

IRAN IN LATIN AMERICA

Border wars: Iran's terror haven in Latin America



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INTRODUCTION

Since the 1979 Iranian revolution led by Ayatollah Khomeini, Iran has worked tirelessly to strengthen its ties with Latin American countries, while also seeking out political allies among the region's left-ist governments that share its hostility toward the US.

In the 1990s, a leading Paraguay political and religious figure, Fernando Lugo, made a historic visit to Iran, a gesture repaid by Tehran through its support for his successful presidential bid in 2008. Nevertheless, diplomatic and economic relations between the two countries remained somewhat modest compared with Iran's ties with other Latin American countries.

However, in the years after it became

the target of international sanctions, Iran realized that it needed a haven for its illegal activities that was out of sight of the global community and immune from legal action. In some Latin American states, it found the ideal staging ground for its illicit operations, especially within the so-called Tri-Border Area of Argentina, Paraguay and Brazil. According to several investigations, Iranian activities being closely monitored in this frontier region range from drug and arms smuggling to money laundering and terrorist training.

This report seeks to shed light on the nature of the political and economic cooperation between Iran and Paraguay, as well as analyze the suspicious activities and operations being carried out by Iran and its proxies, such as Hezbollah, in the Tri-Border Area in general and Paraguay in particular.



Hezbollah mainly benefits from fundraising activities in Paraguay due to the nature of the free trade zone.



POLITICAL AND ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES

Relations between Iran and Paraguay were first established in the 1990s, when Tehran welcomed Fernando Lugo, an outspoken Roman Catholic priest and theologian. During his visit, Mendez praised Ayatollah Khomeini, describing him as “the leader of the modern global revolution.”

However, ties between the two countries strengthened in 2008 after Venezuela and Iran financed Lugo’s presidential campaign, in an attempt by then Iranian President Mahmoud Ahmadinejad to turn Paraguay into an anti-US state alongside other Latin American countries. Ahmadinejad publicly congratulated Lugo on his victory in the presidential race, while Iranian news outlets portrayed Paraguay’s new leader as “the man of God and the enemy of Satan¹.”

In May 2009, Paraguay’s Foreign Minister, Hector Lacognata, told Iranian envoy Morteza Tafreshi that his country was keen to strengthen its diplomatic relations with Iran, adding that Paraguay supported Iran’s resistance against the “imperialist forces.” Tafreshi also noted that Tehran

Former Catholic bishop and Paraguayan presidential candidate for the Patrotic Alliance for Change party Fernando Lugo delivers a speech in Asuncion on April 17, 2008, during the last campaign rally for next April 20 general elections.
AFP

was keen to expand its ties with Latin America, especially Paraguay².

Despite the expressions of mutual support by both countries, no real diplomatic or economic relations were established. Lugo and Ahmadinejad did not voice their support for each other during their time as presidents and no official visits were carried out. The links between the two countries remained modest compared with those involving states such as Venezuela, Ecuador and Bolivia. In addition, there was no trade exchange between the two countries before 2008. Between 2008 and 2009, total Iranian imports from Paraguay amounted to \$35 million, while the Iranian government sent an envoy to Paraguay in early 2009 to discuss possible investments, along with the import of meat and soybeans³.

HEZBOLLAH AND THE TRI-BORDER AREA

The border area between Paraguay, Brazil and Argentina is considered a haven for the activities of Hezbollah, the Shiite group established in Lebanon in 1982. The extremist group, classified as a global terrorist organization by the US and several other



Members of the Islamic community in Argentina shout and hold Hezbollah flags during a demonstration in front of the Israeli Embassy in Buenos Aires, 27 July 2006, protesting against Israel's offensive against Hezbollah and Hamas in Lebanon and in the Gaza Strip respectively. AFP

countries, has mined the frustrations of many Muslims among about 25,000 Arab residents whose families immigrated in two waves, mainly from Lebanon, following the 1948 Arab-Israeli war and the Lebanese civil war in 1975.

An investigation by broadcasters Telemundo and NBC News revealed details of a large-scale smuggling network run by Hezbollah. This network transfers huge sums of money to militia leaders in the Middle East, and finances training camps, propaganda campaigns and bomb attacks in South America. According to US and South American officials, there are fears that the poor border control and rampant corruption in the Tri-Border Area might facilitate the infiltration of Hezbollah terrorists through the southern US border⁴.

Hezbollah mainly benefits from illicit fundraising activities in Paraguay thanks to the strategic geographical location of free trade zones in the Tri-Border Area. The militant group uses the area for money laundering, cybercrime and the promotion of its ideology.

According to a study by Howard Meehan, author of "Terrorism, Diasporas and Permissive Threat Environments: A Study of Hezbollah's Fundraising Operations in Paraguay and Ecuador," Paraguay scores high when it comes to terror fundraising activities, which include hacking, donations, blackmailing and money laundering.

Meehan said that factors contributing to the high level of Hezbollah activity in the region include "the weakness of political institutions, rampant government corruption, weakness of legal frameworks related to terrorism and money laundering, the significance of the location's strategic closeness to the Tri-Border Area, and the proven high level of sectarian and ideological support⁵."

According to Louis Freeh, director of the FBI from 1993 to 2001, US law enforcement and intelligence agencies considered the Tri-Border Area as "a free zone for significant criminal activity, namely people who are prepared to commit acts of terrorism."

Edward Luttwak, a counterterrorism expert with the Pentagon's National Security Study Group, described the Tri-Border Area as Hezbollah's most important base outside Lebanon and the home "of a community of

dangerous fanatics that send their money to support Hezbollah financially."

Luttwak, who is also a terrorism consultant to the Central Intelligence Agency and the National Security Council, has said that "the northern region of Argentina, the eastern region of Paraguay and even Brazil are large terrains, and they have organized training and recruitment camps for terrorists⁶."

Mario Sapriza, Paraguay's deputy interior minister, has acknowledged that the Tri-Border Area is used by Islamist groups as an operations base and that these militant outfits are linked to international terrorist attacks. According to a report by the Federal Research Division of the US Library of Congress, Hezbollah and other extremist groups received between \$50 million and \$500 million from Arab residents in the Brazilian city of Foz do Iguacu, with the funds sent through financial institutions based in neighboring Paraguay between 1999 and 2001⁷.

Paraguay's efforts to combat terror financing were restricted, the report said, due to the country's concerns that already limited resources dedicated to investigating money laundering and government corruption cases would be further stretched.

In addition, there are no laws targeting terror financing or terrorist ideology. However, "Paraguay adopted provisions that cover the conduct that would be considered terrorist acts, but most of these acts do not carry a sentence of more than five years in prison, nor are they considered predicate offenses for money laundering⁸."

In 2010, Paraguay introduced counterterrorism legislation for the first time following the killing of a police informant. However, these laws need further strengthening when it comes to judicial prosecution. Four people were arrested over suspected terrorist financing in 2012, but none was charged.

Meanwhile, laws introduced to target and freeze terrorism financing assets also help Paraguay's Secretariat for the Prevention of Money Laundering to identify and report terror-related activities. Nevertheless, Paraguay is yet to investigate or monitor nonprofit organizations, which are easy targets for terrorism financing purposes⁹.

Hezbollah's activities are tied to a commercial financing network centered in



Aerial view of the Paraguayan city of Ciudad del Este and Friendship Bridge, connecting Paraguay and Brazil through the border over the Parana River. Shutterstock

Ciudad del Este, Paraguay's second-largest city. Authorities investigating the activities of Hezbollah member Assad Barakat highlighted his involvement in the network, which sends funds to Lebanon supposedly to benefit the families of victims of the conflict with Israel. In fact, these funds go toward strengthening Hezbollah's influence and finances.

Authorities in Argentina have expressed similar concerns regarding Hezbollah's activities in Ciudad del Este. Mario Baizan, a former Argentine presidential adviser, described the city as "one of the world's biggest centers for financing of the pro-Iranian group Hezbollah¹⁰."

According to the US Treasury Department, Barakat "threatened Tri-Border Area shopkeepers who sympathize with Hezbollah's cause that their family members in Lebanon would be added to the group's blacklist if they failed to pay their quotas to Hezbollah through him."

The department also noted that "Barakat was the deputy of Hezbollah's financial director, Ali Kazan, and the primary focal point in the Tri-Border Area." Barakat not only acted as treasurer for the terror group, but also was involved in a counterfeiting ring distributing fake US dollars and generating money to fund Hezbollah's operations, in addition to personally sending donations to Lebanon.

Barakat's personal secretary, Sobhi

Mahmoud Fayad, Hezbollah's military commander in the Tri-Border Area, has been arrested at least three times since 1999, once for monitoring the US Embassy in the Paraguay capital Asuncion¹¹.

CONCLUSION

Iran enjoys special relations with numerous Latin American countries, and seeks to benefit from these political systems and further its political agenda by drawing on the hostility toward Western and US interests displayed by some Latin American governments.

The Tehran regime also relies on political support from these governments in international forums when it comes to discussions related to its nuclear program. Although Iran has special links with many Latin American countries, its diplomatic and economic ties with Paraguay have remained relatively modest.

However, Paraguay's importance in the eyes of Iran and its proxy Hezbollah is based largely on the extremist group's illicit operations in the Tri-Border Area, particularly in the Paraguayan city of Ciudad del Este. Reports point to Hezbollah's involvement in a terror financing network based in the city, along with illegal activities including terrorism training, suspicious fundraising, cybercrime, blackmail and money laundering.

FOOTNOTES

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