds, and support criminal and terrorist organizations. These massive financial flows serve to corrupt the state, shield officials from accountability, create enormous "slush funds" for the governments to act without transparency, and are undermine the rule of law. They may also be of significant aid to drug trafficking and terrorist organizations.

As I noted earlier, Venezuela's ongoing state-sponsored criminal activities and ties to terrorist organizations are not confined to Venezuela. Rather, Venezuela has made itself the hub of a multinational criminal enterprise that has tentacles across the hemisphere, and that receives the active support of Iran, Russia and other nations that have a declared hostile intent toward the United States. This is the direct threat posed by Venezuela and its ongoing crisis.

Thank you.

⁴⁰ For an more comprehensive look at the refinery project and interesting graphics see: José Denis Curz, "El Supremo Sueño de Bolívar no avanza," La Prensa (Nicaragua), March 25, 2013, accessed at: <http://www.laprensa.com.ni/2013/03/25/poderes/139586-refineria-avance-invisible>

