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Iran and Latin America: Strategic Security Issues

Written By:

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The mission of the Defense Threat Reduction Agency (DTRA) is to safeguard America and its allies from weapons of mass destruction (chemical, biological, radiological, nuclear, and high explosives) by providing capabilities to reduce, eliminate, and counter the threat, and mitigate its effects.

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Overview of the Project and General Framework

Under the Statement of Work for the "Iran and Latin America: Strategic Security Issues," IASC was tasked with looking at the reality, potential and probabilities for WMD -- including weapons, materiel or precursors -- development and/or smuggling of WMD into and through Latin America. The task included looking at nation-states, non-state and transnational actors or third party nations, particularly Iran. IASC was asked to use primarily open source reporting, based on field trips to the region, but to also consider classified sources. Because the project ran for just half the time it was originally scheduled to, there are significant unanswered questions which will be outlined at the end of this document.

During the course of project IASC submitted five monthly reports outlining the major findings at each interval and further areas of suggested investigation, as well as four trip reports. This final report brings together the major findings from that field research and provides some overarching conclusions that can be drawn from those findings. The information was obtained through on the ground research and interviews with individuals in Colombia, Ecuador, Mexico, Bolivia and the United States; open source literature review; the acquisition and exploitation of grey literature; the study of relevant websites; the review of numerous unpublished and published studies in Latin America on topics of interest; and a review of classified U.S. Government reports and cables.

IASC's initial findings show multiple, little-explored areas potentially useful for the movement and production of WMD in which Iran is seeking to consolidate its relationships with governments of the "Bolivarian Revolution," meaning Venezuela, Ecuador, Bolivia and Nicaragua. There is relatively little in the classified literature on this area in general, and what reporting exists is fragmented and piecemeal, with few attempts to "connect the dots" of activities across different countries, particularly actions by Iran and Venezuela, but also including actions of Cuba and Syria in the region. This project was a first step in filling this significant gap.

At its center, the sole shared value between the proponents of "21st Century Socialism" and a reactionary theocratic state is a hatred for the United States and a shared vision of ridding the world of the "Empire" and its liberal democratic model. In a time of scarce resources and competing demands -- including significant internal political demands for resources -- this alliance continues to be a high priority for all sides.

In summary IASC found the actions and Lines of Effort of Iran and the governments of the Bolivarian states, in conjunction with non-state armed actors in the region designated as terrorist entities, are undertaking a pattern of activity to aid Iran's nuclear ambitions and facilitate the potential movement of WMD components. These include:

- The clandestine or disguised extraction of minerals useful for nuclear and missile programs;
- Access to a series of “safe havens” currently controlled by non-state actors for illicit trafficking activities, particularly in border regions, that would allow for the free movement of virtually any product across the northern tier of South America through Central America and across the Homeland’s southern border;
- The creation of numerous financial institutions and monetary mechanisms designed to aid Iran in avoiding the impact of multilateral sanctions;
- The expansion of diplomatic ties across the region with credible reports that these facilities are being used as sanctuary for accredited diplomats who belong to the Qods Force and other Iranian intelligence services;
- The establishment of multiple agreements to permit economically unwarranted Iranian shipping activities in the region, primarily run by sanctioned shipping lines controlled by the IRGC and known to be used to further Iran’s illicit nuclear ambitions;

Assumption Undergirding the Findings

In order to understand the lens through which the major findings should be viewed it is necessary to understand the assumptions that undergird those findings, assumptions that were arrived at in light of the research we conducted, not prior to it. These assumptions are based on open source research as well as confidential interviews and the justification laid out clearly in the previous trip reports, monthly reports and interim briefing. As described below, many of the statements of intention come from official government sources. While such statements do not necessarily reflect the capacity to undertake the stated actions, we view them as statements of intention to be taken seriously.

--Given the publicly stated intent of the Bolivarian nations to not comply with the United Nations trade sanctions on Iran, expressed at a joint meeting of foreign ministers in Tehran on July 14, 2010, we assume that the economic ties with Iran will deepen.

In a joint statement the foreign ministers of Venezuela, Bolivia, Ecuador, Nicaragua and other members of the Chávez-led ALBA alliance vowed to “continue and expand their economic ties with Iran.” “We are confident that Iran can give a crushing response to the threats and sanctions imposed by the West and imperialism,” Venezuelan foreign minister David Velásquez said at a joint press conference in Tehran.¹

¹ “Venezuela/Iran ALBA Resolved to Continue Economic Ties with Iran,” *Financial Times Information Service*, July 15, 2010.

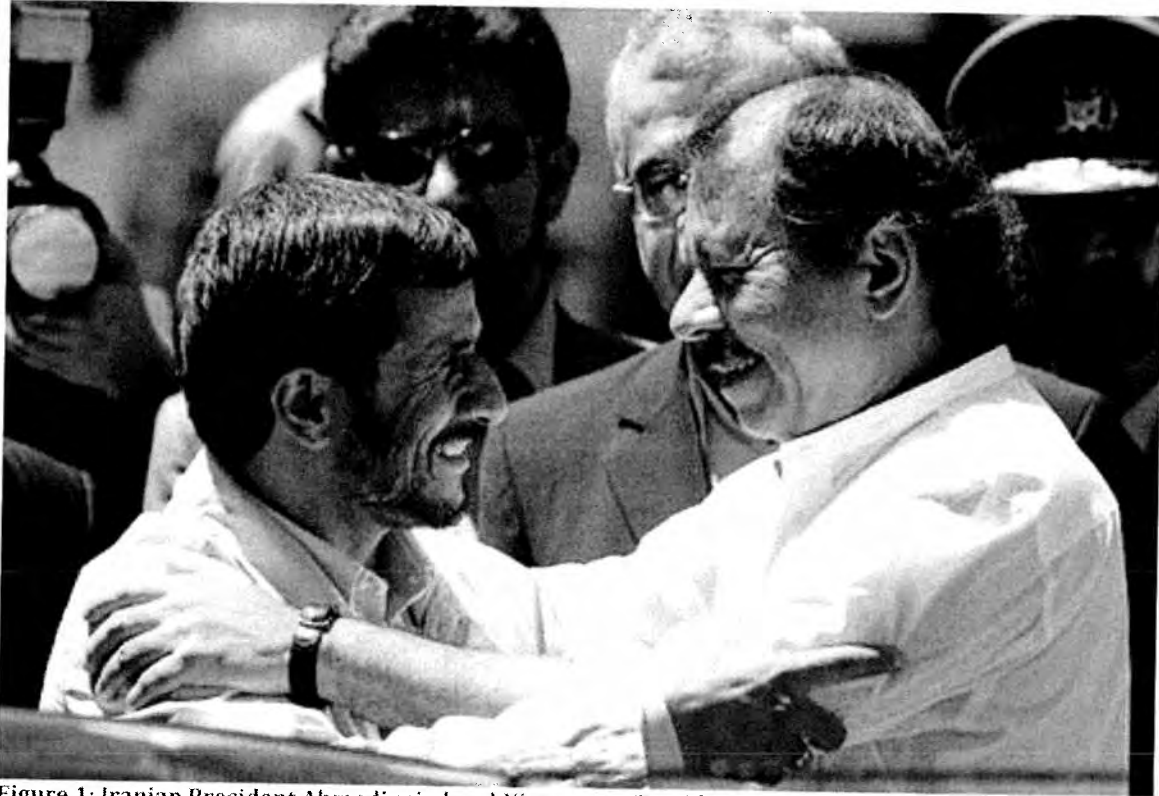


Figure 1: Iranian President Ahmadinejad and Nicaraguan President Ortega embrace during Ortega's state visit to Iran in 2010.

--Given the stated hatred for the United States by Iran and the Bolivarian leaders, including the adoption of an express military doctrine of waging "Asymmetrical Warfare" through WMD against the Homeland by the Chávez government in Venezuela and the Morales government in Bolivia, we assume the intent to carry out hostile activity exists.

The central book in this 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 Verstrynge.² The book lauds radical Islam (as well as past terrorists like Ilich Ramírez Sánchez, better

² Verstrynge, born in Morocco to Belgian and Spanish parents, began his political career on the far right of the Spanish political spectrum as a disciple of Manuel Fraga, and served as a national and several senior party posts with the Alianza Popular. By his own admission he then migrated to the Socialist Party, but never rose through the ranks. He is widely associated with radical anti-globalization views and anti-U.S. rhetoric, repeatedly stating that the United States is creating a new global empire and must be defeated. Although he has no military training or experience, he has written extensively on asymmetrical warfare.

known as Carlos the Jackal)³ 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. Chávez has openly admitted his admiration for Ramírez Sánchez, who is serving a life sentence in France for murder and terrorist acts.⁴

Central to Verstrynge's idealized view of terrorists is his regard for the willingness of the fighters to sacrifice their lives in pursuit of their goals as sacred. Before writing extensively on how to make chemical weapons and listing helpful places to find information on the manufacture of rudimentary nuclear bombs that "someone with a high school education could make," Verstrynge writes:

We already know it is incorrect to limit asymmetrical warfare to guerrilla warfare, although it is important. However, it is not a mistake to also use things that are classified as terrorism and use them in asymmetrical warfare. And we have super terrorism, divided into chemical terrorism, bioterrorism (which uses biological and bacteriological methods), and nuclear terrorism, which means "the type of terrorism uses the threat of nuclear attack to achieve its goals."⁵

In a December 12, 2008 interview with Venezuelan state television, Verstrynge lauded Osama bin Laden and al Qaeda for creating a new type of warfare that is "de-territorialized, de-stateized and de-nationalized," a war where suicide bombers act as "atomic bombs for the poor."⁶

³ It is worth noting that Chávez wrote to Ramírez Sánchez in 1999, expressing his admiration for the terrorist, signing off, "with profound faith in the cause and in the mission--now and forever." The letter set off an international furor. See: "Troops Get Provocative Book," *Miami Herald*, Nov. 11, 2005.

⁴ Ian James, "Chavez Praises Carlos the Jackal," Associated Press, November 21, 2009, accessed January 24, 2011, at: <http://www.independent.co.uk/news/world/americas/chavez-praises-carlos-the-jackal-1825135.html>

⁵ Verstrynge, op cit., pp. 56-57.

⁶ Bartolomé, op cit. See also: John Sweeny, "Jorge Verstrynge: The Guru of Bolivarian Asymmetric Warfare," www.vcrisis.com, Sept. 9, 2005; and "Troops Get Provocative Book," *Miami Herald*, Nov. 11, 2005.

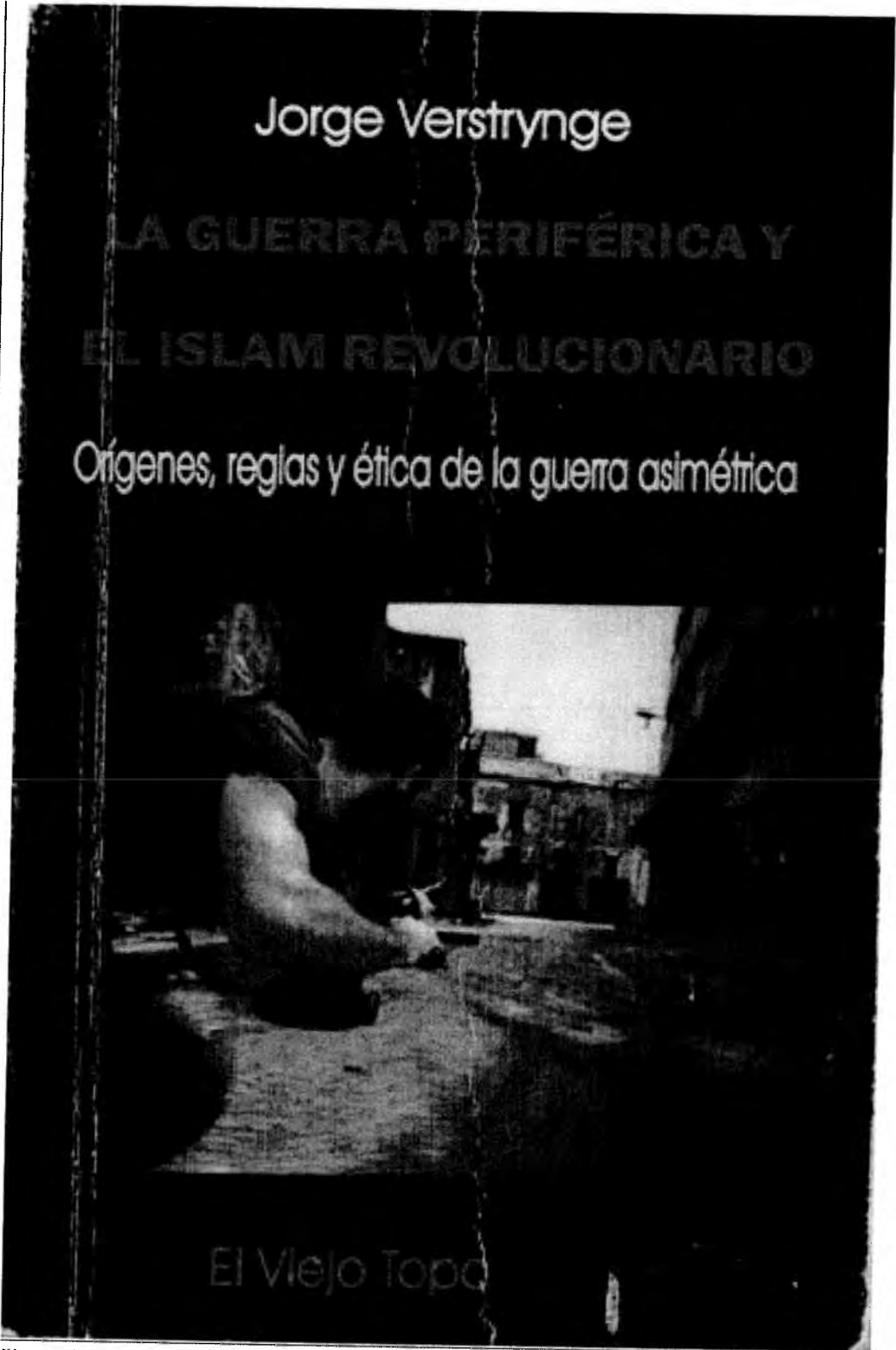


Figure 2: Cover of Jorge Verstrynge's book, *Peripheral Warfare and Revolutionary Islam: Origins, Rules and Ethics of Asymmetrical Warfare*

Chávez liked the book so well he had a special pocket-sized edition printed and distributed to the Venezuelan officer corps with express orders that it be read cover to cover.

--Given the FARC's adoption of the same book as part of its training/ideological courses for mid-level cadres in the past six months (for the first time);⁷ the new FARC leadership's more open endorsement of a tactical alliance with radical Islamist groups;⁸ and the FARC's long-standing desire and capacity to build alliances, exchange technologies and lessons learned with other terrorist and criminal groups (ETA of Spain, Irish Republican Army, the Sinaloa cartel of Mexico)⁹ we assume the group is open to an alliance with Hezbollah and other radical Islamist organizations.

--Given the FARC's clear ties to Chávez and the senior military leadership of Venezuela and the declared closeness of Chávez, Morales and Ortega with President Ahmadinejad of Iran, and Iran's well documented ties to supporting and directing Hezbollah, we assume that state sponsorship of a useful exchange of information, lessons learned and tactical and strategic issues is underway among the proxy non-state actors. The Chávez and Ortega governments also maintain significant and overt ties to the ETA separatist movement of Spain, another designated terrorist organization. If it is not currently underway, there is a significant likelihood that such an exchange could take place, and that it could include shared uses of alternatively governed areas for the purposes that serve the state sponsors.

There are multiple open source reports showing this alliance is already underway and the different geographic areas it encompasses. The first is the case of Jamal Yousef, a former Syrian military officer arrested in Honduras after negotiating to sell Hezbollah weapons to the FARC in Colombia. The FARC buyers were, in fact DEA undercover agents.¹⁰

⁷ Farah interviews with sources.

⁸ Farah interviews with senior Colombian officials and recent FARC deserters.

⁹ Douglas Farah, "The FARC's International Relations: A Network of Deception," NEFA Foundation, Sept. 22, 2008.

¹⁰ Anahad O'Connor, "Arrest in Plot to Sell Arms to Terrorists," *The New York Times*, August 19, 2009 and: *United States of America v. Jamal Yousef, AKA "Talal Hassan Ghantou*, United States District Court, Southern District of New York, one count indictment of Narco-Terrorism Conspiracy, July 6, 2009.



Figure 3: Presidents Chávez and Ahmadinejad embrace in one of their frequent meetings.

A second case is Operation Titan, executed by Colombian and U.S. officials in 2008 and still ongoing. Colombian and U.S. officials, after a two-year investigation, dismantled a drug trafficking organization that stretched from Colombia to Panama, Mexico, the United States, Europe and the Middle East. Most of the drugs originated with the FARC in Colombia, and some of the proceeds were traced through a Lebanese expatriate network, to funding Hezbollah.¹¹

--Given the increasing reports of Syrian economic and diplomatic activity in Latin America, a theater where they have had virtually no presence outside Brazil and little comparative advantage in any economic activity, we assume that Syria's activities are tied to helping Iran and Hezbollah expand in the region with the primary purpose of joining the anti-U.S. coalition.

--Given Iran's continued press to develop nuclear weapons and delivery systems, we assume this is an active part of the large-scale effort they are undertaking in a

¹¹ While much of Operation Titan remains classified, there has been significant open source reporting, in part because the Colombian government announced the most important arrests. See: Chris Kraul and Sebastian Rotella, "Colombian Cocaine Ring Linked to Hezbollah," *Los Angeles Times*, Oct. 22, 2008; and "Por Lavar Activos de Narcos y Paramilitares, Capturados Integrantes de Organización Internacional," *Fiscalía General de la Republica* (Colombia), Oct. 21, 2008.

region where Iran has no historic ties, little traditional trade, no cultural or religious affinity and no comparative advantage economically.



Figure 4: President Chávez giving a speech in Syria in July 2010 against the backdrop of a "friendship mural" showing him with Syrian President Bashar Al-Assad.

--Given Iran's covert activities relating to its nuclear program, and the appearance of banking and shipping institutions in the region known to be involved in these covert activities (primarily the Economic Development Bank of Iran and the Sadra shipping conglomerate owned by the Iranian Revolutionary Guard Corps as discussed in the major findings section below), we assume at least some Iran's actions in Latin America are in furtherance of its clandestine objectives.

Almost all of the activities being carried out by Iran in the region are designed to be as opaque as possible and have little public oversight or accountability. The magnitude of the agreements is impressive, numbering several hundred across the region. Yet of the 213 official agreements between Venezuela and Iran that have been publicly announced and signed between 2005- 2010, not one has ever been published in the "Yellow Book," the official registry of international agreements at the Ministry of Foreign Affairs. This means there is a gaping hole in our ability to map Iran's

activities in the country. Given the truncated timeframe for this project, we were unable to obtain the information necessary to comprehensively address this.

It is clear that most of the declared activities of Iran's bilateral and multinational never take place, and often appear to be aimed at distract public opinion or point investigations in a direction away from the few, real projects that are undertaken. Even acquiring the numbers of projects being carried out in other countries is difficult to determine, and often only come to light when investigative journalists (a dying breed in countries where press freedoms are constantly curtailed) publish them or when they are leaked confidentially to researchers.

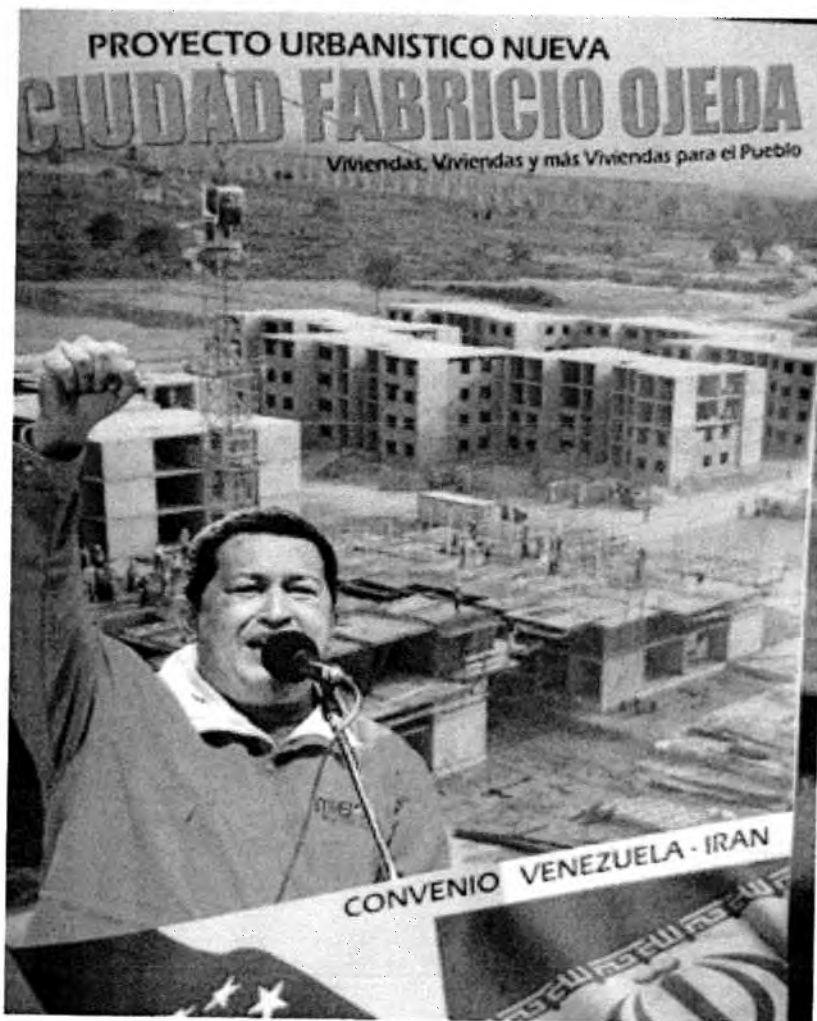


Figure 5: Venezuelan President Hugo Chávez pictured on poster celebrating an agreement between Venezuela and Iran on a public housing project

For example, the public housing project, officially announced by Chávez (see Figure 5), so far has built no houses that can be found. The tractor factory, Veniran Tractor, announced in 2005 and supposed to be producing several

dozen tractors a day, appears to be functional but produces a few hundred a year.

--Given the overt push by Iran, through a variety of Shiite Muslim organizations, to proselytize in the region, particularly among indigenous populations that largely live in strategic border regions, we assume that this is part of larger effort to create a favorable environment for both an Iranian presence and illicit activities. This is particularly true of the Wayuu on the Guajira Peninsula shared by Venezuela and Colombia and close to the Shiite enclaves of expatriate "Lebanese" of Isla Margarita and Maicao in Colombia, both important historic smuggling routes for cocaine, contraband cigarettes, fuel and many other illicit products.¹² Another unusual place for active Shiite proselytizing is among the indigenous populations along the Guatemala-Mexico border, another key pipeline node for illicit products.¹³

While the effort to win converts has had some success and the self-proclaimed group "Hezbollah in Latin America" has hidden its once public websites and may no longer exist as a coherent entity, there is little possibility of mass conversion to Islam. While conversion may be a legitimate goal, it appears to be secondary to creating access to a friendly population that controls key parts of the smuggling pipeline.

An Overview of the Threat

It is important to note the patterns of activities in which Iran is involved, and the lack of a rational economic basis on which to develop them. Each action individually could be seen as an isolated event that does not pose a particular threat or comprise a full course of action, taken together and seen in light of the stated intentions of the main actors (Venezuela and Iran), they pose a significant threat.

¹² Maicao is home to the Mosque of Omar Ibn Al-Khattab , the second-largest in Latin America. For a comprehensive look at the self-proclaimed Wayuu group "Hezbollah in Latin America," see: Manuel R. Torres Soriano, "La Fascinación por el éxito: El Caso de Hezbollah en America Latina," Universidad Pablo de Olavide de Sevilla (Spain), Jihad Monitor Occasional Paper No. 1, October 17, 2006. In a 2006 statement, the group proclaimed:

We Latin American Muslims have to take up arms to defend Islam and Muslims. The time for neutrality and passivity has passed, and our indifference to the conflict that Islam and Muslims are living. Latin American Muslims will take a leading role in the Latin American Jihad against the West, enemy of Islam. We Latin American Muslims place ourselves at the front lines of the battle, at the side of our Arab brothers. If we share prayers with them, we have even greater reason to share the battles for Allah. We join the armies of the Mujahedeen to combat bravely with our Iraqi, Iranian, Lebanese and Palestinian brothers...If the United States does not cease its efforts to invade Iran, our Islamic theocracy we will attack them in Latin America and inside the United States, and we have the means to do that. Our offensive can include the cutting off of oil provisions from Latin America to the United States.

See: "Comunicado de Hezbollah Venezuela a Centro Simón", August 22, 2006.

¹³ Susan Ferriss, "Links to Mayan, Moorish Roots Survive Centuries of Oppression,," *The Atlanta Journal-Constitution*, Aug. 12, 2002



Figure 6: Iranian President Ahmadinejad and Bolivian President Morales enjoy a laugh.

This threat is amplified because both states have significant relationships with non-state armed actors, allowing for a significant amount of state-sanctioned

The threat of a nuclear Venezuela is distant, although the intention to become one is clear in multiple statements (as is the stated intention of Bolivia). Most experts in the literature reviewed do not believe that, even with Russian and Iranian aid such a mission could be accomplished in less than 10 years.

But the public intention remains clear. In late September 2008, Prime Minister Vladimir Putin of Russia and Chávez announced joint plans to build nuclear plants in Venezuela. Atomstroyexport, the same company building the Bushehr nuclear power plant in Iran, will be the project operator.¹⁴

In September 2009 Chávez announced that Venezuela and Iran would jointly build a "nuclear village" in Venezuela and pursue nuclear technology together.¹⁵ Morales in Bolivia soon followed suit, declaring after a state visit to Tehran that Iran and Bolivia had agreed to jointly develop nuclear power in Bolivia for peaceful purposes.¹⁶

¹⁴ Russia Izvestia Information, Sept. 30, 2008, and *Agence France Presse*, "Venezuela Wants to Work With Russia on Nuclear Energy: Chavez," Sept. 29, 2008.

¹⁵ Simon Romero, "Venezuela Says Iran is Helping it Look for Uranium," *New York Times*, Sept. 25, 2009.

¹⁶ "Iran to Help Bolivia Build Peaceful Nuclear Power Plant," *Xinhua*, October 31, 2010.

The much more immediate threat is the ability to transport WMD components and individuals to the Homeland through the existing criminal/terrorist pipeline that already is able to move thousands of products and tons of illicit substances across the U.S.-Mexico border. The functionality of the pipeline is greatly strengthened because it enjoys significant state sponsorship and protection. This protection, along with the many “black hole” areas across the region, which will be discussed below, opens multiple opportunities for moving products with impunity.

There is compelling evidence this pipeline is being tested. The most important case was the November 2008 interdiction by Turkey of a shipment of 22 containers bound from Iran to Venezuela. The random check revealed the containers, labeled “tractor parts,” contained barrels of nitrate and sulfite chemicals commonly used for bombs, along with a dismantled laboratory.¹⁷ Because the parts were discovered by random searches of the cargo rather than through intelligence leading to the seizure there is no way to assess what other shipments may have gotten through.



Figure 7: Iranian President Ahmadinejad and Venezuelan President Hugo Chávez Embrace

Perhaps the most immediate utility of Iran’s alliance with the Bolivarian axis, however, is for Iran’s own near-term ends: the ability to minimize the impact of international sanctions, especially on its financial sector; and ability to acquire some necessary minerals to advance their nuclear and military programs; and the breaking of the U.S.-led efforts to isolate the Iranian government by building strategic alliances based on the merging of precepts of radical Shiite Islam and the triumph of the Iranian revolution with the “anti-imperialist” imperative of the Bolivarian states. This specifically centers on Iran’s right to nuclear capacity, a right then extended automatically to the Bolivarian nations, and always couched in terms of peaceful uses of atomic power.

The multiple mining activities of radioactive elements, the significant investment in financial institutions, the recruitment and training of personnel from across the

¹⁷ United States Department of State, Country Reports on Terrorism 2008, published April 2009, p. 105.

region by both Venezuela and Iran, and the constant high-level contact among the Bolivarian leaders and Iran all indicate a desire on the part of both parties (Iran and the Bolivarian states) to form a mutually beneficial alliance.

Of particular concern are the credible reports collected during the project of ongoing and extensive Iranian training and equipping of the intelligence services of the Bolivarian states, particularly Venezuela, Bolivia and Ecuador. This includes both equipment, primarily for communications intercepts, and training trips of Bolivarian state officials to Iran. It is also notable that in Bolivia and Ecuador, knowledgeable sources reported a significant increase in the Iranian military attaches being assigned to the region. This is unusual as these countries traditionally have little military interaction, and an indication of the increasing military-to-military ties that are developing.

The Criminal Pipelines, Porous States and the Illicit Products

The overall ability to move almost anything clandestinely through the existing drug smuggling pipeline from northern South America to the Homeland is extraordinarily high. Those pipelines have expanded to carry multiple products through the same basic infrastructure, including undocumented migrants, weapons, stolen vehicles and illegal wildlife. Therefore, the possibility of them being expanded to carry WMD components (wittingly or unwittingly) is high and the probability of success equally high.

It is clear the same general routes, using the same fixers or intermediaries would be a low risk way to moving components for WMD either close to or inside the Homeland. El Salvador alone (the size of the state of Massachusetts) has more than 250 unmonitored border crossings. It is publicly acknowledged that only about 10 percent to 15 percent of the cocaine making its way to the United States is interdicted, and less than 5 percent of the cash. There are significant "alternatively governed" spaces across most of the major border regions in the area under discussion, where the state is either absent or not engaged in providing a positive presence. These physical spaces are often called "ungoverned," but in fact are governed, although not by a state. Consider the following examples:

- The Colombia-Venezuela border, where the Venezuelan state partners with a non-state actor (the FARC in Colombia, a designated terrorist organization by the United States and Europe) to create free transit zone for cocaine, weapons and personnel. While the Venezuelan state is present in the region, it is in support of a criminal/terrorist organization.
- The Ecuador/Colombia border, where the FARC has relocated several thousand family members of FARC combatants in order to provide a political base for the insurgency inside Ecuador. As the March 1, 2008 bombing of the fixed camp of a senior FARC commander just inside the Ecuadoran border demonstrated, the Ecuador officials were choosing not to exercise a positive

- presence in the region and have remained largely absent as the Mexican cartels operate in the region to buy cocaine directly from the FARC.
- The Darien region between Colombia and Panama is another FARC stronghold and site of multiple FARC kidnappings of U.S. citizens, primarily missionaries.
 - Every major border region across Central America, from Costa Rica/Nicaragua, currently in dispute, to Guatemala/Mexico, where the *Zetas* DTO controls most of the territory.

The odds of success of non-state armed actors moving WMD components, materials or individuals with knowledge of how to construct and deploy WMD are increased significantly if these non-state actors: 1) control the physical space of the recombinate pipelines through which their illicit products flow; and 2) enjoy the overt or tacit support of states or significant state actors. This is particularly true of border regions, where Latin America's principle drug trafficking/terrorist/criminal operate and often predominate.

Even without overt state support, the key transport nodes for illicit products offer multiple ways for moving virtually any product. Major airports such as Comalapa in San Salvador and Albrook airfield near Balboa, Panama have virtually no customs or immigration controls, yet handle large commercial flights, often rerouted there at the last minute at the request of the pilot who had filed a flight plan to a different airport. Such mid-course changes in landing destinations are routinely granted across the region.

Major Findings

The assumptions and framework presented above were arrived at through IASC research in the region. The level of concern for WMD proliferation issues in this contest has risen over time, in part because it has become increasingly clear that many of the Iranian instruments used in the region are closely linked to its ongoing and systematic efforts to acquire banned nuclear material and have already been identified and sanctioned as part of Iran's proliferation efforts.

- 1) Iran and its Bolivarian allies (Venezuela, Bolivia, Nicaragua and Ecuador) in Latin America are systematically engaged in a pattern of financial behavior, recruitment exercises and business activities that are not economically rational and could be used for the movement and/or production of WMD and the furthering of Iran's stated aim of avoiding international sanctions on its nuclear program. As shown below, those Iranian financial institutions engaged in the region have been designated by the United States and/or the United Nations for their participation in Iran's proliferation efforts or to support Hezbollah and other designated terrorist entities. These actions include:

- i. Significant investments in financial institutions in the region that can easily be used to move money from Iran into the world financial sector through the use of banks and joint investment corporations. The financial institutions being used enjoy special protection from the states in which they operate and have no oversight from banking commissions, the congressional branch or the public.
- ii. Among the most important are: the Banco Internacional de Desarrollo (BID) in Venezuela, a wholly owned Iranian bank operating in Venezuela which, after several years of operation, was formally sanctioned by the US Treasury Department but continues to operate; The Economic Development Bank of Iran (EDBI), under US sanction for working its role in helping Iran evade nuclear sanctions and one of the main Iranian owners of BID. EDBI signed agreements with the Central Bank of Ecuador (2008) and the Central Bank of Bolivia (2009) to finance the purchase of Iranian goods (including helicopters and military materiel in the case of Bolivia).
- iii. According to internal documents obtained in Venezuela, the BID's profits have plummeted 96 percent in early 2010, perhaps an indication that U.S. sanctions are having an impact. It maintains only one office in Venezuela (8th Floor, Edificio Dozsa, Avenida Francisco de Miranda, El Rosal, Caracas, telephone +58 212 952 65 62). It still offers a wide variety of banking services, including international transfers, investment advising, automobile loans and others. The board of directors is composed of seven Iranian nationals, while the legal representative is a Venezuelan (identities available from author). It remains exempt from taxes and is, at least on paper, one of the smallest banks in the country, with one office, 14 employees and 313 depositors. Most of its loans are given to Iranian citizens living in Venezuela. However, it does not appear that BID has been completely shut out of the international banking system.

According to local banking industry sources, BID operates correspondent accounts through another government bank, BANDES, which is unsanctioned. This allows BID to move money as if it were of Venezuelan rather than Iranian in origin or from BID.

- iv. Perhaps replacing BID as a major financial vehicle for Iran is the Fondo Binacional Venezuela-Iran (FBVI), established in May 2008 with an initial capital of \$1.2 billion. Each country provided half of the initial capital. This institution is directly managed by Ricardo Menéndez, the minister of Science, Technology and Industry, which is responsible for Venezuela's nascent nuclear program. It is an especially opaque institution, and none of its expenditures pass through the National Assembly or any other outside body for approval or auditing.

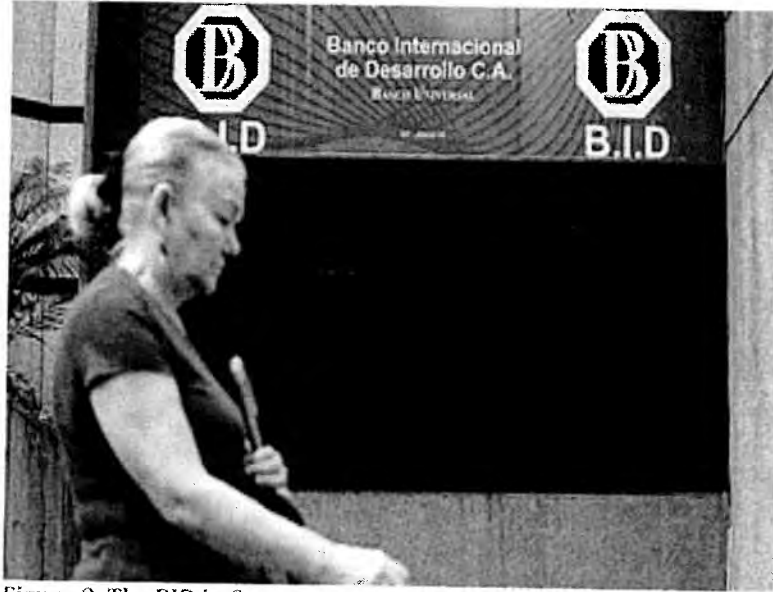


Figure 8: The BID in Caracas.

- v. The FBVI is only one of a host of para-state institutions the Chávez government has set up that are accountable only to the executive. Others include FONDEN, FONDESPA, El Fondo Chino (Chinese Fund), the Belarus Fund and others. Among these, FONDEN (*Fondo de Desarrollo Nacional* or National Development Fund) is by far the most important because it receives direct funding injects from the state petroleum company. So far in 2010 government figures show FONDEN received \$15 billion in money that does not officially form part of the state coffers. Since 2005 and estimated \$63 billion has been put into the fund, and then virtually disappeared from all public accounting.
- vi. Playing a crucial role in Iran's economic activity in the region is the Economic Development Bank of Iran (EDBI), an Iranian financial institution designated by the U.S. Treasury Department's Office of Foreign Assets Control as part of Iran's illegal nuclear proliferation network. The designation states that:

EDBI provides financial services to multiple MODAFL-subordinate entities that permit these entities to advance Iran's WMD programs. Furthermore, the EDBI has facilitated the ongoing procurement activities of various front companies associated with MODAFL-subordinate entities. Since the United States and United Nations designated Bank Sepah in early 2007, the EDBI has served as one of the leading intermediaries handling Bank Sepah's financing, including WMD-related payments. In addition to handling business for Bank Sepah, the EDBI has facilitated financing for other proliferation-related entities sanctioned under U.S. and UN authorities.¹⁸

¹⁸ United States Department of Treasury, "Export Development Bank of Iran Designated as a Proliferator," Press office of the Office of Foreign Assets Control, October 22, 2008.

The BID is reportedly a Venezuelan bank, which the EDBI would have no influence over. In fact, BID, sanctioned by OFAC at the same time as the EDBI, and is wholly owned by Bank Saderat, an Iranian bank under U.S. and UN sanction. The BID was sanctioned because it was deemed by the Treasury Department to be acting on behalf of EDBI. According to an OFAC statement:

Bank Saderat has been a significant facilitator of Hizballah's financial activities and has served as a conduit between the Government of Iran and Hizballah, Hamas, the Popular Front for the Liberation of Palestine General Command, and the Palestinian Islamic Jihad.

Another primary banking relationship is between the Export Development Bank of Iran (EDBI) and the Central Bank of Ecuador, according to an agreement signed in November 2008 but not made public until almost a year later.¹⁹

The heart of the deal is for EDBI to deposit some \$120 million in Ecuador's state bank, to be used to foment export and import activity between the two countries.²⁰ This sum seems unusually high for legitimate commercial activity since total trade between the two nations has never exceeded \$2.3 million, a sum reached in 2003. In 2006 and 2007 Ecuador registered zero exports to Iran and imports of \$27,000 and \$16,000 in those years.²¹

There is a significant part of the agreement that demonstrates how interlinked these banking institutions (EDBI and BID) are, despite Venezuela's public denial of any linkages. Point 6 of the "Protocol of Cooperation" *between the Central Bank of Ecuador and EDBI, EDBI manifests its readiness to establish a branch of Banco Internacional de Desarrollo (BID) in the Republic of Ecuador.*²²

The BID is reportedly a Venezuelan bank, which the EDBI would have no influence over, including where it opened branches. In fact, EDBI can open branches of BID as part of EDBI.

Despite later assurances by the Ecuadoran government to the U.S. Embassy in Quito that the deal was not consummated, and that a branch of BID was not opened, at least not publicly, Ecuadoran banking sources say that Iran is in fact using the Ecuadoran Central Bank to hold Iranian government funds.

¹⁹ Copies of the agreement described here were presented to ASCO in the October update briefing.

²⁰ "Banco Iraní Que Despierta Dudas se Asocia con el Central," *Hoy* (Ecuador), Sept. 7, 2009.

²¹ Montúfar, op cit.

²² Document in possession of the author.

- 2) Iran has sought to establish a independent bi-national agreements in Ecuador and Venezuela to establish joint shipping lines to these countries. The primary company that is used is Sadra Iran Marine Industrial Company, which is majority owned by the Iranian Revolutionary Guard Corps' Khatam al-Anbia force.²³ Sadra is part of the IRGC's shipping conglomerate, the Islamic Republic of Iran Shipping Lines (IRISL), an entity, along with all its constantly shifting components, that have been designated by OFAC for aiding Iran's missile and nuclear programs.

As Stuart Levey, the Treasury Department's Undersecretary for Terrorism and Financial Intelligence, said: "Iran has consistently used its national maritime carrier, the Islamic Republic of Iran Shipping Lines (IRISL), to advance its missile programs and to carry other military cargoes. Some shipments have been stopped, and were clear violations of Security Council resolutions – including arms shipments believed to have been destined for Syria, for transfer to Hizbollah." Levey stated that the sanctioning of IRISL was to "sharpen the focus on another sector that is a critical lifeline for Iran's proliferation and evasion: shipping. Some of Iran's most dangerous cargo continues to come and go from Iran's ports, so we must redouble our vigilance over both their domestic shipping lines, and attempts to use third-country shippers and freight forwarders for illicit cargo."²⁴

Despite this work by Treasury there is very little reporting on Iran's shipping activities in Latin America, despite the fact that Iran makes little effort to hide its actions (see picture below, taken at a public Iran-Venezuela trade exposition in Caracas).

Iran's efforts to establish dedicated shipping lines with individual countries, such as Ecuador,²⁵ where there is virtually no commerce and certainly not enough to sustain a shipping line, raises serious questions in light of Levey's statements.

²³ Ardalan Sayami, "1388: Year of Militarization of Iran's Economy," *Rooz Online*, March 23, 2010, accessed at: <http://www.payvand.com/news/10/mar/1213.html>

²⁴ Stuart Levey, "Iran's New Deceptions at Sea Must be Punished," *Financial Times*, August 16, 2010.

²⁵ On December 7, 2008, Ecuador's minister of foreign affairs and commerce, María Isabel Salvador, and her Iranian counterpart, Masoud Mir Kazem, signed a "Memorandum of Understanding for the Study of a Maritime Shipping Line" between the two countries.

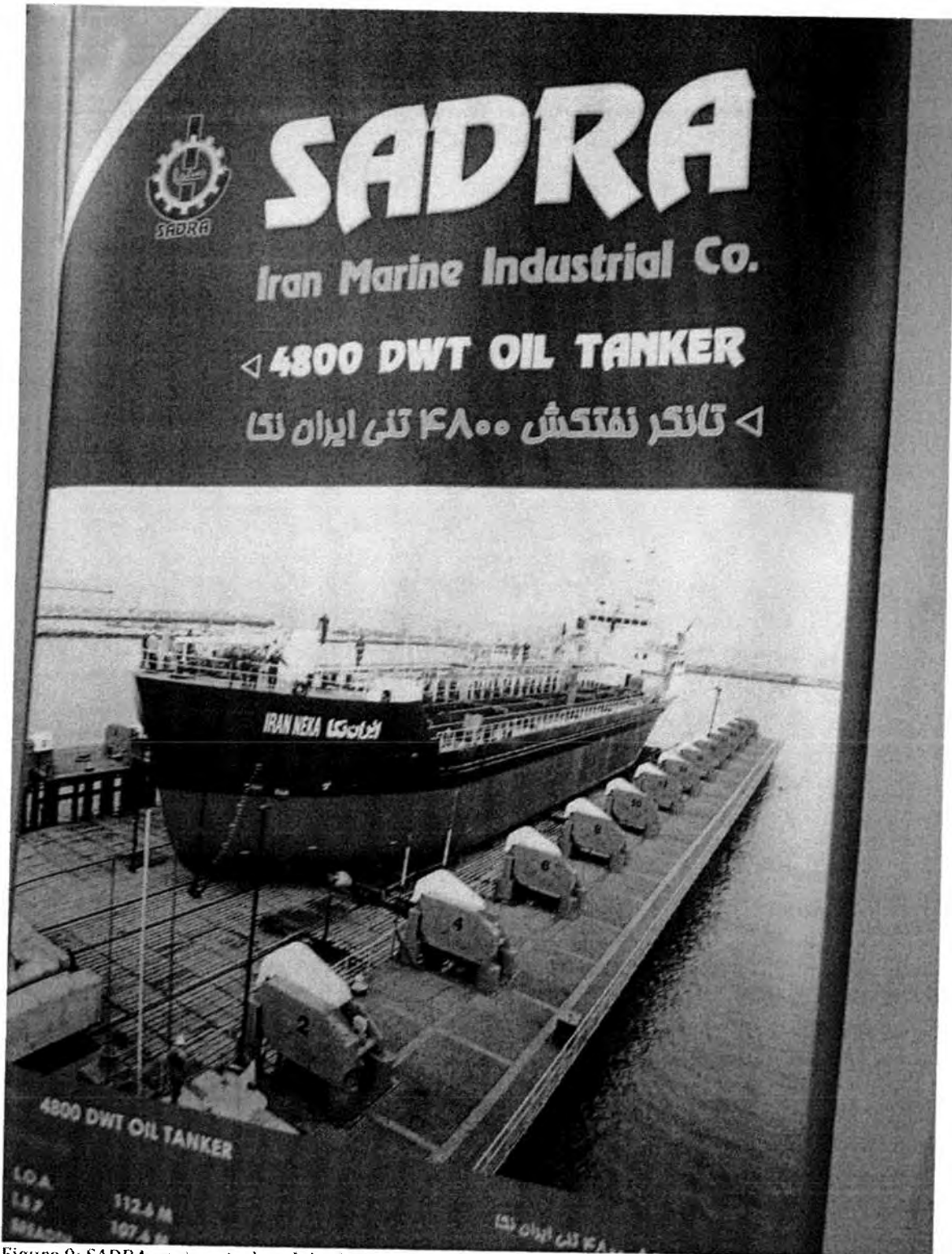


Figure 9: SADRA poster at a booth in the Iran-Venezuela Industrial Fair, August 2010

- 3) Iran appears to be engaged extensively in increasing mining activities in Latin America of minerals that have WMD and/or weapons uses. These include tantalum (Bolivia) and thorianite (Guyana-Brazil-Suriname). Thorianite, a

radioactive rare earth mineral with nuclear applications as part of the thorium group, is being mined in an area where gold is traditionally mined, but the increasing number of Iranians in the region and a sharp increase in requests for gold mining permits has brought some notice to the new mining. Tantalum is used in highly heat resistant alloys and high powered electronic resistors. These are minerals that are found elsewhere, but seem to be being acquired in Latin America, perhaps in order to avoid scrutiny.

There are several other anomalous activities that appear to be linked to the extraction of strategic minerals, particularly in Ecuador and Bolivia. Reliable sources found that a new road with a significantly hardened foundation to allow for heavy truck transport being built between Selva Alegre and Otavalo in Ecuador, a region that has no significant commerce to justify the expense of that sort of road. This type of road construction unusual, and the foundation is about three times the normal strength. Reliable reporting from the ground indicates that the region is rich in vanadium, a mineral used in the inner structures of nuclear fusion reactors as well as to strengthen steel. Several vanadium alloys are also demonstrate superconducting behavior.

- 4) The existence of a deeply entrenched radical Islamist network among the Diaspora communities of Lebanon and Palestine significantly predates the current effort to understand these groups, as does the concern that these groups could be developing operational alliances with the FARC and drug trafficking organizations.
- 5) The Bolivarian states appear to be laying the groundwork for public (internal and international) acceptance of the acquisition of nuclear power, always carefully couched as for peaceful uses. Bolivian president Evo Morales visited Tehran shortly after Venezuelan President Chávez visited Iran and several other staunchly anti-U.S. countries. Both publicly declared their intentions to acquire, in the shortest time possible, nuclear capabilities. This bodes ill for the region, particularly given Iran's ability to keep international inspectors at bay for many years. While much of the current talk may be bluster, it also signals the clear intention of these groups to work with rogue nations to acquire nuclear capacity.
- 6) The Cuban government, with long-standing historic ties to Iran, is increasingly involved in the restructuring and management of the internal intelligence services of the Bolivarian states, particularly Bolivia and Venezuela. There is little understood of the dynamic of the current Iran-Cuba relationship in regard to the Bolivarian states or understanding the cooperation and/or competition between them.
- 7) Syrian nationals appear to be playing an increasing role in Venezuela and other Bolivarian states, perhaps as proxies for Iran and/or Hezbollah or perhaps in pursuit of their own interests.