

House Foreign Affairs Committee
Subcommittee on the Western Hemisphere

Examining the Effectiveness of the Kingpin Designation Act in the Western Hemisphere

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Chairman Cook, allow me first to congratulate you on your recent appointment as the new chairman of this subcommittee. Mr. Chairman, Ranking Member Sires, members of the subcommittee, thank you for the opportunity to testify on behalf of the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance.

In 2011, the U.S. Drug Enforcement Administration (DEA) indicted Ayman Saied Joumaa, a Lebanese-Colombian dual national whose global network of companies operating out of Latin America, West Africa, and Lebanon laundered money for Mexican and Colombian cartels to the tune of \$200 million a month of drug proceeds.¹ Joumaa worked with Hezbollah as the kingpin in one of many networks Hezbollah runs globally to sustain its financial needs. When his case came to light, the *New York Times* quoted a DEA official as saying that Hezbollah operated like “the Gambinos on steroids.”²

The United States cannot continue to combat a threat of such magnitude unless it leverages all its tools of statecraft in a combined, sustained, and coordinated fashion. Over the past decade, Hezbollah’s terror finance outside Lebanon has evolved from a relatively small fundraising operation involving trade-based money laundering and charitable donations into a multi-billion dollar global criminal enterprise.

Increasing quantities of Schedule 2 drugs like cocaine invade the U.S. from Latin America, adding fuel to the opioid pandemic that has already cost so many lives.³ Cocaine consumption is as much a national epidemic as opioids, Mr. Chairman, and Hezbollah helps make it available to U.S. consumers.

This makes Hezbollah, its senior leadership, and its numerous operatives involved in running illicit drug-trafficking and money-laundering operations on a global scale the perfect candidates for Kingpin and Transnational Crime Organization designations, in addition to the terrorism and terror finance designations already in place.

The U.S. government has, over the years, developed remarkably sharp and effective tools to counteract Hezbollah’s terror finance threat, but is not using them as vigorously as it should. The Kingpin Act is one such instrument. But like all other instruments of statecraft, its impact would be much greater if used consistently and in conjunction with other tools. The challenge for Congress, the executive branch, the intelligence community, and law enforcement agencies is to leverage these tools in a manner that will outsmart Hezbollah and disrupt its cash flows enough to inflict irreparable damage to the terror group’s finances.

¹ U.S. Department of the Treasury, Press Release, “Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network,” January 26, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1035.aspx>); see also: U.S. Department of the Treasury, Press Release, “U.S. Charges Alleged Lebanese Drug Kingpin with Laundering Drug Proceeds for Mexican and Colombian Drug Cartels,” December 13, 2011. (<https://www.justice.gov/archive/usao/vae/news/2011/12/20111213joumaanr.html>)

² Jo Becker, “Beirut Bank Seen as a Hub of Hezbollah’s Financing,” *The New York Times*, December 13, 2011. (<http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html>)

³ Nick Miroff, “American cocaine use is way up. Colombia’s coca boom may be why,” *The Washington Post*, March 4, 2017. (https://www.washingtonpost.com/news/worldviews/wp/2017/03/04/colombias-coca-boom-is-showing-up-on-u-s-streets/?utm_term=.d370be3ebe9c)

In pursuit of this goal, America needs to better coordinate the application and enforcement of all instruments available from the formidable toolbox created over the past two decades by legislation and executive orders, including leveraging Executive Orders 13581 and 13773 on combating transnational organized crime, Executive Order 13224 on combating sources of terror finance, the 1999 Foreign Narcotics Kingpin Designation Act, the 2015 Hezbollah International Financing Prevention Act (HIFPA), the Global Magnitsky Human Rights Accountability Act of 2016, and soon the Hezbollah International Financing Prevention Act Amendment of 2017, which is now awaiting reconciliation between its House and Senate versions and which will, once approved, expand on HIFPA.

In doing so, it should focus significantly on the Western Hemisphere, where Hezbollah's global footprint, especially in Latin America, is most menacing.

Hezbollah's regional operations are part of a global network of illicit financial and commercial enterprises whose goal is to fund Hezbollah's activities in the Middle East. Where and when needed, these networks can also be activated to provide logistical support to operatives engaged in planning terror attacks. The United States therefore needs to think and act globally to disrupt Hezbollah's illicit finance networks. Latin America is a very good place to start doing that.

In the remainder of my testimony, I will discuss evidence demonstrating the magnitude of the threat posed by Hezbollah's terror finance to the national security of the United States. I will also provide evidence of the high-ranking nature of Hezbollah's operatives in Latin America – a sure sign of the importance of Hezbollah's Latin American networks to the organization's budget. And I will discuss the impact of U.S. policy and actions on disrupting Hezbollah's terror finance activities. The evidence I am presenting today, hopefully, will highlight both strengths and weaknesses of present U.S. policy and offer ways to improve results.

HEZBOLLAH'S LATIN AMERICAN NETWORKS: DEFINING THE PROBLEM

Hezbollah's involvement in Latin America's drug trade is significant and expanding. The group – often referred to as the “A-Team” of international terrorism – has reportedly formed partnerships with several of the region's most notorious crime syndicates, including Mexico's Zetas,⁴ Columbia's FARC,⁵ and Brazil's Primeiro Comando de la Capital.⁶ Drug trafficking cases involving Lebanese with suspected ties to Hezbollah are increasingly frequent. Evidence indicates that Hezbollah has ties that span the entire illicit narcotics supply chain. U.S. sanctions, as well as court cases in the United States and overseas, have targeted Hezbollah-linked operatives acting as

⁴ Terence Rosenthal, “Los Zetas and Hezbollah, a Deadly Alliance of Terror and Vice,” *Center for Security Policy*, July 10, 2013. (<http://www.centerforsecuritypolicy.org/2013/07/10/los-zetas-and-hezbollah-a-deadly-alliance-of-terror-and-vice/>)

⁵ Jo Becker, “Beirut Bank Seen as a Hub of Hezbollah's Financing,” *The New York Times*, December 13, 2011. (<http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html>)

⁶ Kyra Gurney, “Police Documents Reveal ‘Hezbollah Ties’ to Brazil's PCC,” *Insight Crime*, November 10, 2014. (<http://www.insightcrime.org/news-briefs/police-documents-hezbollah-ties-brazil-pcc>)

logistical and financial service providers,⁷ traffickers,⁸ drug barons,⁹ distributors,¹⁰ and, most recently, suppliers of precursor chemicals used to refine cocaine.¹¹ It seems only a matter of time before Hezbollah-run drug labs emerge, too – the kind that have long been at the center of the group’s operations in Lebanon’s Bekaa Valley.¹²

Hezbollah’s operatives in Latin America play a central role in a new landscape where drug and human trafficking, gun running, illicit cigarette trade, trade-based money laundering, and terror finance can no longer be treated as distinct phenomena. Terror organizations like Hezbollah help criminal cartels and local mafias move merchandise to their markets. They then launder revenues through sales of consumer goods. The profits fund terrorist activities.

Hezbollah’s services come with a fee – and the money collected for acting as the cartels’ middlemen fuels their war machine in Syria, their arms buildup in South Lebanon, and their efforts to carry out terrorist plots abroad. Targets include both Latin America and the U.S., as illustrated by at least two known, recent cases.

First, Peruvian authorities arrested a suspected Hezbollah member, Muhammad Amadar, in October 2014.¹³ Though his trial did not lead to a conviction for terrorism – in April 2017 he was sentenced to six years in prison for falsifying his immigration papers¹⁴ – Amadar was identified by the U.S. Department of the Treasury as a Hezbollah operative and sanctioned in 2016.¹⁵ According to Matthew Levitt of the Washington Institute for Near East Policy, Amadar’s handler for operational planning was Salman al-Reda, aka Salman Raouf Salman, the Lebanese-Colombian dual national and Hezbollah member who was the on-the-ground coordinator for the 1994 terror

⁷ “Interagency Cooperation on Tri-Border Area,” *Wikileaks Cable: 07Asuncion688_a*, August 20, 2007.

(https://wikileaks.org/plusd/cables/07ASUNCION688_a.html)

⁸ Opinion, *United States of America v. Yahya Zaitar*, No. 08-123 (RMC) (D.D.C. filed January 13, 2015).

(https://www.courtlistener.com/pdf/2015/01/13/united_states_v._zaitar.pdf)

⁹ U.S. Department of the Treasury, Press Release, “Recent OFAC Actions,” June 1, 2006.

(<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pagés/20060601.aspx>)

¹⁰ “Libanes cae con 500 kilos de cocaína en aeropuerto Guarani (Lebanese caught with 500 kilos of cocaine in Guarani airport),” *La Nacion* (Argentina), August 19, 2016. (<http://www.lanacion.com.py/2016/08/19/cocaina-aeropuerto-guarani-minga-guazu/>)

¹¹ Daniel Gallo, “Acopiaban más de 80 toneladas de precursores a metros de la frontera (Collected more than 80 tons of precursors a few meters from the border),” *La Nacion* (Argentina), July 25, 2016.

(<http://www.lanacion.com.ar/1921575-acopiaban-mas-de-80-toneladas-de-precursores-a-metros-de-la-frontera>)

¹² Rebecca Collard, “Lebanon’s drug lords say they are ready to join the fight against ISIS,” *Public Radio International*, January 6, 2015. (<https://www.pri.org/stories/2015-01-06/lebanons-drug-lords-say-theyre-ready-join-fight-against-isis>)

¹³ “Presunto miembro de Hezbollah fue detenido en Surquillo (Alleged member of Hezbollah was detained in Surquillo),” *RPP Noticias* (Peru), October 29, 2014. (<http://rpp.pe/lima/actualidad/presunto-miembro-de-hezbollah-fue-detenido-en-surquillo-noticia-737561>)

¹⁴ “Absuelven a Libanes acusado de terrorismo detenido en Surquillo (Lebanese accused of terrorism detained in Surquillo is acquitted),” *El Comercio* (Peru), April 21, 2017. (<https://elcomercio.pe/peru/absuelven-libanes-acusado-terrorismo-detenido-surquillo-415800>)

¹⁵ U.S. Department of the Treasury, “Counter-Terrorism Designations,” October 20, 2016.

(<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pagés/20161020.aspx>)

attack on the AMIA building in Buenos Aires.¹⁶ Amadar met al-Reda numerous times to plan the attack in Peru, which was eventually foiled by his arrest.

On June 1, 2017, U.S. law enforcement authorities arrested Ali Kourani and Samer el Debek, both U.S. citizens, for scouting targets in Panama and the United States, with a view of plotting terror attacks. Potential targets included critical infrastructure such as the Panama Canal, and military and law enforcement facilities in the U.S. Both individuals were identified as members of Hezbollah's Islamic Jihad Organization, a Hezbollah component in charge of overseas operations.¹⁷

Hezbollah has not only been involved in plotting terror attacks and facilitating drug traffic. It has also fueled the type of rampant corruption that the Global Magnitsky Act was designed to counter. To ensure its operations' success in the region, Hezbollah operatives in Latin America routinely buy off local politicians, judges, prosecutors, immigration authorities, border control officers, customs officials, and police. They enjoy considerable political access and impunity from justice, thanks to corrupt and conniving political elites in key Latin American countries. These operatives also rely on a vast network of complicit expatriates who collude in illicit and highly profitable schemes, motivated by a varying mix of familial loyalties, greed, religious zeal, patriotism, and opportunism.

Hezbollah's documented involvement in drug trafficking, the illicit cigarette and tobacco trade,¹⁸ illicit timber¹⁹ and blood diamond trades,²⁰ counterfeit and pirated goods,²¹ and possibly in human and organ trafficking²² is not the work of rogue members or of people who, while possibly sympathizing and even actively making charitable donations to Hezbollah, are not part of the terror group.

Mr. Chairman, Hezbollah's growing involvement in global crime is not a side business operated by greedy operatives gone rogue. It is part of a deliberate strategy endorsed by Hezbollah's highest authorities and managed in hierarchical and highly structured fashion through Hezbollah's

¹⁶ Matthew Levitt, "Hezbollah's Growing Threat Against U.S. National Security Interests in the Middle East," *The Washington Institute for Near East Policy*, March 22, 2016.

(<https://www.washingtoninstitute.org/uploads/Documents/testimony/LevittTestimony20160322.pdf>)

¹⁷ U.S. Department of Justice, Press Release, "Two Men Arrested for Terrorist Activities on Behalf of Hizbullah's Islamic Jihad Organization," June 8, 2017. (<https://www.justice.gov/opa/pr/two-men-arrested-terrorist-activities-behalf-hizballahs-islamic-jihad-organization>)

¹⁸ A 2016 report published by Israel's ministry of health on tobacco issued in Israel states that "illicit trade of tobacco constitutes an important source of funding for Hezbollah." Israel Ministry of Health, "דו"ח שר הבריאות על 2015 העישון בישראל (Report of the Minister of Health on Smoking in Israel)," May 2016, page 134.

¹⁹ "US Consumers Buying Millions of Dollars-Worth of Luxury Timber Linked to Hezbollah Financiers, Global Witness Reveals," *Global Witness*, February 9, 2017. (<https://www.globalwitness.org/en/press-releases/us-consumers-buying-millions-dollars-worth-luxury-timber-linked-hezbollah-financiers-global-witness-reveals/>)

²⁰ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Financial Network," May 27, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg149.aspx>). According to Treasury, the businessman targeted in their designation, Kassim Tajideen, was arrested in Belgium in connection to "fraud, money laundering and diamond smuggling."

²¹ Gregory F. Treverton, "Film Piracy, Organized Crime, and Terrorism," *RAND Corporation*, October 31, 2008. (https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG742.pdf)

²² Matthew Levitt, "South of the Border, a Threat from Hezbollah," *The Journal of International Security Affairs*, May 15, 2013. (<https://www.washingtoninstitute.org/uploads/Documents/opeds/Levitt20130515-JISA.pdf>)

Executive Council and the External Security Organization's Business Affairs Component, which acts under the directions of the Executive Council.

Still, important questions, as far as policymaking is concerned, are: How much does Hezbollah earn? Does Hezbollah still mainly rely on Iran for its funding? How large is its overall operating budget, and how much of it comprises revenue from Hezbollah's illicit activities overseas?

The U.S. Department of the Treasury thought that overseas contributions to Hezbollah from illicit trade were significant enough to pursue. In 2004,²³ and then again in 2006,²⁴ it sanctioned Hezbollah operatives in the Tri-Border Area of Argentina, Brazil and Paraguay, or TBA, who were engaged in a variety of criminal activities to finance the terror group. Their activities included drug trafficking, currency counterfeiting, and racketeering.

At the time, it was estimated that revenue generated through trade-based money laundering and other illicit activities in the TBA yielded roughly \$10 million for Hezbollah, out of an estimated budget of \$100 million a year. A 2004 Naval War College study assessed that "Hezbollah, whose annual operating budget is roughly one hundred million dollars, raises roughly a tenth of that in Paraguay."²⁵ A 2009 RAND study doubled the estimate of money raised mainly in the TBA to \$20 million.²⁶ Regardless of the accuracy of these estimates, Hezbollah's operating expenses have mushroomed since the early 2000s. Hezbollah's financial needs have grown significantly since then, mainly due to the damage suffered in its 2006 war with Israel and, since 2011, due to its deepening involvement in the Syrian civil war.²⁷ Iran's funding has grown along with Hezbollah's needs, but the ebbs and flows of Iranian support,²⁸ combined with pressure from U.S. measures that began hitting Hezbollah's finances in Lebanon in 2015, have meant that Hezbollah's reliance on alternative funding streams has become more critical to its operational needs.

After the 2006 war with Israel, Hezbollah's highest authorities instructed their followers to engage in criminal activity to restore the organization's fighting abilities. Multiple media and law enforcement sources confirm this religious endorsement.²⁹ According to U.S. law enforcement

²³ U.S. Department of the Treasury, Press Release, "Treasury Designates Islamic Extremist, Two Companies Supporting Hizballah in Tri-Border Area," June 10, 2004. (<https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx>)

²⁴ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

²⁵ Paul D. Taylor, "Latin American Security Challenges: A Collaborative Inquiry from North and South," *Naval War College Newport Papers*, accessed May 6, 2017. (<https://www.usnwc.edu/Publications/Naval-War-College-Press/-Newport-Papers/Documents/21-pdf.aspx>)

²⁶ Gregory F. Treverton et al., "Film Piracy, Organized Crime, and Terrorism," *RAND Corporation*, 2009. (http://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG742.pdf)

²⁷ Matthew Levitt, "The Crackdown on Hezbollah's Financial Network," *The Wall Street Journal*, June 27, 2016. (<https://blogs.wsj.com/washwire/2016/01/27/the-crackdown-on-hezbollahs-financing-network/>)

²⁸ Oren Kessler & Rubert Sutton, "Hezbollah threatened by Iran's Financial Woes," *World Affairs Journal*, June 3, 2014. (<http://www.worldaffairsjournal.org/article/hezbollah-threatened-iran%E2%80%99s-financial-woes>)

²⁹ Marco Vernaschi, "The Cocaine Coast," *Virginia Quarterly Online*, Winter 2010. (<http://www.vqronline.org/essay/cocaine-coast>). According to this report, "Most of Hezbollah's support comes from drug trafficking, a major moneymaker endorsed by the mullahs through a particular fatwa. In addition to the production and trade of heroin in the Middle East, Hezbollah facilitates, for a fee, the trafficking for other drug-smuggling networks, such as the FARC and its cocaine trade."

authorities, “since in or around 2006, such narcotics trafficking has been condoned through the issuance of fatwas by radical Islamic clerics.”³⁰ Former U.S. officials familiar with Hezbollah drug trafficking cases told me, under condition of anonymity, that evidence seized in one instance included a written copy of a fatwa by a senior Hezbollah cleric endorsing the drug trade as a legitimate source of funding for the “resistance” – a code word for Hezbollah.³¹

In 2016, the Drug Enforcement Administration (DEA) identified a coherent, hierarchical structure inside Hezbollah that has been in charge of its illicit operations since as early as 2007. The DEA named it the BAC – an acronym for the Business Affairs Component of Hezbollah’s External Security Organization – likely another name for the Islamic Jihad Organization. As stated in a February 2016 DEA press release:

This global network, referred to by law enforcement as the Lebanese Hizballah External Security Organization Business Affairs Component (BAC), was founded by deceased Hizballah Senior Leader Imad Mughniyah and currently operates under the control of Abdallah Safieddine and recent U.S.-designated Specially Designated Global Terrorist (SDGT) Adham Tabaja. Members of the Hizballah BAC have established business relationships with South American drug cartels, such as La Oficina de Envigado, responsible for supplying large quantities of cocaine to the European and United States drug markets. Further, the Hizballah BAC continues to launder significant drug proceeds as part of a trade based money laundering scheme known as the Black Market Peso Exchange.³²

Cases implicating the BAC give a sense of the global footprint of Hezbollah’s illicit activities and offer a glimpse into the size of these operations. They also offer a blueprint for a strong and effective U.S. response to this threat.

In the first case, Treasury sanctioned the Tajideen brothers and their business network, operating mainly out of West Africa, in 2009³³ and then again in 2010.³⁴ In its initial designation, Treasury accused Kassem Tajideen of having contributed “tens of millions of dollars” to Hezbollah. Tajideen was eventually arrested in March 2017 in Morocco and extradited to the United States where he will stand trial. His initial indictment details \$27 million in transactions with U.S.-based companies, where the corporate identity of Tajideen’s business network was concealed.³⁵

³⁰ Verified Amended Complaint, *United States of America v. Lebanese Canadian Bank SAL et al*, 11 Civ. 9186, (PAE), (SDNY filed October 26, 2012). (<https://www.justice.gov/sites/default/files/usao-sdny/legacy/2015/03/25/U.S.%20v.%20Lebanese%20Canadian%20Bank%2C%20et%20al.%20Amended%20Complaint.pdf>)

³¹ Conversation with the author, October 24, 2017.

³² United States Drug Enforcement Administration, Press Release, “DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme,” February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

³³ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” May 27, 2009. (<https://www.treasury.gov/press-center/press-releases/Pages/tg149.aspx>)

³⁴ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Financial Network,” December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

³⁵ Indictment, *United States of America v. Kassim Tajideen et al.*, No. 16-CV-64 (RBW) (D.D.C filed March 7, 2017). (<https://www.justice.gov/opa/press-release/file/952071/download>)

In 2011, Treasury targeted the aforementioned Ayman Joumaa. According to Treasury, Joumaa and his network – which extended to South and Central America, West Africa, and Lebanon – laundered “as much as \$200 million per month” in drug proceeds for Latin American drug cartels.³⁶ Joumaa was eventually indicted³⁷ but remains at large.

On February 1, 2016 the Drug Enforcement Administration announced multiple Hezbollah arrests in an operation involving seven countries.³⁸ The operation disrupted a ring responsible for moving large quantities of cocaine to the United States and Europe. According to a former U.S. official familiar with the case, the ring involved shipments of cocaine to Europe, which were paid for in Euros, and were then transferred to the Middle East by couriers. Hezbollah made more than €20 million a month selling its own cocaine in Europe. It also laundered tens of millions of Euros of cocaine proceeds on behalf of the cartels via the Black Market Peso Exchange, retaining a fee. During multiple arrests conducted across Europe, authorities seized €500,000 in cash, luxury watches worth \$9 million that Hezbollah couriers intended to transport to the Middle East for sales at inflated prices, and property worth millions.³⁹ Money from drug sales was used to buy weapons for Hezbollah in Syria and to fund projects in Iraq run by Adham Tabaja – himself sanctioned in June 2015 for managing investment projects in Lebanon and Iraq on behalf of Hezbollah.⁴⁰

In September 2016, the DEA indicted three Hezbollah members – one, Hassan Mohsen Mansour, was arrested in Paris – who were laundering cocaine proceeds for Colombian cartels. The charges against one of them, Mohammad Ammar, who was extradited to Miami, involved moving half a million dollars of drug money to U.S. banks in order to launder it, but the cash value of their operation was much larger.⁴¹

All these cases involved a sanctions and a law enforcement component. They also relied on unprecedented intelligence sharing and interagency coordination, cooperation with foreign law enforcement and intelligence agencies from allied countries, and the reliance on a panoply of tools drawn from the sanctions arsenal and the USA PATRIOT Act. The platform for this successful model was Project Cassandra, a decade-long operation run by the DEA through the Special Operations Division, a multi-agency coordination center that enables stakeholders from the law

³⁶ Jo Becker, “Beirut Bank Seen as a Hub of Hezbollah’s Financing,” *The New York Times*, December 13, 2011. (<http://www.nytimes.com/2011/12/14/world/middleeast/beirut-bank-seen-as-a-hub-of-hezbollahs-financing.html>). Joumaa’s web of companies included U.S.-based businesses and the Canadian-Lebanese Bank. The combined force of U.S. sanctions, prosecutions, and financial restrictions on the bank eventually crippled Joumaa’s network. Joumaa was indicted in December 2011 but remains at large.

³⁷ Indictment, *United States of America v. Ayman Joumaa*, No. 1:11-CR-560 (TSE), (EDVA November 23, 2011). (https://www.investigativeproject.org/documents/case_docs/1856.pdf)

³⁸ United States Drug Enforcement Administration, Press Release, “DEA and European Authorities Uncover Massive Hizballah Drug and Money Laundering Scheme,” February 1, 2016. (<https://www.dea.gov/divisions/hq/2016/hq020116.shtml>)

³⁹ Information obtained from a former U.S. official familiar with the investigation. See also: David Asher, “Attacking Hezbollah’s Financial Network: Policy Options,” *Testimony before House Foreign Affairs Committee*, June 8, 2017. (<http://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-Wstate-AsherD-20170608.PDF>)

⁴⁰ U.S. Department of the Treasury, Press Release, “Treasury Sanctions Hizballah Front Companies and Facilitators in Lebanon and Iraq,” June 10, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/j10069.aspx>)

⁴¹ David Ovalle, “State: Hezbollah-linked group laundered drug money through Miami banks,” *The Miami Herald*, October 11, 2016. (<http://www.miamiherald.com/news/local/crime/article107366182.html>)

enforcement and intelligence community to share information and cooperate more effectively. This organizational model, and the outcomes it yielded through successful investigations, should be revived and resourced, moving forward, to ensure that U.S. success against Hezbollah operations is not merely tactical.⁴²

Other suspected cases, if links to Hezbollah are confirmed, indicate how large the drug trafficking networks are in Latin America. In some cases, these networks intend to sell drugs inside the United States – a clear sign of how close to home the threat of Hezbollah’s terror finance networks is.

In July 2016, Brazilian authorities arrested Fadi Hassan Nabha, a former Hezbollah Special Forces member wanted for drug trafficking. Brazil did not comment on his Hezbollah links, nor was he prosecuted under terrorism charges, since Brazil does not consider Hezbollah to be a terror group. Nevertheless, Nabha had a long history of drug trafficking – he was first arrested in 2003, in São Paulo, Brazil, in an operation where 42 kilos of cocaine were seized.⁴³ Media reports quoting police sources said at the time of the arrest Nabha’s group was moving between 400 kilos and one ton of cocaine per month, which he and his associates bought, on the Brazilian side of the TBA, at \$2,000 per kilo and sold in Brazil for \$4,500 or in Lebanon for \$60,000 – these are 2003 prices.⁴⁴

In June 2017, U.S. authorities extradited Lebanese-Paraguayan national Ali Issa Chamas to Miami on charges of conspiring to ship cocaine to the United States. At the time of his arrest in Paraguay, Chamas was dispatching a shipment of 39 kilograms of cocaine to Turkey from the Guarani International Airport outside Ciudad Del Este in the TBA. Court documents⁴⁵ show that Chamas was part of a larger network of drug traffickers, likely based in Colombia. Had he not been arrested, Chamas would have dispatched a test run of three kilos of cocaine to a business partner in Houston. Upon successful receipt of the test run, Chamas promised his partner as many as 100 kilos of cocaine a month could be shipped, by air cargo, to the U.S. He noted that “it would take 4 to 5 days to Houston, 2 to 3 days to Miami, 4 days to Toronto, Canada” and indicated that air cargo was the method of transport.⁴⁶

Chamas’ arrest eventually led to the detention, by Paraguayan authorities, of three of his associates. On February 4, 2017 two Turkish nationals were detained in their TBA apartment.⁴⁷ There, police found a press, believed to serve the purpose of liquefying cocaine, and 65 large shampoo bottles,

⁴² A detailed description of Project Cassandra and its achievement can be found in: Derek Maltz, “Attacking Hezbollah’s Financial Network: Policy Options,” *Testimony before House Foreign Affairs Committee*, June 8, 2017. (<http://docs.house.gov/meetings/FA/FA00/20170608/106094/HHRG-115-FA00-Wstate-MaltzD-20170608.pdf>)

⁴³ “Polícia prende dois libaneses com 42 quilos de cocaína (Police apprehend two Lebanese with 42 kilos of Cocaine),” *Folha de S. Paulo* (Brazil), January 23, 2003. (<http://www1.folha.uol.com.br/folha/cotidiano/ult95u67289.shtml>)

⁴⁴ “Denarc apreende cocaína de máfia libanesa (Denarc apprehend cocaine of Lebanese mafia),” *Agencia Estado* (Brazil), January 23, 2003. (<http://brasil.estadao.com.br/noticias/geral.denarc-apreende-cocaina-da-mafia-libanesa.20030123p4658>)

⁴⁵ United States of America’s Factual Proffer for Defendant’s Change of Plea, *United States of America v. Ali Issa Chamas*, No. 16-20913-Williams (November 24, 2017). (<https://ecf.flsd.uscourts.gov/doc1/051118408644>)

⁴⁶ United States of America’s Factual Proffer for Defendant’s Change of Plea, *United States of America v. Ali Issa Chamas*, No. 16-20913-Williams (November 24, 2017). (<https://ecf.flsd.uscourts.gov/doc1/051118408644>)

⁴⁷ “Senad detiene a dos turcos con cocaína líquida en CDE” (Senad arrests two Turkish nationals with liquid cocaine in Ciudad Del Este), *Ultima Hora* (Paraguay), February 6, 2017. (<http://www.ultimahora.com/senad-detiene-dos-turcos-cocaina-liquida-cde-n1060868.html>).

which investigators believe were meant to be used to carry the drugs.⁴⁸ One of the two individuals arrested had photographs of cocaine powder and packaged cocaine in his mobile phone. On April 6, 2017, a fourth individual, also a Lebanese national, was detained in his Ciudad Del Este apartment, while in the company of two others. Media and police reports independently obtained from local sources indicate that Chamas and his associates are suspected of being part of the same trafficking network and to have ties to Hezbollah.⁴⁹

Hezbollah may also have been linked to Latin American drug baron Rafaat Jorge Toumani, a Brazilian national of Syrian descent who was gunned down in the Paraguay-Brazil frontier town of Pedro Juan Caballero in June 2016.⁵⁰ Toumani, at the time, was involved in a \$30-million real estate project with Lebanese partners suspected of links with Hezbollah.⁵¹ The real estate project – a large commercial mall on the border of Paraguay and Brazil – was likely a money-laundering scheme for drug proceeds and floundered once Toumani was assassinated.

Toumani was considered the heir to Fahd Jamil-Georges,⁵² a Lebanese-Brazilian drug lord who controlled much of the Paraguay-Brazil drug transportation land route and whom the United States designated in 2006 under the Kingpin Act.⁵³ The U.S. government considered Jamil-Georges, alongside four other Lebanese clans well rooted in the Brazil-Paraguay border towns, to be “the major actors in drugs and other large-scale crimes;”⁵⁴ the other four families have well-established links to Hezbollah. Despite his Kingpin designation dating back to 2006, Jamil-Georges remains at large and is rumored to live just across the Brazilian border, inside Paraguay, in the city where Toumani was gunned down. Local sources allege that he lives off proceeds from a large local real estate development.

Chamas was in charge of shipping hundreds of kilos of cocaine a month. His associates were also handling significant quantities of cocaine. Toumani was also handling billions worth of cocaine

⁴⁸ “Caen dos narcotraficantes turcos (Turkish narcotraffickers arrested),” *ABC Color* (Paraguay), February 6, 2017. (<http://www.abc.com.py/edicion-impresajudiciales-y-policiales/caen-dos-narcotraficantes-turcos-1562260.html>)

⁴⁹ For more details, see my May 2017 Testimony: Emanuele Ottolenghi, “Emerging External Influences in the Western Hemisphere,” *Testimony before Senate Foreign Relations Committee*, May 10, 2017. (https://www.foreign.senate.gov/imo/media/doc/051017_Ottolenghi_Testimony.pdf); See also: “Extraditarán a Libaés por pertenecer al grupo terrorista Hezbollah,” *Paraguay Noticias*, May 19, 2017. (<http://www.paraguay.com/nacionales/extraditaran-a-libanes-por-pertenecer-al-grupo-terrorista-hezbollah-162907>); Jay Weaver, “Paraguayan man linked to Hezbollah faces drug charges in Miami,” *The Miami Herald*, June 26, 2017. (<http://www.miamiherald.com/news/local/crime/article158334659.html>)

⁵⁰ David Gagne, “Killing of Mysterious Figure Part of Larger Narco War in Paraguay?” *Insight Crime*, June 16, 2016. (<http://www.insightcrime.org/news-briefs/killing-of-mysterious-figure-part-of-paraguay-narco-war>)

⁵¹ “A pesar de pocas ventas, grupo empresarial construye moderno shopping center en Pedro Juan (Under weight of low sales, business group contracts modern shopping center in Pedro Juan),” *Amambay Digital* (Paraguay), March 23, 2013. (<https://www.amambaydigital.com/id-660-cat-1-url-a-pegar-de-pocas-ventas-grupo-empresarial-construye-moderno-shopping-center-en-pedro-juan.html>)

⁵² “Confiscan 847 kilos de cocaína del capomafioso fronterizo Jorge Rafat (847 kilos of cocaine confiscated from frontier mafia head Jorge Rafaat),” *ABC Color* (Paraguay), August 22, 2014. (<http://www.abc.com.py/edicion-impresajudiciales-y-policiales/confiscan-847-kilos-de-cocaina-del-capomafioso-fronterizo-jorge-rafat-1278422.html>)

⁵³ U.S. Department of the Treasury, “Recent OFAC Actions,” June 1, 2006. (<https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pagés/20060601.aspx>)

⁵⁴ “Interagency Cooperation on Tri-Border Area,” *Wikileaks Cable: 07ASUNCION688_a*, August 20, 2007. (https://wikileaks.org/plusd/cables/07ASUNCION688_a.html)

transactions. Assuming links to Hezbollah can be confirmed in all these cases, this is another piece of the puzzle that is Hezbollah's multi-billion dollar drug and money-laundering empire in Latin America.

Mr. Chairman, combating this growing risk to the American homeland needs to be a U.S. policy priority, especially when one considers the scale of Hezbollah's revenues from its global involvement in criminal activities. A September 2017 assessment of Hezbollah finances published by two of my colleagues concluded that Hezbollah's overseas financial networks' contributions to its budget have mushroomed to an estimated 20-30 percent of their overall operating budget, which my colleagues conservatively estimated to be around \$1 billion a year.⁵⁵

An exact figure is hard to come by without access to classified information and knowledge of ongoing investigations. Regardless, it is fair to conclude that proceeds from criminal activities have become a vital source of income for Hezbollah, especially when one looks at available evidence. The cases the U.S. prosecuted in recent years as part of Project Cassandra reveal that Hezbollah was implicated in laundering billions of drug money and moving large quantities of drugs globally.

America needs to recognize the magnitude and scale of this problem and dedicate its best resources to fighting it. This is a direct threat to the homeland and all tools need to be leveraged in a combined fashion to yield the desired results.

Mr. Chairman, I have discussed the nature and magnitude of the threat of Hezbollah in Latin America. This panel seeks to determine whether the Kingpin Act is being effective in the Western Hemisphere. In Latin America, Hezbollah has certainly benefited from the lack of U.S. enforcement of its own sanctions coupled with a permissive environment where corrupt local officials connive with Hezbollah's illicit finance schemes for their own personal gain.

Actions taken by the U.S. to update and enforce its own existing sanctions against Hezbollah terror-finance networks would be a first step to reverse this situation. That would naturally have to include Kingpin designations. But much more is needed.

HEZBOLLAH'S IMPUNITY IN LATIN AMERICA: THE CASE OF UNENFORCED U.S. SANCTIONS

Starting in 2004, the U.S. Department of the Treasury periodically sanctioned Hezbollah-linked individuals and entities in the TBA.⁵⁶ Treasury cited their involvement in raising funds for Hezbollah, often through illicit finance and trade activities, as a key reason for sanctions. To date, the U.S. has only sanctioned 11 individuals and 4 companies in the TBA for their involvement with Hezbollah's terror-finance networks. Despite recognizing the importance of the TBA for

⁵⁵ Yaya J. Fanusie and Alex Entz, "Hezbollah Financial Assessment," *Foundation for Defense of Democracies*, September 2017. (http://www.defenddemocracy.org/content/uploads/documents/CSIF_TFBB_Hezbollah.pdf)

⁵⁶ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pagés/hp190.aspx>); U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Financial Network," December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pagés/tg997.aspx>)

Hezbollah's terror finance in 2004, the U.S. government has not leveraged U.S. sanctions and designations as effectively and aggressively as it could and has not gone after additional members of the Hezbollah TBA networks. For over a decade since designations occurred, the TBA has only seen one law enforcement case, in 2010, when U.S.-based businesses were caught shipping merchandise to these sanctioned entities and faced prosecution, convictions, and fines.

If anything, the area remains an important center of Hezbollah's activities, as I have previously documented in a June 2016 testimony to the House Financial Services Committee⁵⁷ and a May 2017 testimony to the Senate Foreign Relations Committee.⁵⁸ Evidence of its importance emerges from multiple reports from local sources of the arrival of senior Hezbollah operatives in the area since 2016⁵⁹ and the recent death of Samer Ibrahim Atoui,⁶⁰ a senior Hezbollah commander. Atoui may well have been a member of Hezbollah's BAC. Though he died in Eastern Syria while driving with another senior Hezbollah Special Forces commander,⁶¹ thousands of miles away from Latin America, Atoui held both Brazilian and Paraguayan citizenships.

08505.003541/98-99);
SAMER IBRAHIM ATOUI - Y000349, natural do Líbano,
 nascido em 8 de janeiro de 1969, filho de Ibrahim Atoui e de Ayda
 Nehme, residente no Estado de São Paulo (Processo nº
 08505.003553/98-78) ; e PC

Extract from Brazil's official records showing Samer Ibrahim Atoui's naturalization in 1998

⁵⁷ Emanuele Ottolenghi, "The Enemy in our Backyard: Examining Terror Funding Streams from South America," *Testimony before House Committee on Financial Services*, June 8, 2016.

(http://www.defenddemocracy.org/content/uploads/documents/Ottolenghi_The_Enemy_in_our_Backyard.pdf)

⁵⁸ Emanuele Ottolenghi, "The Enemy in our Backyard: Examining Terror Funding Streams from South America," *Testimony before House Committee on Financial Services*, June 8, 2016.

(http://www.defenddemocracy.org/content/uploads/documents/Ottolenghi_The_Enemy_in_our_Backyard.pdf)

⁵⁹ Conversation with the author, May 5, 2017.

⁶⁰ Ziad El Shoufi, "بالصور: الخيام تودع القائد الشهيد سامر ابراهيم عطوي," *Khiam Village Official Page*, October 5, 2017.

(<http://www.khiyam.com/news/article.php?articleID=25298>)

⁶¹ Qalaat Al Mudiq, *Twitter*, October 2, 2017, accessed November 1, 2017.

(<https://twitter.com/QalaatAlMudiq/status/914821544362332160>); Social media initially identified Atoui with his nom de guerre Abu Ali Jawad.

Datos Personales		CERRAR X
Documento:	CIP 3449047 P.3449047	SIN FOTO
Nombre:	SAMER IBRAHIM, ATOUI	
Fecha Nac.:	1969-08-01	
Edad	48 AÑOS	
Nacionalidad:	PARAGUAYA NATURALIZADA	Nac.Orig. NO SE CONOCE
Lugar Nac.:	EL KHIAM - LIBANO	
Sexo:	MASCULINO	
Estado Civil :	SOLTERO	
Profesion:	COMERCIANTE	
Domicilio:	EDIF.COSMOPOLITAN N°906 9NO PISI C.D.E.	
Barrio - Ciudad:		
Teléfonos:		
Datos/Padre:	- IBRAHIM,	
Datos/Madre:	- AIDA NEHMED,	
Datos/Conyuge:	-	
Documento Orig:	CIP -	Ubicación: 21
Fch/Emisión CI:	1993-05-24	Fch/Activa:
Fch/Vencim.CI:		Donat/Org:
Orig.Datos:		Fch.Regist: 2001-12-03 00:00:00
Usuario:	P206	
Dato Adicional:		
Antecedentes		
Dpto.Identicaciones		

Official Record of Samer Ibrahim Atoui in Paraguay, showing his Identity Card was issued in 1993, five years before he was granted Brazilian citizenship

Based on public records of his dual citizenship, we assess that Atoui spent at least five years in the TBA during the early 1990s. Based on evidence available on social media, including the fact that the Imam Khomeini mosque in Foz do Iguazu, on the Brazilian side of the TBA, commemorated him four days after his death,⁶² we also assess that he had close family ties in Latin America and maintained close relations with Hezbollah TBA Specially Designated Global Terrorists (SDGT) and other prominent members of the TBA-based Hezbollah network.⁶³

These ties suggest that the TBA remains a high priority for Hezbollah's funding operations. U.S. sanctions clearly failed to deter Hezbollah in the TBA. In fact, evidence of people who have previously been identified as senior Hezbollah operatives focusing on the TBA and, even more so, relocating there permanently, suggests that the opposite is true.

⁶² Mohamad Moha Ali, *Facebook*, October 6, 2017, accessed November 1, 2017.

(<https://www.facebook.com/photo.php?fbid=227982131067500&set=ecnf.100015671443264&type=3&theater>)

⁶³ Bassam Nader, *Facebook*, October 2, 2017, accessed November 1, 2017.

(<https://www.facebook.com/photo.php?fbid=1711394692227524&set=a.561711337195871.1073741825.100000710303599&type=3&theater>)

As a result of Treasury's actions, sanctioned individuals and their businesses should have been cut off from the U.S. financial system. Since November 2015, Congressional legislation targeting Hezbollah's global financial networks should also have made them the object of secondary sanctions, extending penalties to those providing them material support. Evidence available from open sources, particularly social media, suggests that despite U.S. measures, many sanctioned Hezbollah operatives remain active in trade and finance, are able to travel abroad, and must therefore enjoy significant access to the global financial system.

Lack of enforcement is not because the TBA is no longer important to Hezbollah's terror finance. According to the June 2017 Department of State's Bureau of Counterterrorism and Countering Violent Extremism's Country Reports on Terrorism 2016:

The Tri-Border Area continued to be attractive to individuals seeking to engage in terrorist financing, as the minimal police and military presence along these borders allowed for a largely unregulated flow of people, licit and illicit goods, and money. Paraguay's efforts to provide more effective law enforcement and border security were hampered by a lack of interagency cooperation and information sharing, as well as pervasive corruption within security, border control, and judicial institutions.⁶⁴

The U.S. can and should seek to prevent SDGTs under E.O. 13224 from accessing the global financial system and punish those who offer them material support. Local circumstances at least partially explain the failure of U.S. sanctions to affect these individuals and entities.

As the March 2017 Department of State's International Narcotics Control Strategy Report explains:

Paraguay is a drug transit country and money laundering center. The Tri-Border Area ... is home to a multi-billion dollar contraband trade that facilitates much of the money laundering in Paraguay. Transnational criminal organizations operating in these three countries are believed to launder the proceeds from narcotics trafficking and other illicit activities through banks and non-bank financial sector entities. Paraguay's progress in combating money laundering is impeded by widespread corruption, burdensome bureaucracy, and the fear of reprisal against regulatory and supervisory authorities.⁶⁵

The counterterrorism Country Report on Paraguay for 2016 also highlights inadequate enforcement. In the Paraguay section, the report states that "Paraguay has counterterrorist financing legislation and the ability to freeze without delay and confiscate terrorist assets, although there were no terrorist financing convictions or actions to freeze in 2016."⁶⁶

⁶⁴ U.S. Department of State, "Chapter 2. Country Reports: Western Hemisphere," *Country Reports on Terrorism 2016*, July 2017. (<https://www.state.gov/j/ct/rls/crt/2016/272234.htm>)

⁶⁵ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report: Volume II: Money Laundering and Financial Crimes," March 2017. (<https://www.state.gov/documents/organization/268024.pdf>)

⁶⁶ U.S. Department of State, "Chapter 2. Country Reports: Western Hemisphere," *Country Reports on Terrorism 2016*, July 2017. (<https://www.state.gov/j/ct/rls/crt/2016/272234.htm>)

All sanctioned Hezbollah operatives to date operate from the TBA, run Paraguay-registered businesses, and hold Paraguayan citizenship. Many reside in Brazil. Some hold dual nationality or permanent residency in both countries. Their ability to move freely between these two jurisdictions is a testimony to the ineffectiveness of U.S. measures when not matched by local authorities' cooperation. The following evidence for six individuals and one entity under U.S. sanctions makes it abundantly clear that, as a result of this permissive environment, SDGTs can shrug off the effects of U.S. Treasury designations.

I. Sobhi Mahmoud Fayad

Sobhi Mahmoud Fayad was designated by the U.S. Treasury Department in 2006 for serving as a liaison with the Iranian embassy on behalf of the Hezbollah community in the TBA. According to Treasury, he was involved in drug trafficking and in counterfeiting U.S. currency. He was also sentenced to six and a half years of prison in Paraguay for tax evasion.⁶⁷

Despite U.S. sanctions and a Paraguayan prison sentence (which he served in full), evidence posted by Fayad himself on his Facebook account provides abundant evidence of his travels and activities. His extensive travel also suggests he retains access to financial tools to pay for his needs – an indication that local banks are unlikely to be enforcing U.S. sanctions against him.⁶⁸

In a September 2016 trip to fulfill the Islamic pilgrimage obligation, or the *Haji*, in Saudi Arabia, for example, Fayad flew from Foz do Iguazu to São Paulo, Brazil, where he boarded an Ethiopian airlines flight to Addis Ababa (via Togo). From Addis Ababa he connected to Beirut, where he spent at least a day,⁶⁹ before joining a group of Lebanese pilgrims heading to Saudi Arabia. While in Saudi Arabia, he posted information regarding his whereabouts, including the hotel where he was staying.⁷⁰ Upon completion of the *Haji*, Fayad returned to Lebanon and then, eventually, the TBA.

⁶⁷ U.S. Department of the Treasury, Press Release, “Treasury Targets Hezbollah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

⁶⁸ According to §566.601 of the Department of the Treasury’s Hezbollah Financial Sanctions regulations issued in April 2016: “(a) A foreign financial institution engages in an activity described in this paragraph if, in any location or currency, the foreign financial institution, on or after December 18, 2015, knowingly: (1) Facilitates a significant transaction or transactions for Hizballah; (2) Facilitates a significant transaction or transactions of a person identified on OFAC’s Specially Designated Nationals and Blocked Persons List (SDN List), the property and interests in property of which are blocked pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*) (IEEPA) for acting on behalf of or at the direction of, or being owned or controlled by, Hizballah.” Hizballah Financial Sanctions Regulations, 31 e-C.F.R. §566.601, November 2, 2017. (https://www.ecfr.gov/cgi-bin/text-idx?SID=235c0575169e66186fc81e00eeaf83fc&mc=true&node=pt31.3.566&rgn=div5#se31.3.566_1202).

⁶⁹ Sobhi Fayad, *Facebook*, August 30, 2016. (<https://www.facebook.com/sobhif1/posts/1181410128548341?pnref=story>).

⁷⁰ Sobhi Fayad, *Facebook*, September 3, 2016. (<https://www.facebook.com/sobhif1/posts/1184034418285912?pnref=story>).

He returned to Saudi Arabia this year,⁷¹ flying from Rio de Janeiro to Beirut, Lebanon before landing in Mecca.⁷² He also recently visited Damascus.⁷³

Fayad appears to be traveling on a valid Paraguayan passport, which he posted on his Facebook account⁷⁴ to show a visa to Iraq, in December 2015, when he went to Karbala on pilgrimage. According to information Fayad posted on the same day,⁷⁵ he bought a ticket on an Iraqi Airways flight to Najaf from Beirut from the airline's Beirut office and paid in dollars.

These details are important because Treasury identified Fayad as a Hezbollah operative in the TBA. According to the 2004 Treasury designation of Fayad's boss, Assaad Ahmad Barakat, Fayad at the time was a known Hezbollah senior operative and weapons and explosives expert. According to Treasury,⁷⁶ Fayad, "a high-ranking Hizballah official in Lebanon in the 1980s," supported Hezbollah operations in the TBA. In its subsequent 2006 designation of Fayad, Treasury noted his regular trips to Lebanon and Iran to coordinate with Hezbollah leaders.⁷⁷

II. Bilal Mohsen Wehbe

Bilal Mohsen Wehbe was sanctioned in 2010 for being Hezbollah's "chief representative in South America."⁷⁸ He is one of the leading sheiks in Brazil's Centro Islamico do Brasil (Islamic Center of Brazil) and regularly participates in prayers, educational events,⁷⁹ and meetings. In 2015, he was photographed at a public meeting with Hassan Khomeini, the grandson of Islamic Republic of Iran's founder Ayatollah Khomeini, on his trip to Brazil and Paraguay alongside various other

⁷¹ Sobhi Fayad, *Facebook*, August 30, 2017.

(<https://www.facebook.com/photo.php?fbid=1532357460120271&set=pb.100000380942311.-2207520000.1506524710.&type=3&theater>); Sobhi Fayad, *Facebook*, August 30, 2017.

(<https://www.facebook.com/sobhif1/videos/pcb.1532358160120201/1532357590120258/?type=3&theater>); Sobhi Fayad, *Facebook*, August 29, 2017. (<https://www.facebook.com/sobhif1/posts/1531901153499235>)

⁷² Sobhi Fayad, *Facebook*, August 27, 2017. (<https://www.facebook.com/sobhif1/posts/1529471460408871>); Sobhi Fayad, *Facebook*, August 27, 2017. (<https://www.facebook.com/sobhif1/posts/1529471297075554>); Sobhi Fayad, *Facebook*, August 22, 2017. (<https://www.facebook.com/sobhif1/posts/1525799624109388>)

⁷³ Sobhi Fayad, *Facebook*, October 29, 2017.

(<https://www.facebook.com/photo.php?fbid=1584461478243202&set=pb.100000380942311.-2207520000.1509638511.&type=3&theater>)

⁷⁴ Sobhi Fayad, *Facebook*, November 28, 2015.

(<https://www.facebook.com/photo.php?fbid=1015351825154173&set=pb.100000380942311.-2207520000.1474041934.&type=3&theater>)

⁷⁵ Sobhi Fayad, *Facebook*, November 24, 2015.

(<https://www.facebook.com/photo.php?fbid=1015442808478408&set=pb.100000380942311.-2207520000.1493994894.&type=3&size=960%2C720>)

⁷⁶ U.S. Department of the Treasury, Press Release, "Treasury Designated Islamic Extremist, Two Companies Supporting Hizballah in Tri-Border Area," June 10, 2004. (<https://www.treasury.gov/press-center/press-releases/Pages/js1720.aspx>)

⁷⁷ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pages/hp190.aspx>)

⁷⁸ U.S. Department of the Treasury, Press Release, "Treasury Targets Hizballah Financial Network," December 9, 2010. (<https://www.treasury.gov/press-center/press-releases/Pages/tg997.aspx>)

⁷⁹ Lecture at the Brazilian Association of Islamic Charity, Bilal Wehbe, *Facebook*, May 2, 2017.

(<https://www.facebook.com/100001550997469/videos/vb.100001550997469/1423895684338784/?type=2&theater>)

TBA religious and political figures.⁸⁰ In February 2017, he welcomed the Iraqi ambassador to Brazil, H.E. Mr. Arshad Omar Esmael, to Arresala,⁸¹ an Islamic cultural center based in São Paulo. Wehbe continues to operate in Brazil, where authorities have not interfered with his activities.

III. Hatem Barakat

Treasury sanctioned Hatem Barakat and two other family members in 2006.⁸² Nevertheless, he appears to remain active in business. Hatem lists his current employment at a store named Infonet Princesa.⁸³ The store is located in Luanda, Angola and sells electronics, children's toys, and accessories.⁸⁴

IV. Hamze Ahmad Barakat

Hamze Ahmad Barakat was arrested in Curitiba, Brazil in May 2013 for operating a “fraudulent scheme in the clothing industry” after his 2006 designation by the U.S. Treasury for his membership with, and financing of, Hezbollah.⁸⁵ According to social media evidence, Hamze appears to continue to operate businesses in the Brazilian clothing industry.⁸⁶ The store that was originally designated along with him and his brother since 2006, Casa Hamze, appears to no longer exist. Commercial registry entries show that Hamze Barakat is listed as the owner and/or

⁸⁰ Bilal Wehbe, *Facebook*, March 23, 2015.

(<https://www.facebook.com/photo.php?fbid=871182302943461&set=pb.100001550997469.-2207520000.1473430163.&type=3&theater>); Arresala, *Flickr*, “Sua Eminencia Seyyed Hassan Khomeini no Centro Islamico no Brasil Junho/2015 (Our Eminence Seyyed Hassan Khomeini at Islamic Center of Brazil on June 2015).” (<https://www.flickr.com/photos/arresala/albums/7215765422225772>)

⁸¹ Arresala – Centro Islamico do Brasil, *Flickr*, February 3, 2017.

(<https://www.flickr.com/photos/arresala/32745076245/in/photostream/>)

⁸² Department of the Treasury, Press Release, “Treasury Targets Hezbollah Fundraising Network in the Triple Frontier of Argentina, Brazil, and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pagés/hp190.aspx>)

⁸³ Hatem Barakat, *Facebook*, accessed November 1, 2017.

(<https://www.facebook.com/profile.php?id=100008314491434&sk=about>)

⁸⁴ Infonet Princesa, *Facebook*, March 13, 2013.

(<https://www.facebook.com/InfonetPrincesa/photos/a.148099262011675.33296.147243702097231/162926040528997/?type=3&theater>); Infonet Princesa, *Facebook*, January 30, 2013.

(<https://www.facebook.com/InfonetPrincesa/photos/a.148099262011675.33296.147243702097231/149452198543048/?type=3&theater>); Infonet Princesa, *Facebook*, January 28, 2013.

(<https://www.facebook.com/InfonetPrincesa/photos/a.147997282021873.33264.147243702097231/147997285355206/?type=1&theater>)

⁸⁵ Simon Romero, “Businessman Linked by U.S. To Hezbollah is Arrested in Brazil in a Fraud Scheme,” *The New York Times*, May 20, 2013. (http://www.nytimes.com/2013/05/21/world/americas/man-linked-by-us-to-hezbollah-is-arrested-in-brazil.html?_r=0)

⁸⁶ Hamze Ahmad Barakat, *Facebook*, accessed September 13, 2016.

(<https://www.facebook.com/goldshoescaledosxv>); Hamze Barakat, *Facebook*, accessed September 13, 2016.

(<https://www.facebook.com/profile.php?id=100003744833939>); Hamze Barakat, *Facebook*, September 13, 2016.

(<https://www.facebook.com/profile.php?id=100004543359651>); Hamze Barakat, *Facebook*, accessed September 13, 2016; (<https://www.facebook.com/hamze.barakat.779>); Hamze Barakat, *Facebook*, accessed September 13, 2016.

(<https://www.facebook.com/hamze.barakat.77>)

administrator of at least four other businesses: Habhab & Barakat LTDA,⁸⁷ Minimundo Comercio de Artigos do Vestuario Ltda – ME d.b.a. Minimundo Importacao e Exportacao,⁸⁸ H.H Yassine & Cia Ltda,⁸⁹ and M V de Almeida e Cia Ltda d.b.a. Gold Shoes.⁹⁰

V. *Mohammad Tarabain Chamas*

Sanctioned in 2006 with the Barakat brothers, Mohammad Tarabain Chamas was named by Treasury as the administrator of Galeria Pagé.⁹¹ He was also named as proprietor and vice president of Hi-Tech Digital Technology S.A. in 2005. It is unclear whether the business is still active.⁹² As of 2011, Tarabain Chamas has been running a parking garage in Foz de Iguacu named Cars Estacionamiento.⁹³ According to a local source, Tarabain Chamas has also moved to Galeria Conquistador, a shopping mall in Ciudad Del Este adjacent to Galeria Pagé, where he has been appointed administrator.⁹⁴



Business card of Mohammad Tarabain listed as administrator of Galeria Conquistador from June 2016 with Kemal Tarabain.⁹⁵

⁸⁷ “Habhab & Barakat Ltda,” *Sales Spider*, accessed September 19, 2016. (<http://www.salespider.com/bw-12669317/habhab-barakat-ltda>)

⁸⁸ “Hamze Ahmad Barakat,” *ConsultaSocio.com* (Brazil), accessed September 19, 2016. (<http://www.consultasocio.com/q/sa/hamze-ahmad-barakat>)

⁸⁹ “H.H. Yassine & Cia Ltda,” *Diretorio da Empresas Econodata*, accessed November 6, 2017. (<http://www.econodata.com.br/lista-empresas/PARANA/CURITIBA/H/0555960000108-H-H-YASSINE-CIA-LTDA-EPP>)

⁹⁰ “Gold Shoes,” *CPNJ Brasil*, accessed September 19, 2016. (<http://www.cnpjbrasil.com/e/cnpj/gold-shoes/09391146000180>)

⁹¹ U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pagés/hp190.aspx>)

⁹² Paraguay Gabinete Civil de la Presidencia, “Gaceta Oficial de la República del Paraguay (Official Gazette of the Republic of Paraguay),” February 23, 2006. (http://www.gacetaoficial.gov.py/uploads/pdf/2014/2014-02-14/gaceta_2240_HIEGDIIAEBKGGKKBIDAFFJAFICIGHGGKDDJHGBGIF.pdf) The PDF has been removed from Paraguay’s Official Gazette. FDD has a copy, which is available upon request.

⁹³ “Cars Estacionamiento | Mohamed Tarabain Chamas – Me,” *CPNJ Info* (Brazil), accessed September 15, 2016. (<http://cnpj.info/CARS-ESTACIONAMENTO-MOHAMED-TARABAIN-CHAMAS-ME-Tr-Julio-Pasa-74-Foz-Do-Iguacu-PR-85851370/aLiC/>)

⁹⁴ Emanuele Ottolenghi, “What Netanyahu should ask Paraguay’s president,” *The Jerusalem Post* (Israel), July 17, 2016. (<http://www.jpost.com/Opinion/The-question-Netanyahu-should-raise-to-visiting-president-of-Paraguay-460664>)

⁹⁵ Image was received from confidential source.

VI. Mohammad Fayez Barakat

Mohammad Fayez Barakat was also sanctioned in 2006 for his involvement in moving funds to Hezbollah from the TBA.⁹⁶ Since then, he has remained a prominent and influential figure in the Lebanese community of Paraguay. According to official Paraguay records, he continues to own Big Boss International Import Export, a store located inside the U.S.-sanctioned Galeria Pagé.⁹⁷



Mohammad Fayez Barakat, attending the November 2016 Embassy of Lebanon Independence Day reception in Asuncion, Paraguay.⁹⁸

⁹⁶ U.S. Department of the Treasury, Press Release, "Treasury targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay," December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pagés/hp190.aspx>)

⁹⁷ Paraguay official records.

⁹⁸ Photo obtained from a local source.

In 2014, Barakat was interviewed as a witness of the brutal beating of an individual in the Galeria Pagé, where his store “Big Boss” is located.⁹⁹ Big Boss International Import Export stands accused of suspicious activity, including in 2008, when Mohamad Fayeze and his brother Ali Fayeze were investigated for allegedly transferring \$88,480 through Banco Amambay in 2005 and 2006.¹⁰⁰ Nonetheless, Barakat remains active in Paraguay and so does his business.

VII. Galeria Pagé aka Galeria Uniamérica

The Ciudad Del Este shopping mall, Galeria Pagé was sanctioned in 2006 as a source of funding for Hezbollah-linked activities. Renamed as Shopping Uniamérica, the mall, which is still under U.S. sanctions, continues to operate today.¹⁰¹ Shopping Uniamérica hosts stores and offices owned by Lebanese merchants, some of whom are themselves under U.S. sanctions due to their affiliation with Hezbollah in the TBA. Due to U.S. sanctions against the mall, all its shops are automatically blocked from doing business with U.S. persons and corporate entities. If proven to be transacting with and offering material support to Galeria Pagé, they are also liable to secondary U.S. sanctions.



⁹⁹ “Fiscalía pedirá peritaje de filmación de brutal golpiza en Ciudad Del Este (Prosecutor’s Office will request expert assessment of the video showing brutal beating in Ciudad Del Este),” *ABC Color* (Paraguay), June 3, 2014. (<http://www.abc.com.py/edicion-impresajudiciales-y-policiales/fiscalia-pedira-peritaje-de-filmacion-de-brutal-golpiza-en-ciudad-del-este-1251430.html>)

¹⁰⁰ “Seprelad confirma ‘operaciones sospechosas’ de empresario libanes (Seprelad confirms ‘suspicious operations’ of Lebanese businessman),” *ABC Color* (Paraguay), November 30, 2008. (<http://www.abc.com.py/edicion-impresapoliciales/sepelad-confirma-operaciones-sospechosas-de-empresario-libanes-1125542.html>)

¹⁰¹ “Lista de precios: Todas las Lojas – producto = gal Pagé – tipo todos (List of prices: All Stores – product = gal Pagé – type: all),” *Compras no Paraguai* (Brazil), accessed November 2, 2017. (<http://www.comprasnoparaguai.com/precos.php?wcat=gal+Pagé>); U.S. Department of the Treasury, Press Release, “Treasury Targets Hizballah Fundraising Network in the Triple Frontier of Argentina, Brazil and Paraguay,” December 6, 2006. (<https://www.treasury.gov/press-center/press-releases/Pagés/hp190.aspx>)

Through research conducted jointly with Sayari Analytics, FDD was able to identify 66 businesses and shops inside Galeria Pagé. Of these 66, we could only find official records proving their presence in or association with the Galeria for nine of them. Some of the records, however, are old and while they prove these companies were located in the Galeria after it was sanctioned, they do not always constitute conclusive evidence that they are still located there.

We also found six companies which, on their websites or Facebook pages, listed Galeria Pagé as their address.

There is a significant discrepancy between the numbers of actual businesses advertised inside the Galeria on commercial platforms, through their Facebook pages, on their website, and the ones identifiable through up-to-date tax records, official gazette entries, and trademark registrations. And as indicated, some entries appear to have been deleted or are blocked to viewers.

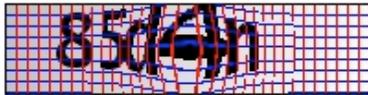
Tipo de Persona

RUC

Dígito Verificador

Fecha de Nac.

Por motivos de seguridad, le solicitamos ingrese la secuencia de números y letras de la imagen mostrada a continuación.

 Código

Razon Social	SOBHI MAHMOUD FAYAD
Estado	CANCELADO
Constancia de RUC	
Cédula Tributaria	

Screenshot of cancelled entry for Sobhi Mahmoud Fayad¹⁰²

According to a Paraguayan official speaking to us on the condition of anonymity, the absence of businesses from the public registry of Paraguay's ministry of industry is deliberately made inaccessible through bribes.¹⁰³ It is impossible to independently verify this allegation.

This obfuscation attempt, if true, violates U.S. law and is liable to penalties under U.S. Treasury's Hezbollah financial regulations.¹⁰⁴

¹⁰² Paraguay official records.

¹⁰³ Conversation with the author, October 31, 2017.

¹⁰⁴ U.S. Department of the Treasury's Hizballah Financial Regulations' section 566.602 state that "(a) Any transaction on or after the effective date that evades or avoids, has the purpose of evading or avoiding, causes a violation of, or attempts to violate any of the prohibitions set forth in this part is prohibited. (b) Any conspiracy

The evidence shown indicates that unless U.S. sanctions are followed by constant update and vigorous enforcement, targeted individuals and entities can soon elude them and shrug off their effects, especially if they can count on local corrupt authorities to collude with them. It is important that U.S. action be undertaken to rectify this state of affairs for two reasons. SDGTs may continue to engage in nefarious activities, and the U.S. should update their designations to disrupt their efforts. Lack of sanctions enforcement could be interpreted to mean that U.S. countermeasures may be short lived. U.S. credibility and deterrence are at stake.

CONCLUSION AND RECOMMENDATIONS

Mr. Chairman, sanctions and designations alone cannot be expected to put an end to Hezbollah's financial operations in the Western Hemisphere. However, they help, especially when combined with other tools.

1. Hit Hezbollah with the full arsenal of U.S. sanctions and law enforcement tools.

Congress should swiftly reconcile the House and Senate version of HIFPAA 2017 and send the bill to the president. HIFPAA is an excellent tool because it combines and complements in one bill all existing tools, including sanctions, designations, and prosecutions. By passing HIFPAA 2017, Congress will make the Kingpin Act and other existing tools more effective.

2. Sanction Hezbollah and its senior leadership with TCO and Kingpin designations.

Hezbollah is a terror organization. But it also runs a global criminal enterprise that trades illicit drugs. On this ground, I strongly recommend that the U.S. administration designate Hezbollah as both a Transnational Criminal Organization and a Global Kingpin. Both designations should not stop at the organizational level but should be extended to Hezbollah's senior leadership involved in deciding, endorsing, religiously justifying, coordinating, and benefiting from the traffic of illicit substances.

3. Couple Hezbollah terror finance designations with TCO and Kingpin designations.

My next recommendation is to couple terror finance designations, such as the ones used in 2004 and 2006 against Hezbollah TBA operatives, with Kingpin designations. It is important to emphasize the fact that designated terror-finance operatives for Hezbollah are involved in criminal activities on behalf of a global criminal franchise. They should carry this multiple stigma.

Such designations have other practical implications, especially in countries where Hezbollah is not considered a terrorist organization, which is the case with all countries in Latin America. Local governments will be reluctant to prosecute terror financiers but may respond more positively to U.S. requests to arrest, prosecute, and extradite individuals implicated in drug trafficking and

formed to violate any of the prohibitions set forth in this part is prohibited." Hizballah Financial Sanctions Regulations, 31 e-C.F.R. §566.601, November 2, 2017. (https://www.ecfr.gov/cgi-bin/text-idx?SID=235c0575169e66186fc81e00eeaf83fc&mc=true&node=pt31.3.566&rgn=div5#se31.3.566_1202).

organized crime. Even if designations alone cannot achieve much, they can create the groundwork for successful law enforcement prosecutions.

4. Target enablers with Global Magnitsky and HIFPAA.

Mr. Chairman, a large factor explaining Hezbollah's success is its reliance on influence and access to local politicians, law enforcement, judges and prosecutors, airport security, and other officials in Latin American countries to buy their silence and complicity. If proven true, the U.S. government can rely on the Global Magnitsky Act of 2016 to punish a foreign dignitary's corrupt practices. The legislation specifically empowers the chairperson and ranking member of a committee from either house of Congress to request that the president investigate, within 120 days, cases of corruption by government officials. Such a request, with regards to for example certain officials in the Tri-Border Area and other jurisdictions where Hezbollah is active, would be entirely appropriate and within the authorities granted to Congress by the Global Magnitsky Act.

The new Hezbollah bill, currently being reconciled, would also enable the administration to punish this official, and others engaged in similarly corrupt practices, with additional measures. Indeed, corruption and complicity through the provision of services can now be punished with a variety of measures, including the denial or revocation of visas to the United States.

HIFPAA also would reduce the threshold for designations to extend to those who, while not conclusively proven to be members of Hezbollah, are clearly facilitators and enablers of its activities. This measure would permit U.S. authorities to go after companies, financial institutions, accounting and legal firms, virtual office service providers, and others who enable Hezbollah's terror finance. For these actors, it will be more difficult to continue to operate outside the financial system once the U.S. slaps sanctions on them.

5. Impose a 311 designation on financial institutions known to be assisting Hezbollah in Latin America.

Mr. Chairman, the continuing business activities of individuals and entities sanctioned by the United States occur because local governments are either reluctant to implement U.S. sanctions or actively cooperate with the terrorists. The administration should demand that they either comply or face consequences. These should include imposing 311 designations¹⁰⁵ on financial institutions known to be used by Hezbollah financiers to move their revenues, designating banking sectors of countries that facilitate Hezbollah's terror finance as zones of primary money laundering concern, and working within international forums like the Financial Action Task Force to have such countries blacklisted.

6. Empower law enforcement to go after Hezbollah's global financial networks.

Mr. Chairman, sanctions have had some salutary effect. They have named and shamed individuals, companies, and organizations. They have cut off terror entities from the U.S. financial system.

¹⁰⁵ U.S. Department of the Treasury, Press Release, "Fact Sheet: Overview of Section 311 of the USA PATRIOT Act," February 10, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1056.aspx>)

They have nudged U.S. allies and the global financial system into compliance. Nevertheless, there are enough countries that disagree with or disregard U.S. policy. Hezbollah terrorists find a haven where U.S. sanctions alone have limited reach.

Law enforcement has demonstrated how it can complement sanctions. The cases I mentioned in my written statement all involve a balance of sanctions and prosecution. The combination of tools always works as a force multiplier with coordination among agencies, and a shared goal of disrupting Hezbollah's cash flows drive policy.

Step one, then, must surely be to appoint a new DEA administrator. In the midst of an opioid crisis and with cocaine from Latin America flooding the U.S., it should be a high priority for the administration to appoint a strong candidate who has the vision and the experience to go after transnational criminal organizations such as Hezbollah and has the skills to coordinate government agencies, navigate bureaucracy, and build friendships and alliances internationally to be able to rely on foreign agencies' cooperation in running international investigations.

As understanding the full scope of this complicated global network is difficult for even the most seasoned investigators, step two should be to empower the new DEA administrator with the necessary tools and resources to create specialized units with skillsets to aggressively apply all tools available to law enforcement. Simultaneously, those teams could work with sanctioning entities and allied foreign governments for a comprehensive U.S.-led approach in dismantling regional sub-networks for overall impact.

7. Give more resources to Treasury.

Finally, Mr. Chairman, Treasury needs more resources. OFAC cannot work cases through the system without access to more resources that can enable the bureaucracy to work faster and cast its net wider.

Hezbollah, Mr. Chairman, is a global threat. As John Feltman and Daniel Benjamin said in a joint testimony to the Senate Foreign Relations Committee's subcommittee on Near Eastern and South and Central Asian Affairs in June 2010:

Hezbollah has ... broadened its sources of financial support in recent years. Hezbollah is now heavily involved in a wide range of criminal activity, including the drug trade and smuggling. It also receives funds from both legitimate and illicit businesses that its members operate, from NGOs under its control, and from donations from its supporters throughout the world.¹⁰⁶

The U.S., too, needs to broaden its tools to confront this multifaceted enemy. All tools of tradecraft are needed to confront this threat.

Thank you for the opportunity to testify. I look forward to the committee's questions.

¹⁰⁶ "Assessing the Strength of Hezbollah," *Hearing before the Subcommittee on Near Eastern and South and Central Asian Affairs of the Senate Committee on Foreign Relations*, June 8, 2010. (<https://www.gpo.gov/fdsys/pkg/CHRG-111shrg62141/pdf/CHRG-111shrg62141.pdf>)