

Written Testimony by the U.S. Department of the Treasury's Director of the Office of Foreign Assets Control Adam J. Szubin Before the Oversight and Government Reform Subcommittee on National Security, Homeland Defense, and Foreign Operations, the Foreign Affairs Subcommittee on the Western Hemisphere, and the Foreign Affairs Subcommittee on the Middle East and South Asia

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Venezuela's Sanctionable Activity

Chairman Chaffetz, Chairman Mack, Chairman Chabot, Ranking Member Tierney, Ranking Member Engel, Ranking Member Ackerman, distinguished members of the committees, thank you for the opportunity to appear before you today to discuss Venezuela's sanctionable activities. I am pleased to be here with my State Department colleagues, Ambassador Benjamin, Tom Delare, and Kevin Whitaker. Our Departments collaborate closely on the development and implementation of economic sanctions throughout the world. As part of this mission, we have worked diligently with one another to apply sanctions to a range of actors in Venezuela and elsewhere in Latin America – including narcotics traffickers, terrorists and their supporters, and entities aiding Iran's pursuit of nuclear weapons and promotion of international terror.

I would like to use this opportunity to provide the committees a brief overview of the Office of Foreign Assets Control's (OFAC) sanctions related activities regarding Venezuela.

Narcotics

The Treasury Department has taken strong action against Latin American narcotics traffickers, including key actions involving Venezuela, Colombia, Mexico, Ecuador, Guatemala, Peru, Panama and Bolivia. Through these efforts, we have targeted some of the largest drug

cartels operating in South America and Mexico, including the Cali, Medellin, Sinaloa, Beltran-Leyva and Juarez cartels. Over the past several years, the United States has sanctioned nearly 3000 entities in Latin America involved in narcotics trafficking – almost 1800 entities have been designated under Executive Order 12978, and nearly 1,000 entities have been sanctioned pursuant to the Foreign Narcotics Kingpin Designation Act (the “Kingpin Act”).

These figures include sanctions on two individuals who were high-level Venezuelan officials at the time of designation and one individual who was a former official at the time of designation: Hugo Armando Carvajal Barrios, the former director of Venezuelan military intelligence; Henry de Jesus Rangel Silva, the former director of Venezuelan state security and intelligence; and Ramon Emilio Rodriguez Chacin, Venezuela’s former Minister of Interior Justice. All three officials were designated in September 2008 under the Kingpin Act for materially assisting the narcotics trafficking activities of the Revolutionary Armed Forces of Colombia, the narco-terrorist organization better known by its acronym, the “FARC.” The FARC has been identified by the President as a significant foreign narcotics trafficker, or drug kingpin, and designated by the State Department as both a specially designated global terrorist and a foreign terrorist organization. The sanctionable activities of the Venezuelan officials included protecting drug shipments from seizure by Venezuelan anti-narcotics authorities, providing weapons to the FARC, providing FARC members with official Venezuelan government identification documents, and pushing for greater cooperation between the Venezuelan government and the FARC, including an attempt to facilitate a loan from the Venezuelan government to the FARC.

Additionally, in September 2008, OFAC designated eight members of the FARC's International Commission for providing support to the organization outside of Colombia; among the persons designated was Orlay Jurado Palomino, the FARC International Commission representative in Venezuela. Further, the United States has had some success in extraditing from Venezuela traffickers designated by the Treasury Department. For example, in July and September 2010, two OFAC-designated traffickers who were arrested in Venezuela – Beto Renteria and Beto Marin – were successfully extradited to the United States to face criminal charges. Renteria and Marin were leaders of the Norte del Valle Cartel, and were involved in substantial drugs shipments into the United States, bribery and assassinations. Marin is incarcerated in Miami awaiting the start of his September trial and faces the potential of a life sentence if convicted. Renteria is the subject of two criminal indictments, one on narcotics trafficking charges and the other on RICO; he too faces the potential of life imprisonment if convicted.

The use of economic sanctions against narcotics traffickers is an important piece of the war the United States is waging on narcotics cartels and those that support them. OFAC will continue our ongoing efforts to target and apply financial measures against narcotics traffickers and their organizations, wherever they are located.

Terrorism

My office is also concerned about Venezuelan ties to terrorist groups. Specifically, we have found limited connections between Venezuela and Lebanese Hezbollah with Hezbollah facilitators and fundraisers operating in Venezuela. In this regard, just as in the narco-trafficking

context, OFAC has reacted swiftly when we have come upon actionable information linking Venezuela to terrorism.

For instance, in June 2008 OFAC designated two key Venezuelan supporters of Hezbollah, pursuant to Executive Order 13224, which targets terrorists, those owned or controlled by or acting for or on behalf of terrorists, and those providing financial, material, or technological support to terrorists or acts of terrorism. One of these individuals, Ghazi Nasr al Din, had utilized his position as a senior Venezuelan diplomat and the president of a Caracas-based Shi'a Islamic Center to provide financial support to Hezbollah. Nasr al Din served as Chargé d'Affaires at the Venezuelan Embassy in Damascus, Syria, and was subsequently a principal official at the Venezuelan Embassy in Lebanon. He had counseled Hezbollah donors on fundraising efforts and provided donors with specific information on bank accounts where the donors' deposits would go directly to Hezbollah. Additionally, he met with senior Hezbollah officials to discuss operational matters and even facilitated the travel of Hezbollah members to and from Venezuela, and to attend training courses in Iran.

The second designee was Fawzi Kan'an, also a Venezuela-based Hezbollah supporter and a significant provider of financial support to Hezbollah. Kan'an facilitated travel for Hezbollah members and sent money raised in Venezuela to Hezbollah officials in Lebanon. Further, he had met with senior Hezbollah officials in Lebanon to discuss operational issues, including possible kidnappings and terrorist attacks, and traveled with other Hezbollah members to Iran for training. In light of his role in facilitating transport, we also designated two travel agencies owned and controlled by Kan'an.

Iran

The Treasury Department is concerned about the growing ties between Venezuela and Iran, including burgeoning business and trade connections – which, at a time when the private sector around the world is increasingly shunning business with Iran, are especially noteworthy and concerning. We have, and will continue to, follow this situation vigilantly. Even more alarming is a report from the Department of Defense concerning the increasing presence of the Islamic Revolutionary Guard Corps-Quds Force (IRGC-QF) in Latin America, particularly Venezuela. As Treasury officials have noted with regular frequency before Congress, the IRGC-QF, which we sanctioned in October 2007, and the broader IRGC, which was sanctioned by the State Department at the same time, are at the vanguard of promoting the Iranian regime’s goals both at home and abroad. To this end, they are active throughout Iranian society and across the full range of the regime’s efforts, from working on promoting terrorism and procuring weapons, to controlling key pillars of the Iranian economy.

As former Under Secretary Levey testified last December, Treasury has consistently used its authorities to target the full range of Iran’s illicit and deceptive conduct by imposing sanctions on individuals and entities facilitating Iran’s illicit behavior, encouraging robust international implementation of UN Security Council resolutions concerning Iran’s nuclear program, and educating foreign governments and the private sector about the impact of U.S. measures and the risks of engaging with Iran. Indeed, since the beginning of the year, Treasury has further increased the pressure on Iran, with numerous actions taken against Iranian human rights abusers; entities affiliated with the Islamic Republic of Iran Shipping Lines (IRISL); a multi-million dollar procurement network supporting Iran’s missile programs; and Iran’s Bank Refah

and Bank of Industry and Mine, the 20th and 21st Iranian-linked financial institutions designated by the United States under proliferation and terrorism authorities, for providing financial services to designated entities.

As a part of this intensive effort, we have already acted against one Venezuelan bank. In January 2008, the Iranian government established the International Development Bank in Caracas (Banco Internacional de Desarrollo C.A.), a subsidiary of the Tehran-based Export Development Bank of Iran (EDBI). Shortly after Banco Desarrollo's opening, we sanctioned the bank under our WMD authorities in E.O. 13382 due to its relationship with EDBI. EDBI had been designated for providing or attempting to provide financial services to Iran's Ministry of Defense for Armed Forces Logistics (MODAFL), itself designated by the State Department in 2007. We also found that since the United States and United Nations designated Bank Sepah in early 2007, EDBI had served as one of the leading intermediaries handling Bank Sepah's financing, including WMD-related payments. In addition to handling business for Bank Sepah, EDBI facilitated financing for other proliferation-related entities sanctioned under U.S. and UN authorities. Given this dossier of troubling activities, we acted quickly against Banco Desarrollo in order to prevent EDBI from being able to leverage any outpost in the Americas to circumvent sanctions and continue these activities in the region.

As you know, the Treasury Department also has authorities under subsection 104(c) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 ("CISADA"), which requires Treasury to issue regulations (published on August 16, 2010) to prohibit or impose strict conditions on the opening or maintaining in the United States of correspondent

accounts or payable-through accounts for foreign financial institutions found to knowingly facilitate significant transactions or provide significant financial services for the Islamic Revolutionary Guard Corps (IRGC), for any of the IRGC's designated agents or affiliates, or for a financial institution designated in connection with Iran's proliferation of WMD or delivery systems for WMD or Iran's support for international terrorism.

Since CISADA's enactment, Treasury has been engaged in an aggressive outreach campaign, briefing dozens of foreign countries, including those in Latin America, and scores of financial institutions throughout the world, about the statute and the risks to foreign financial institutions of continued engagement in transactions that could result in the Treasury Department's ordering the closing of such foreign institutions' correspondent or payable-through accounts in the United States. The response to Treasury's outreach has been exceptional; the great majority of financial institutions with which we have engaged have closed their correspondent accounts with U.S.-designated, Iranian-linked financial institutions, thus closing off avenues that Iran's designated banks had relied upon to engage in financial activities. CISADA, in short, has proved to be a very powerful tool to further isolate and pressure Iran.

Concerning Venezuela in particular, we have been looking very carefully at banking ties between Iran and Venezuela. As is clear by our action against Banco Desarrollo, when we have identified sanctionable activity in Venezuela, we have taken action.

Whole of Government Approach

The national security threats posed by Iran, terrorism and narcotics trafficking are complex and no single tool or agency in the U.S. Government is sufficient to address the full scope of the threats we face. To that end, my office, and the wider Treasury Department, has worked very closely and consistently with colleagues at the State Department, the Justice Department, in the intelligence community and other agencies across the full spectrum of our sanctions work, including when it involves Venezuela or Latin America more broadly.

Conclusion

Our work has had a significant impact. The Venezuelan government's erratic policies, combined with the U.S. Government's work to consistently and publicly expose Venezuelan officials working with terrorists, sanctioned Iranian entities, and narcotics traffickers have made the country a high risk jurisdiction. Our efforts continue, and we shall persist in investigating activities implicating Venezuela. And, as we have done numerous times in the past, when information is found, we will not hesitate to take actions against such individuals and entities, fully leveraging the powerful authorities the Congress and the President have provided to us.

Adam J. Szubin

Director of the Office of Foreign Assets Control (OFAC)

Adam J. Szubin was named the Director of Treasury's Office of Foreign Assets Control (OFAC) by U.S. Treasury Secretary Henry Paulson on August 1, 2006. In the role of OFAC Director, Szubin is responsible for administering and enforcing the United States Government's economic sanction programs to advance foreign policy and national security objectives. These programs target supporters of terrorism, proliferators of weapons of mass destruction (WMD), international narcotics traffickers, and select foreign countries.

During his tenure at the Treasury, Szubin has served as the Senior Advisor to the Under Secretary for Terrorism and Financial Intelligence. In this capacity, he helped to develop and coordinate the implementation of policies on a range of issues, including terrorist financing, money laundering, sanctions programs, rogue regimes, WMD proliferation, and intelligence analysis. Szubin chaired the Money Laundering Threat Assessment Working Group, which produced the first government-wide analysis of U.S. money laundering vulnerabilities.

Szubin came to the Treasury from the Department of Justice, where he served as Counsel to the Deputy Attorney General, coordinating the Department's efforts to combat terrorism financing. Prior to assuming that position, he worked as a trial attorney in the Civil Division of the Justice Department, serving as a member of the Terrorism Litigation Task Force.

Szubin clerked for Judge Ronald Gilman on the U.S. Court of Appeals for the Sixth Circuit. He graduated from Harvard Law School, cum laude, and Harvard College, magna cum laude, and was a Fulbright scholar. Szubin lives with his wife in Washington, DC.