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HEMISPHERIC POLICY



# Challenges to Security in the Hemisphere Task Force



The Challenges to Security in the Hemisphere Task Force activities were assisted financially by the Bureau of Educational and Cultural Affairs of the United States Department of State.

## “What are the Persians Doing Over Here?”

by

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This paper expands upon remarks delivered at the second session of the  
Challenges to Security in the Hemisphere Task Force

**March 30, 2010**

### Introduction

The media and the U.S. government have been repeating for years that Hugo Chávez' Venezuela, however annoying, poses no threat to the national security of the United States. This paper disputes that contention. Venezuela under Chávez has systematically opposed everything the United States supports in the Western Hemisphere and in the world in general. It has tried to influence political events and has supported guerrilla movements and terrorist organizations in other countries. It has also bought huge quantities of military equipment, mostly from Russia. Nevertheless, the most dangerous threat to the United States from Venezuela emerges from its facilitation and encouragement of the penetration of the Western Hemisphere by the Islamic Republic of Iran.



Since 2004, Iran has created an extensive network of military installations of various kinds in Venezuela, as well as in other Latin America countries, and has engaged vigorously in activities covering the areas of diplomacy, commerce, finance, industry and energy. The total of Iran's announced investments in the region exceeds twenty billion dollars, at a time when Iran's own economy is in poor condition.

The curious thing is that this interest in the Hemisphere represents the first time in the 5000-year history of Persia as a sovereign entity that such interest has been demonstrated. There is no affinity whatsoever between monarchic or Islamic Iran and the countries on this side of the Atlantic—historical, cultural, political, economic or otherwise. Nevertheless, as we shall see, the last few years have seen a totally-unprecedented level of interest by Iran in the region.

Iran's activities in Latin America and the Caribbean are, as noted, varied and extensive. The following is a summary of the country's Hemispheric involvement.

### **Iranian Activities in the Region**

#### **Financial**

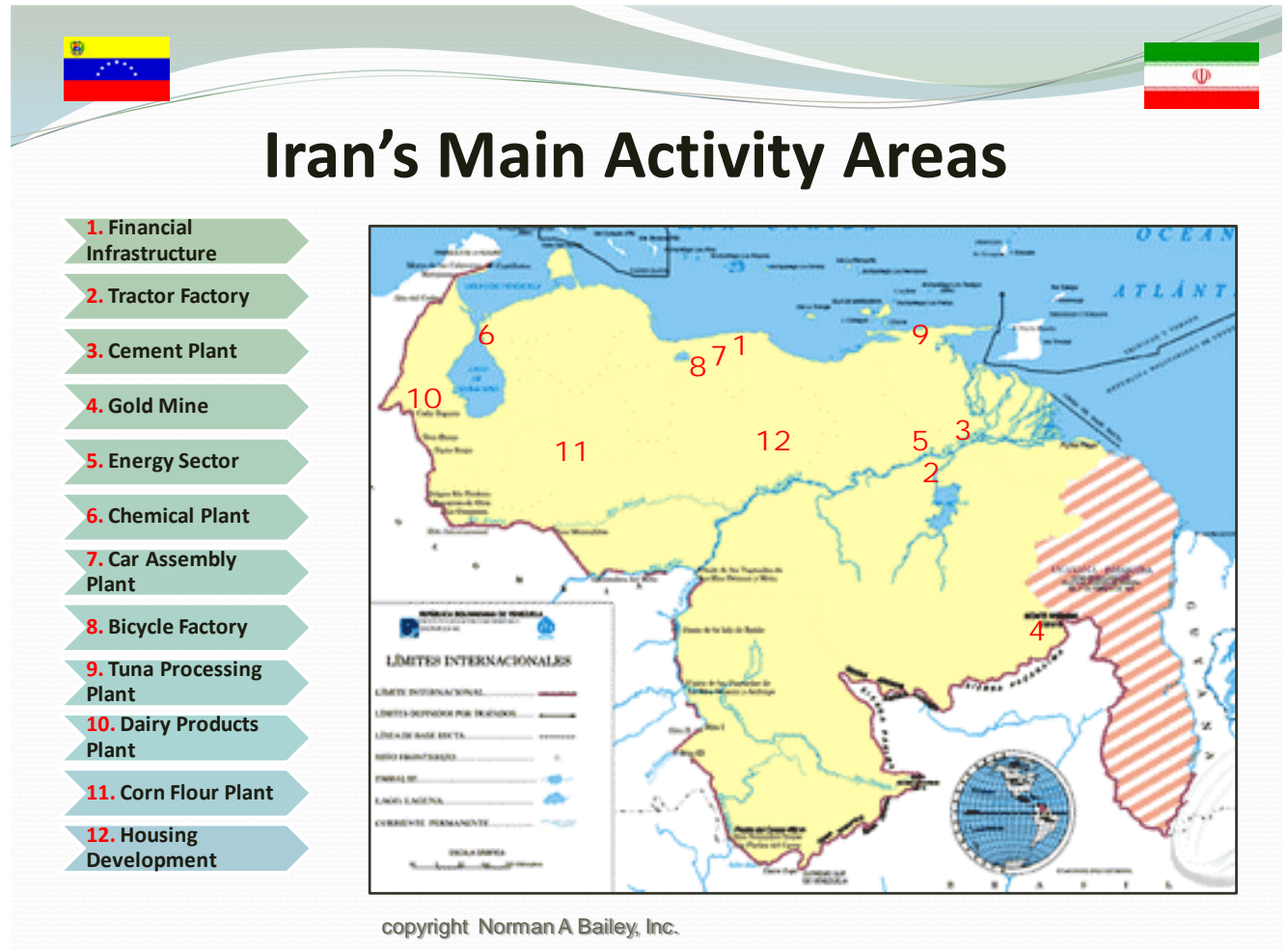
The Venezuelan government created a binational Iranian-Venezuelan development bank, an alliance between the Banco Industrial de Venezuela and Iran's Development and Export Bank. It also facilitated the formation of an entirely Iranian-owned bank, the Banco Internacional de Desarrollo, and a binational investment and development fund, as well as the opening in Caracas of offices of Iranian commercial banks. All of this activity is designed to facilitate the funding of terrorist organizations and guerrilla movements and to circumvent financial sanctions imposed by the United States, the European Union and the United Nations through the use of the Venezuelan financial system. The U.S. Treasury Department has placed sanctions against the Iranian banks and various individuals, but so far has not sanctioned any Venezuelan banks.

#### **Industrial and Mining**

The Iranians have acquired "industrial" installations throughout Venezuelan territory, including a "tractor" factory in Bolívar State, a "cement" plant in Monagas State, a car-assembly plant in Aragua State and a bicycle factory in Cojedes State. Some of these installations are used primarily as warehouses for the storage of illegal drugs, weapons and other items useful to the Iranians and to their organizational clients. In addition, the Islamic Republic bought control of a gold mine in Bolívar State that is reported to produce uranium. Extensive tuna-processing facilities, corn-processing plants and a dairy-products plant have been purchased by Iran in the states of Sucre, Barinas, Yaracuy, Guárico and Zulia. A private-sector group, which worked closely with the Venezuelan government until its head was arrested and recently imprisoned without trial, supplied the products sold in the Mercal popular markets. The group also purchased six ocean-going, tuna fishing boats in Ecuador and a shipyard in Panama, where the boats were



modified before being deployed in the Caribbean and the Atlantic Ocean. All the assets of this group were seized by the Venezuelan government.



## Transportation

Since the Venezuelan government now controls all airports and ports, there is no way of knowing what is entering or leaving the country, other than what the government wants the public to know.

Weekly flights connect Caracas and Tehran, stopping in Damascus. These flights, which are alternately Venezuela's 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.



Additionally, Iran and Venezuela have formed a joint shipping line, the IRISL Group. On December 30, 2008, Turkish authorities intercepted 22 containers marked “tractor parts” in the port of Mersin that, in fact, contained materials for making bombs and other weapons. The containers were bound from Iran to Venezuela. IRISL was blacklisted by the U.S. government, which caused its owners to form a new company to circumvent sanctions.

### **Energy**

The Venezuelan state oil company, *Petróleos de Venezuela, S.A. (PDVSA)*, and the Iranian state oil company, *PetroPars*, have formed a joint venture for the exploration of a block in Anzoátegui State. In addition, the Venezuelan petrochemical company *PEQUIVEN* and the National Petrochemical Company of Iran have formed a joint venture to manufacture plastics in Zulia State.

### **Technical Assistance**

Iranian technical assistance has been provided to Venezuela in the areas of defense, intelligence, security, energy and industry. Iran has agreed to build an explosives plant in Carabobo State and produces weapons in the “tractor” factory in Bolívar State. Technical assistance, as we have seen, will now be provided to Venezuela in the area of nuclear power. Note that Iran actually has limited experience in the area of the peaceful use of nuclear energy and, in any case, it is a well-known and mature technology applied in many countries and by numerous companies around the world. It is therefore obvious that the “technical assistance” being provided by Iran (and Russia) to Venezuela (and Bolivia) is for the purpose of finding and exploiting uranium deposits. It has been revealed that Iran is developing a very advanced nuclear warhead design which, if successful, will make transfer of weapons to other countries and/or terrorist groups much simpler, according to an International Atomic Energy Agency report.

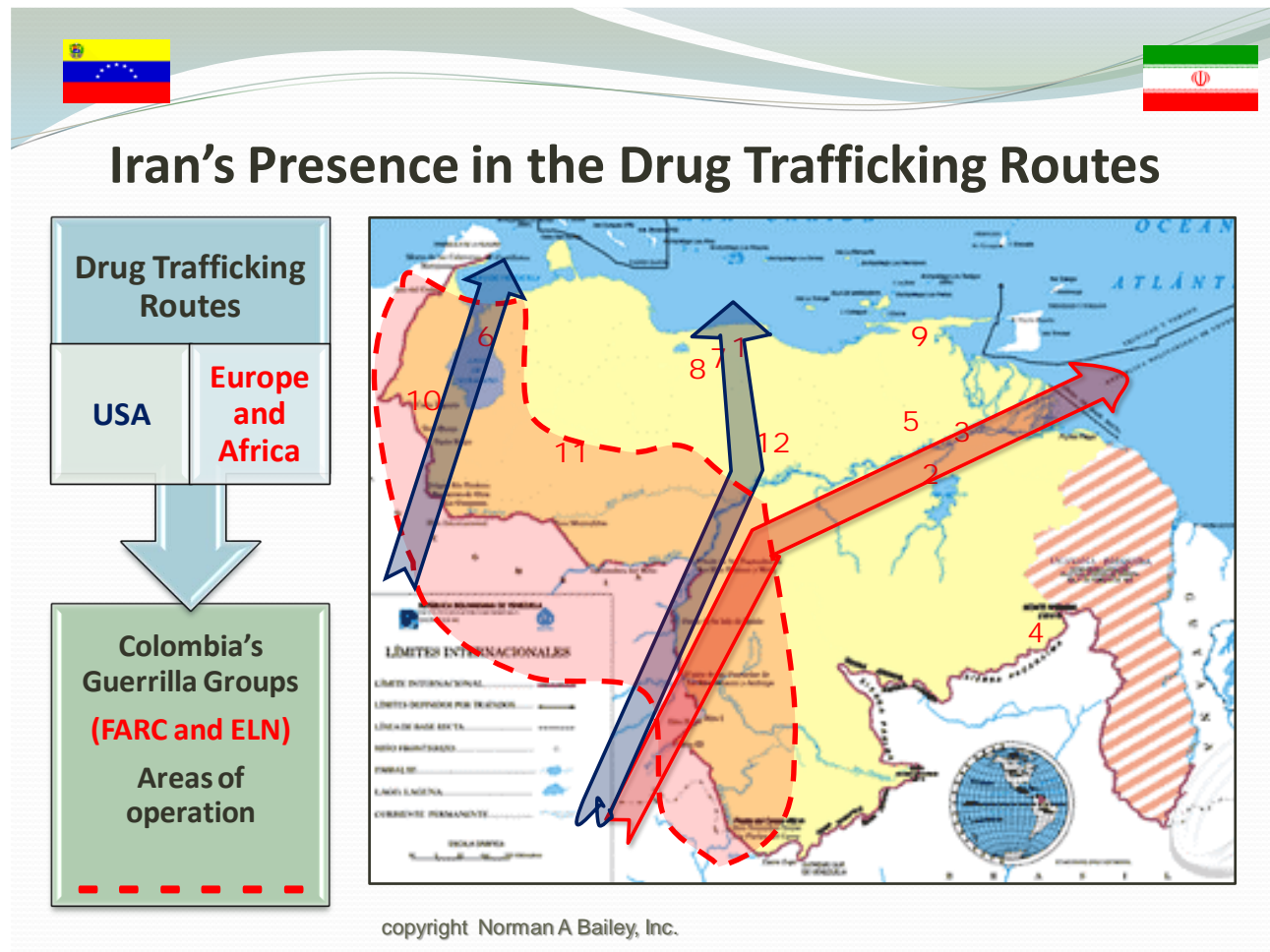
### **Drug Trafficking**

Iranian participation in drug trafficking through Venezuela, to Central America, Mexico, the United States, the Caribbean and to Europe through West Africa is extensive. The proceeds are used to finance further penetration of Iranian interests in the region, as well as to partially fund, along with extortion and kidnapping, the terrorist organizations mentioned previously.

The ocean-going tuna boats already mentioned load cocaine from Iranian installations in the delta of the Orinoco River, which is navigable for a substantial distance upriver. The cocaine is stored in the so-called “cement” plant and transshipped to West Africa and Europe. A “cement” plant is perfect for this purpose since its supposed product is shipped in bags and because some the chemicals used in cocaine production are also used in cement production. In similar fashion, tuna boats are perfect for transporting cocaine because in the upper hold there may actually be tuna, the odor of which masks the cocaine. Other routes through Venezuela channel cocaine



through Haiti and the Dominican Republic to the Gulf Coast of the United States and the west coast of Florida. Cocaine is also flown or shipped in boats through Central America, particularly Honduras and Guatemala, into Mexico and the United States. Protection of the drug trade by the Venezuelan National Guard is so notorious that the Guard is sometimes referred to as an additional drug cartel.

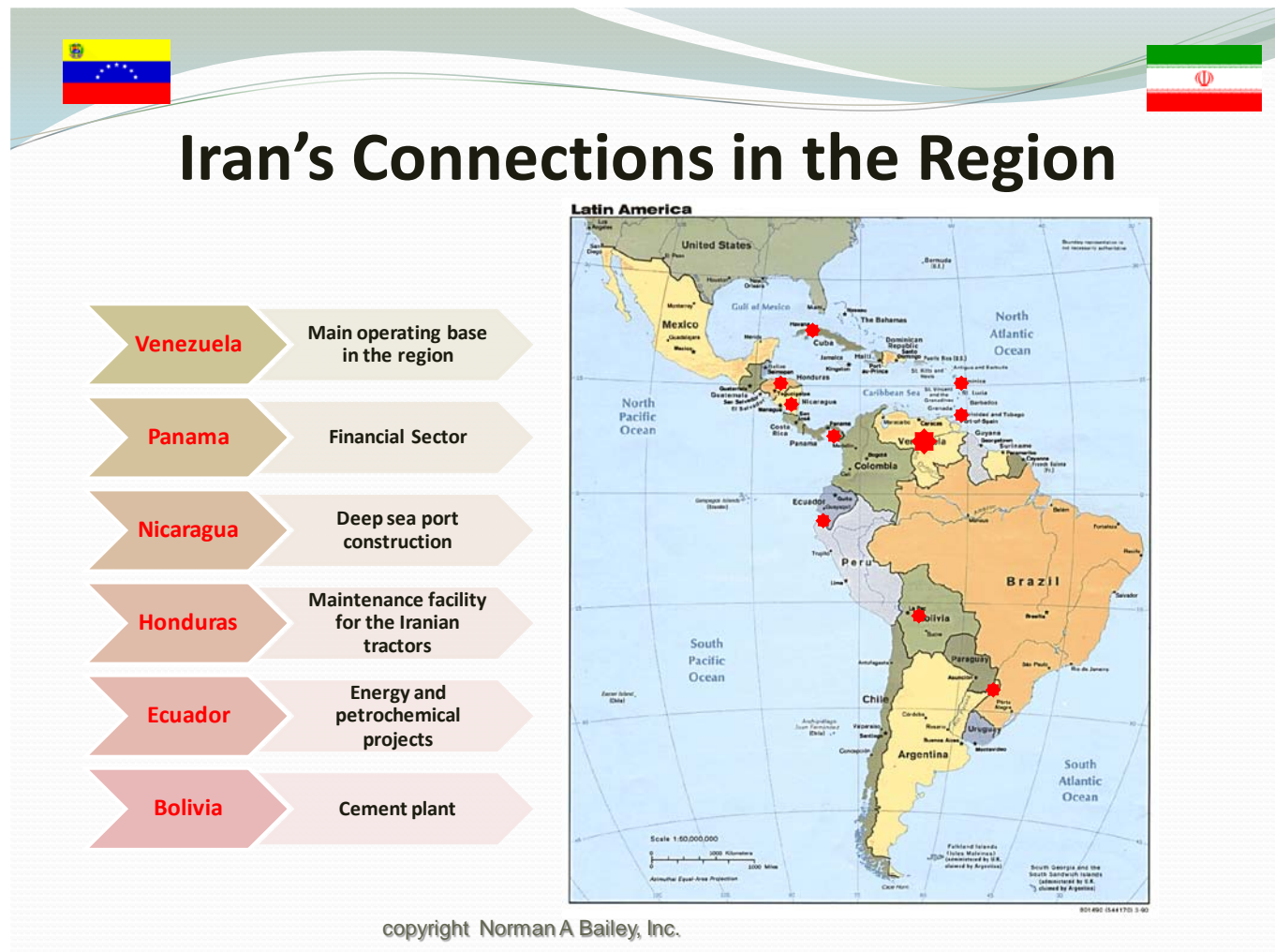


**Elsewhere in the Region**

The Iranian Development and Export Bank has opened a branch in Quito, Ecuador. It has also opened embassies in Nicaragua, Ecuador and Bolivia. The Nicaraguan embassy serves as the base for activities in the rest of Central America and Panama, its “diplomats” being primarily intelligence agents and agents of influence operating in the subregion. Warehouses for drugs, disguised as being for tractor parts, are located in Central America. 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. The Iranian regime also recently signed a uranium-



exploration agreement with the government of Guyana. Finally, in November 2009, an Iranian delegation visited Brazil, to “strengthen economic and cultural ties” with that country. Several economic agreements were signed, some of which would appear to violate international sanctions imposed on Iran.



### Conclusion

In summary, Iran over the past several years has built up an extensive network of facilities in Latin America and the Caribbean, concentrated particularly in Venezuela, but also in Ecuador, Bolivia, Central America and Panama and involved with the financing of terrorist organizations, drug trafficking, weapons smuggling and manufacture, money laundering, the provision of chemical precursors to Colombian drug cartels and diamond smuggling. (Venezuela has been expelled from the international agency charged with regulating the diamond trade.)



It is becoming increasingly clear that one of the principal motivations of all this activity is to be able to retaliate against the United States if attacked, particularly by damaging the Venezuelan oil facilities and the Panama Canal. In short, Iranian penetration into the Western Hemisphere is indeed a security threat to the United States and the rest of the hemisphere.

### **Recommendations**

The United States and other governments should implement immediate actions to confront this threat, including:

- Putting certain Venezuelan banks and some of their affiliates on the sanctions list.
- Declaring Venezuela a state sponsor of terrorism, so that certain actions can be taken, particularly boycotting Venezuelan oil exports to the United States. Simultaneously with this action, it should be announced that an equivalent amount of crude oil will be released from the Strategic Petroleum Reserve (SPR) for the time necessary for the market to adjust to the measure. The oil in the SPR is, in any case, of superior quality and, at this point, Venezuelan shipments to the United States are only about 850,000 barrels per day.
- Patrolling the mouth of the Orinoco River.
- Monitoring much more closely Iranian activities in all the areas outlined above, as well as in other parts of the continent, particularly Panama.



## Sources

Considering the importance of Iran's threat to U.S. national security, remarkably little work has been done on the matter, as compared to the analysis of Chinese penetration in the region, which is in fact primarily economic and commercial in nature. Some of the above discussion is based on confidential information through informants inside and outside of Venezuela, but most of it is based on open sources. See:

- Douglas Farah, “Iran in Latin America: An Overview,” The Woodrow Wilson International Center for Scholars, Summer, 2009.
- Ely Karmon, “Iran’s Goals in Latin America,” The International Institute for Counter-Terrorism, Herzliya, Israel.
- Robert M. Morgenthau, “The Link between Iran and Venezuela: A Crisis in the Making,” Briefing at the Brookings Institution, September 8, 2009.
- Steve Stecklow and Farnaz Fassihi, “Iran’s Global Foray has Mixed Results,” *Wall Street Journal* online, September 29, 2009.

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