

Iran In The Western Hemisphere

Oral Testimony of

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Oct. 27, 2009

Before the House Committee on Foreign Affairs

Subcommittees on the Western Hemisphere

The Middle East

Terrorism, Nonproliferation and Trade

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

There is broad agreement that Iran's expanding ties with Venezuela, forged by the personal friendship between presidents Mahmoud Ahmadinejad and Hugo Chávez respectively, anchor the relationships with Ecuador's Rafael Correa and Bolivia's Evo Morales. Iran's relationship with Nicaragua is slightly different, given President Daniel Ortega's long-standing personal relationship with the Iranian revolutionary leaders, dating back to his first term as president (1979-1990).

A second point of general agreement is that Iran, facing international sanctions because of its non-transparent nuclear program, is primarily seeking political support and leverage against the United States, rather than deep economic relationships in Latin America. The exceptions are ventures related to strategic minerals or hydrocarbons.

Related to this is the third point of convergence: Iran's overall dealings on the economic and diplomatic fronts are generally opaque, built on the personal dynamic between Ahmadinejad and Latin American heads of state. These

personalized relationships have largely supplanted institutionalized policies guided by input from the respective congresses or cabinet ministries.

A final, and most important point of agreement is that the primary and sole real point of convergence between Ahmadinejad and Chávez in forging their relationship is their openly declared hostility toward the United States and its allies, particularly Israel. The leaders make a central point of publicly linking the Bolivarian and Iranian revolutions.

This common desire to build an alternative power structure free of the perceived dominance of the "empire," as these leaders call the United States, is the only real reason that populist and self-described revolutionary, staunchly secular governments in Latin America would make common cause with a reactionary, theocratic Islamist regime thousands of miles away.

Trade relations between Latin America and Iran are still minimal, particularly when compared to Latin America's commercial ties to the United States. There is little shared history or religious heritage, and virtually no cultural bonds. Only a shared platform of deep dislike for a common enemy can explain this otherwise improbable alliance.

In my written testimony I discuss the relationships among Chávez, the Revolutionary Armed Forces of Colombia (FARC) -- a designated terrorist organization by the United States and the European Union, -- Hezbollah activity in Venezuela and the military doctrine based on radical Islamist strategies embraced and adopted as military doctrine by Chávez. I would like to focus here on the financial institutions and relationships that Iran is establishing in Venezuela and

other "Bolivarian" nations, particularly Ecuador. This issue was raised last month by Manhattan District Attorney Robert Morgenthau, whose office has several ongoing investigations into Iranian front companies and banks in Latin America.

I want to focus on one series of relationships that highlight this murky, non-transparent web. For some time it has been known that the Banco Internacional de Desarrollo, known as the BID, established in Caracas in September 2007 under highly unusual circumstances, is wholly owned by Iranian financial interests. The Toseyeh Saderat Iran bank owns all the shares and all seven of the bank directors are Iranian citizens, yet the BID is registered as a Venezuelan entity. The Saderat bank group was sanctioned by the U.S. Treasury Department's Office of Foreign Asset Controls (OFAC) and the United Nations as a financial vehicle for the government of Iran to fund Hezbollah, Hamas and other terrorist groups and evade international financial sanctions. The BID itself was sanctioned by OFAC in October 2008 for its links to the Export Development Bank of Iran (EDBI). EDBI was also sanctioned for providing financial support to Iran's Ministry of Defense and Armed Forces Logistics.

Yet the Ecuador newspaper Hoy last month revealed that in December 2008 the Central Bank of Ecuador and EDBI signed a Protocol of Cooperation in which the EDBI agreed to extend credit facilities for \$120 million to help stimulate imports and exports between the two countries. The document commits the nations to find ways to expand the two countries' "mutual banking relations." Article six of the Protocol states: "EDBI manifests its readiness to establish a branch of Banco

Internacional de Desarrollo -- BID -- in the Republic of Ecuador and the Central Bank of Ecuador paves the way for such an act."

Two things stand out: The first is the total amount of exports and imports between Ecuador and Iran over the past two years has been less than \$1 million. So a line of credit for \$120 million is not proportionate to any actual commercial activity. The second thing is that EDBI, as an Iranian bank, is offering to open a branch of the BID in Ecuador, confirming the BID is in fact an Iranian bank rather than a Venezuelan entity.

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

Iran is the primary sponsor of Hezbollah, a terrorist organization that has carried out numerous attacks against American citizens, as well attacks in Argentina. Iran in turn, has a cordial relationship with Chávez, who, in turn has developed a deep relationship with the FARC in neighboring Colombia. Another prominent regional player, Ortega in Nicaragua, has maintained a close relationship with both the FARC and Iran for more than two decades. The common denominators among the state protagonists are a strongly anti-U.S. platform and sponsorship of non-state armed groups operating outside their national borders. It is therefore necessary to ask whether the non-state actors, protected by their state sponsors, will themselves form alliances that will further threaten the stability of the region,

as well as that of the United States. Of primary concern is a possible Hezbollah-FARC alliance, centered on training of armed groups and drug trafficking.

Given Iran's ties to Hezbollah and Venezuela, Venezuela's ties Iran and the FARC, the FARC's history of building alliances with other armed groups, and the presence of Hezbollah and other armed Islamist groups in Latin America, it would be imprudent to dismiss this alignment as an annoyance. It is, instead, a direct and growing threat to the United States and Latin America.