

Iran's Venezuelan Gateway

By Norman A. Bailey

For years, the media and the U.S. government have repeated a familiar refrain: that the regime of now-ailing Venezuelan strongman Hugo Chavez, however annoying, poses no serious threat to the national security of the United States. Compelling evidence, however, suggests otherwise. Under Chavez, Venezuela has systematically opposed U.S. values and initiatives throughout the Western Hemisphere and the world in general. It has tried to influence political events in other Latin American countries, sometimes successfully. It has supported guerrilla movements and terrorist organizations in other countries (most notably Colombia). And it has facilitated the activities of drug traffickers active in the region, even as it has destabilized the regional *status quo* through massive military purchases.

The most dangerous threat to the U.S. from Venezuela, however, results from its facilitation and encouragement of the penetration of the Western Hemisphere by the Islamic Republic of Iran. Since 2005, with Venezuela's assistance, Iran has created an extensive regional network of economic, diplomatic, industrial and commercial activities, with significant effect. The sum total of Iran's declared investments in the region now stands at some \$20 billion, at a time when the Iranian economy itself is in exceedingly poor condition.ⁱ The depths of Iran's involvement in the Western Hemisphere are all the more surprising—and significant—given that there is no historical or cultural affinity whatsoever between Iran and the countries on this side of the Atlantic. Nevertheless, the Iranian regime in recent years has exhibited an unprecedented level of interest and involvement in the region, facilitated by its burgeoning strategic partnership with Caracas.

How Caracas helps Tehran

The most visible and pervasive feature of Iran's regional presence stems from its extensive web of economic contacts, using Venezuela as a beachhead. In April of 2009, Iranian President Mahmoud Ahmadinejad and Venezuelan President Hugo Chavez met in Tehran and inaugurated a binational Iranian-Venezuelan development bank. The institution, erected via an alliance between the Banco Industrial de Venezuela and Iran's Development and Export Bank, was established "with the aim of supporting joint economic, industrial and mining projects as well as speeding up the current projects" between Tehran and Caracas, Iranian state media reported at the time.ⁱⁱ It likewise has facilitated the formation of an entirely Iranian-owned bank, the Banco Internacional de Desarrollo, as well as a binational investment and development fund and the opening in Caracas of offices of Iranian commercial banks.ⁱⁱⁱ In addition, many promises have been made by Iranian officials elsewhere in the "Bolivarian" world, including the establishment of a new port on the Caribbean coast of Nicaragua and industrial installations in Bolivia. In most cases, however, little or nothing has actually been built, or even inaugurated—except in Venezuela.

This economic activism serves several clear strategic purposes for the Iranian regime. First, it allows Tehran to circumvent financial sanctions imposed by the United States, the European Union and the United Nations through the use of the Venezuelan financial system. In doing so, Iran is exploiting an existing loophole in the application of U.S. economic penalties. To date, the U.S. Treasury Department has sanctioned several Iranian banks and various individuals. So far, however, it has not imposed similar restrictions on any Venezuelan banks. As a result, Iran's

partnership with Venezuela effectively provides it with an ancillary avenue through which it can access the international financial system despite Western pressure.

The second purpose is to facilitate the funding of radical organizations and guerrilla movements in the Hemisphere. This includes, first and foremost, Hezbollah, the radical Lebanese militia that serves as Iran's principal terrorist proxy. Over the past three decades, the Iranian regime has facilitated the establishment by Hezbollah of a major regional presence throughout the Americas, and aided and abetted the organization's involvement in a range of illicit activities, from drug trafficking to money laundering.^{iv} (In 2008, for example, the Bush Administration accused Venezuelan diplomat Ghazi Nasr al Din and Venezuelan-Arab businessman Fawzi Kanan of laundering money as well as facilitating the travel of Hezbollah members from Iran to Venezuela.^v) In the last few years, scholarly analysis has also revealed the use of radical mosques in Caracas and elsewhere in Venezuela as a hub for Hezbollah fundraising activities, and more notably the existence of Hezbollah "support cells" on Margarita Island.^{vi} Hezbollah likewise is known to have opened numerous military camps inside Venezuela, as well as in South Lebanon, with the express purpose of training young Venezuelans to attack American targets.^{vii}

Iranian sponsorship is not limited to Hezbollah, however; Hamas and even al-Qaeda have also benefited from Iranian/Venezuelan sponsorship, especially in fundraising from the Islamic communities in various regional states.^{viii} Locally, Iran has also aided the Colombian FARC guerillas through the provision of arms and training in both Iran and necessary for Iran's geo-political expansion into the region, and its investment in several key strategic sectors. These include:

Industrial and mining

The Iranian regime has acquired various "industrial" installations throughout Venezuelan territory, including a "tractor" factory in Bolivar state, a "cement" plant in Monagas, a car assembly plant in Aragua, and a bicycle factory in Cojedes.^{ix} In reality, at least some of these installations have been identified as having been used for illicit purposes (such as the storage of drugs, weapons, and other items) beneficial to Iran and its client organizations, particularly Hamas and Hezbollah.^x In addition, the Islamic Republic has secured control of a gold mine in Bolivar state which is reported to also produce uranium.^{xi} Extensive tuna processing facilities, corn processing plants and a dairy products plant have been purchased by Iran in Sucre, Barinas, Yaracuy, Guarico and Zulia.^{xii}

Transportation

Since the Venezuelan government now controls all of the country's airports and ports, there is no way of knowing what is entering or leaving the country other than what the government itself discloses. Nevertheless, certain telltale activities relating to the burgeoning Iranian-Venezuelan relationship can be observed. They include:

- Weekly flights connecting Caracas and Tehran, stopping in Damascus. These flights, which are alternately Conviasa and IranAir flights, although ostensibly commercial, accept no commercial passengers or freight and land and unload official passengers and cargo without any immigration or customs controls.^{xiii}
- Illicit shipping of armaments and other prohibited goods. On December 30, 2008, for example, Turkish authorities intercepted 22 containers marked "tractor parts" in the port of Mersin—a shipment that in fact contained materials for making bombs and other weapons, bound from Iran to Venezuela.^{xiv} The Iranian shipping line (IRISL) was

subsequently blacklisted by the U.S. government, which caused the Iranian government to form dozens of new shell companies to circumvent the sanctions (many of which have been sanctioned in turn).

Energy

Cooperation in energy lies at the heart of the economic ties between Caracas and Tehran. The Venezuelan state oil company PDVSA and Iranian state oil company PetroPars, for example, have formed a joint venture for the exploration of a block in Anzoategui state.^{xv} Likewise, the Venezuelan petrochemical company PEQUIVEN and the National Petrochemical Company of Iran have formed a joint venture to manufacture plastics in Zulia state and construct a new petrochemical plant in Iran, supposedly with Venezuelan technical advice.^{xvi} Most significantly, Venezuela has announced that it will ignore international sanctions and supply Iran with gasoline—a move that weakens U.S. efforts to pressure Iran by leveraging its deep dependence on foreign refined petroleum.^{xvii}

Technical Assistance

In exchange, Iran has provided key technical assistance to Caracas in the areas of defense, intelligence, security, energy and industry. Among other initiatives, it has agreed to build an explosives plant in Carabobo state, and is known to produce weapons in the “tractor” factory in Bolivar.^{xviii} As well, Iran’s Revolutionary Guards have become involved in training Venezuela’s secret services and police.^{xix} Iran, moreover, is poised to help Venezuela in the area of nuclear power.^{xx} This represents a particularly curious development, given that Iran actually has limited experience in the area of the peaceful use of nuclear energy, and that in any case nuclear power is a well-known and mature technology applied in numerous countries and by numerous companies around the world. It is therefore reasonable to conclude that the “technical assistance” being provided by Iran (and Russia) to Venezuela will be for the purpose of finding and exploiting uranium deposits in the Latin American country.^{xxi} Recent reports that Iran has established missile bases in Venezuela, however, remain unconfirmed.

Drug Trafficking

Iranian involvement in drug trafficking through Venezuela, to Central America, Mexico, the U.S., the Caribbean and to Europe through West Africa is both extensive and well-documented.^{xxii} The proceeds of this illicit trade are used to finance further penetration of Iranian interests into the region, as well as to at least partially fund the terrorist organizations mentioned above. Detailed Drug Enforcement Agency and United Nations studies have reported on the extensive drug trade from eastern Venezuela to West Africa, and then onward to Europe. Supply for this pipeline is believed to come from Iranian installations in the delta of the Orinoco River, where “tuna” boats and other vessels load cocaine from Iranian installations and then sent upstream.^{xxiii} Other narcotics routes through Venezuela similarly channel cocaine via Santo Domingo (Haiti and the Dominican Republic) to the Gulf Coast of the United States and the west coast of Florida.^{xxiv} Cocaine is also flown or shipped through Central America, particularly Honduras and Guatemala, into Mexico and the U.S.^{xxv} Protection of the drug trade by the Venezuelan National Guard is so prevalent and notorious the Guard is sometimes referred to as an additional drug cartel (*Cartel de los Soles*, after the National Guard insignia of rank).^{xxvi}

Branching out beyond Venezuela

Iran's activities in Latin America are most robust in Venezuela and its immediate neighborhood. However, Iran also boasts a complex web of activities (both political and illicit) throughout the Americas. Recent activities include:

- The opening of a branch of the Iranian Development and Export Bank in Quito, Ecuador.^{xxvii}
- The opening of Iranian embassies in Nicaragua, Ecuador and Bolivia.^{xxviii} The Nicaraguan embassy in particular is known to serve as the base for Iranian activities in the rest of Central America and Panama, and its “diplomats” are believed to be primarily intelligence agents and agents of influence operating in the subregion.^{xxix}
- The construction of numerous warehouses for drugs, masked as legitimate construction businesses, throughout Central America.^{xxx}

In addition, there are Iranian projects for ports in Nicaragua, petrochemical facilities in Ecuador, and a cement plant and uranium exploration and mining in Bolivia.^{xxxi} In November of 2009, an Iranian delegation visited Brazil, to “strengthen economic and cultural ties” with that country, and several economic agreements—some of which would appear to violate international sanctions imposed on Iran—were signed.^{xxxii}

Frequent visits by Iranian government officials to various countries in Latin America and visits by Latin officials to Tehran in the past two years have resulted in a large number of other agreements and projects. These have included the take-over a Canadian mining concession in Guyana^{xxxiii}; the provision of a \$250 million loan to Bolivia for the construction of one dairy and multiple industrial plants,^{xxxiv} as well as an expansion of radio-communications coverage of the country for the government.^{xxxv} In return, Iran has been granted extensive mining exploration and exploitation rights by the Bolivian government.^{xxxvi}

Trade and investment missions likewise have been exchanged with Uruguay, Paraguay and Brazil, and all three countries have responded favorably to Iranian initiatives (although the Uruguayan Congress condemned a declaration by the Iranian ambassador denying the reality of the Holocaust). Argentina also, despite Iranian involvement in the bombings of the Israeli Embassy and a Jewish community center in Buenos Aires in 1992 and 1994, has been trying of late to improve ties with Iran, even offering to put aside the state investigation into the bombings.

Finally, and perhaps most significantly, the Lebanese-based terrorist organization Hezbollah has been permitted to establish a base in Cuba to add to its installations in the island of Margarita in Venezuela and the “tri-border” region between Paraguay, Brazil and Argentina.^{xxxvii}

However, it is gradually becoming obvious throughout the continent that many of Iran's promises over the years, such as the construction of a Caribbean port in Nicaragua, 10,000 houses in Venezuela and refinery installations in various countries, simply have not materialized. This has not noticeably affected relations between the affected countries and Iran, however, since these relations are primarily ideological. The exception to this rule is Venezuela, where substantial Iranian investments have in fact been made in a variety of economic and industrial sectors.

Formulating a response

Over the past several years, Iran's thriving relationship with Venezuela—and its further expansion from there into the region—has succeeded in catching the attention of policymakers in Washington. So far, however, little by way of concrete responses has emerged to counter the extensive web of illicit activity and strategic connections that Iran has made in Venezuela and throughout Latin America.

Responding to this threat requires the United States and allied governments to complicate Iranian access to the Americas, and penalize those involved in facilitating Tehran's intrusion. This includes measures such as the designation of certain Venezuelan banks and affiliates by the U.S. Treasury Department and other agencies for their role in facilitating Iranian illicit activity, and even the outright declaration of Venezuela as a state sponsor of terrorism—a move that would open the door for the U.S. to take more direct and punitive action against the Chavez regime for its collusion with both Iran and Hezbollah. This potentially includes a boycott of Venezuelan oil exports to the United States; for the U.S, these deliveries (currently only some 850,000 barrels daily) could easily be made up with equivalent amounts released from the U.S. Strategic Petroleum Reserve. By contrast, such a move would have a much more pronounced impact on the Venezuelan economy.

Closer monitoring of Iranian activities in the Hemisphere, and an expansion of intelligence resources throughout Latin America, is also necessary to better understand—and track—the Iranian regime's regional presence. This includes maritime patrols of the mouth of the Orinoco River designed to complicate and disrupt existing trafficking routes currently being utilized by Iran.

Such steps should be implemented without delay. For it has become abundantly clear that Iran's penetration into the region, and Venezuela's facilitation of it, represents a real—and growing—security threat to the United States, as well as to the rest of the Hemisphere.

Dr. Norman A. Bailey is President of the Institute for Global Economic Growth and Adjunct Professor of Economic Statecraft at the Institute of World Politics in Washington, DC. He previously served at the National Security Council and in the Office of the Director of National Intelligence.

ⁱ For more, see Norman A. Bailey, "Chapter 3: What Are the Persians Doing Over Here?" *Stability OPS in the Western Hemisphere* (Center for Army Lessons Learned, February 11-15, 2011), http://usacac.army.mil/cac2/call/docs/11-15/ch_3.asp.

ⁱⁱ "Iran, Venezuela Launch Joint Development Bank," Agence France Presse, April 3, 2009, http://www.google.com/hostednews/afp/article/ALeqM5iskmQ6xtdC4Ebzc799pWYG_RSMXg.

ⁱⁱⁱ B.I.D. Banco Internacional de Desarrollo C.A., n.d., <http://www.bid.com.ve/index.htm>.

^{iv} For a detailed overview, see Ilan Berman, "Hezbollah's Inroads Into The Western Hemisphere," American Foreign Policy Council *Iran Strategy Brief* No. 4, August 2011, <http://www.afpc.org/files/getContentPostAttachment/212>.

^v Martin Arostengui, "U.S. Ties Caracas to Hezbollah Aid," *Washington Times*, July 7, 2008, <http://www.washingtontimes.com/news/2008/jul/07/us-ties-caracas-to-hezbollah-aid/?page=all>.

^{vi} Julio A Cirino, Silvana L. Elizondo, and Geoffrey Wawro, "Latin America's Lawless Areas and Failed States," in Paul D. Taylor, ed. *Latin American Security Challenges: A Collaborative Inquiry from North and South* (Newport, RI: Naval War College Newport Papers 21, 2004), 22-23.

-
- vii Ely Karmon, "Iran and Its Proxy Hezbollah: Strategic Penetration in Latin America," Real Institute Elcano *Working Paper*, April 15, 2009, <http://www.ict.org.il/Articles/tabid/66/Articlsid/677/currentpage/4/Default.aspx>.
- viii Jaime Daremblum, "Iran and Latin America," The Hudson Institute, January 2011, http://www.hudson.org/files/publications/Iran_Latin_America_Daremblum_Jan2011.pdf
- ix Bailey, "Chapter 3: What Are the Persians Doing Over Here?"
- x Author's personal correspondence and contacts with regional experts, ongoing.
- xi Bret Stephens, "The Tehran-Caracas Nuclear Axis," *Wall Street Journal*, December 15, 2009, <http://online.wsj.com/article/SB10001424052748704869304574595652815802722.html>.
- xii See, for example, Casto Ocando, "Possible Nuclear Cooperation Between Venezuela, Argentina and Iran," *Univision*, July 12, 2001, <http://univisionnews.tumblr.com/post/7546036783/possible-nuclear-cooperation-between-venezuela>.
- xiii Dugald McConnell and Brian Todd, "Venezuela Defends Controversial Flights to Iran and Syria," CNN, August 21, 2010, http://articles.cnn.com/2010-08-21/world/venezuela.flights.iran_1_flights-islamic-revolutionary-guards-syria?_s=PM:WORLD.
- xiv Stephens, "The Tehran-Caracas Nuclear Axis."
- xv "PDVSA, Petropars Sign Accord to Certify Orinoco Crude Reserves," *Business News Americas*, December 5, 2005, http://www.bnamericas.com/news/oilandgas/PDVSA_Petropars_sign_accord_to_certify_Orinoco_crude_reserves.
- xvi Bailey, "Chapter 3: What Are the Persians Doing Over Here?"
- xvii Tim Padgett, "Chavez to Iran: How About Some Uranium?" *Time*, October 8, 2009, <http://www.time.com/time/world/article/0,8599,1929256,00.html>.
- xviii Author's personal correspondence and contacts with regional experts, ongoing.
- xix "Iran Using Venezuela Ties To Duck Sanctions: Report," Associated Press, December 21, 2008, <http://www.google.com/hostednews/afp/article/ALeqM5h1fferlbgisi06XFgTklu3hbatA>.
- xx Sarah Diehl, "Venezuela's Search for Nuclear Power – Or Nuclear Prestige," The Nuclear Threat Initiative, May 7, 2009, <http://www.nti.org/analysis/articles/venezuelas-search-nuclear-power/>
- xxi Simon Romero, "Venezuela Says Iran Is Helping It Look for Uranium," *New York Times*, September 25, 2009, <http://www.nytimes.com/2009/09/26/world/americas/26venez.html>
- xxii See, for example, Michael Braun, "Counternarcotics Strategies in Latin America," testimony before the House Committee on International Relations Subcommittee on Western Hemisphere, March 30, 2006, <http://www.justice.gov/dea/pubs/cngrtest/ct033006.html>.
- xxiii Author's personal correspondence and contacts with regional experts, ongoing.
- xxiv "Drug Control: U.S. Narcotics Cooperation with Venezuela Has Declined," United States Government Accountability Office Report to the Ranking Member, Committee on Foreign Relations, U.S. Senate, July, 2009, <http://www.gao.gov/new.items/d09806.pdf>
- xxv Author's personal correspondence and contacts with regional experts, ongoing.
- xxvi "Drug Control: U.S. Narcotics Cooperation with Venezuela Has Declined."
- xxvii "Iranian State-Run Bank to Open Branch in Ecuador," *People's Daily* (Beijing), September 10, 2009, <http://english.peopledaily.com.cn/90001/90778/90858/90864/6753646.html>.
- xxviii Samuel Logan, "Iran's Latin America Inroads," *International Relations and Security Network*, April 9, 2009, <http://www.isn.ethz.ch/isn/Current-Affairs/Security-Watch-Archive/Detail/?lng=en&id=99532>.
- xxix Event Transcript, "Venezuelistan: Iran's Latin American Ambitions," The Hudson Institute, Washington, DC, April 15, 2010, <http://www.hudson.org/files/publications/41510%20Venezuelistan%20Event%20Transcript.pdf>.
- xxx Author's personal correspondence and contacts with regional experts, ongoing.
- xxxi Mark P. Sullivan, *Latin America: Terrorism Issues* (Congressional Research Service, February 23, 2011), <http://www.fas.org/sgp/crs/terror/RS21049.pdf>.
- xxxii "Iran Deepens Bilateral Relations With Several G-15 Countries," *G-15 Bulletin*, November 2009, <http://www.g15.org/bulletinnovember09.pdf>.

-
- xxxiii Jose Cardenas, "Iran in Latin America No Laughing Matter," *InterAmerican Security Watch*, January 11, 2012, <http://interamericansecuritywatch.com/iran-in-latin-america-is-no-laughing-matter/>.
- xxxiv Sullivan, *Latin America: Terrorism Issues*.
- xxxv See the Bolivia chapter in the American Foreign Policy Council's *World Almanac of Islamism*, accessible online at <http://almanac.afpc.org/Bolivia>.
- xxxvi "Iran Approves \$254 mln Credit for Bolivia," *China Daily* (Beijing), August 31, 2010, http://news.xinhuanet.com/english2010/world/2010-08/31/c_13470827.htm.
- xxxvii Menachem Gantz, "Report: Hezbollah Opens Base in Cuba," *Yediot Ahronot* (Tel Aviv), September 1, 2011, <http://www.ynetnews.com/articles/0,7340,L-4116628,00.html>.



THE UNIVERSITY CLUB OF WASHINGTON, DC 1904 A CAPITAL TRADITION FOR OVER 100 YEARS 2011

1135 Sixteenth Street, NW Washington, DC 20036
Phone 202/862-8800 Fax 202/296-2347

FAX COVER SHEET



Elevate the mind
Indulge the body
Soothe the soul
...SAGE

Contact
202-787-1SPA

CLUBHOUSE DRESS CODE:

No Denim, No Athletic Shoes and
No Shorts are permitted.
Creased slacks and a collared shirt
are required for gentlemen,
appropriate equivalent attire for ladies.
Jackets are *only* required
for lunch & dinner in

THE WILLIAM HOWARD TAFT DINING ROOM

Over-Night Guest Rooms

Call 202/862-8800 for details.
Group Blocks Available!

To: Andrew

From: Belmore / Dr. N. Bailey

Date: 2/1/12

Pages: 2 Including Cover 2

Message:

from Dr. N. Bailey

United States House of Representatives
Committee on Foreign Affairs

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee require the disclosure of the following information. A copy of this form should be attached to your written testimony and will be made publicly available in electronic format, per House Rules.

1. Name:	2. Organization or organizations you are representing:
Norman A. Bailey	N/A
3. Date of Committee hearing:	
February 2, 2012	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: 	

Please attach a copy of this form to your written testimony.