



# NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

## THESIS

**TERRORISM, DIASPORAS, AND PERMISSIVE THREAT  
ENVIRONMENTS. A STUDY OF HIZBALLAH'S FUNDRAISING  
OPERATIONS IN PARAGUAY AND ECUADOR.**

by

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December 2004

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A STUDY OF HIZBALLAH'S FUNDRAISING OPERATIONS  
IN PARAGUAY AND ECUADOR**

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## **ABSTRACT**

Increased focus on the TBA after Hizballah-linked bombings in Buenos Aires (1992) and the Argentine-Israeli Mutual Association (1994), and again after the September 11 attacks in the United States, produced an increased understanding of Hizballah's fundraising operations, but also led Hizballah to shift its fundraising operations to other Latin American locations- to which the location, nature, and extent are largely unknown.

This thesis develops a framework to identify where and how Hizballah conducts fundraising operations in Latin America. The focus of analysis is how host-nation characteristics, geo-strategic variables, and diaspora characteristics influence the nature and significance of Hizballah's fundraising operations in Paraguay and Ecuador.

Hizballah's fundraising operations in Paraguay are shaped by favorable geo-strategic variables, host-nation characteristics, and diaspora characteristics. Predictably then, Hizballah employs a wide range of fundraising operations in Paraguay producing substantial profits. In Ecuador as well, geo-strategic variables and host-nation characteristics facilitate fundraising operations. More interesting however, Hizballah has likely tailored its fundraising operations to mitigate the influence of unfavorable diaspora characteristics and maximize the potential of favorable host-nation characteristics and geo-strategic variables.

This thesis finds that diasporas are valuable to fundraising operations and outlines policy implications for their treatment by governments combating terrorist fundraising operations.

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## I. INTRODUCTION

Since September 11, 2001, the operations and capabilities of international terrorist organizations throughout the world have been investigated with a heightened sense of urgency. This increased attention illuminates the central role far-reaching and complex financial infrastructures play in the ability of these terrorist organizations to maintain their global influence.<sup>1</sup> States and diasporas are significant sponsors of terrorist organizations. Diaspora support will likely become increasingly vital for terrorist organizations to continue their operations as the current U.S.-sponsored global war on terror will decrease the quantity and quality of state sponsored support for terror organizations.<sup>2</sup> Understandably, the operations of terrorist organizations with global capabilities and that are motivated by fundamental Islamic ideology have received increased attention from academics and politicians. Not understandable however, the overwhelming majority of this attention has been directed toward understanding al Qaeda's international network and the capability of its operations. A more comprehensive understanding of al Qaeda's capabilities and intentions will undoubtedly increase the security of the U.S., and thus merits significant attention. However, the capabilities, operations, and intentions of other terrorist organizations (that pose significant threats to U.S. national security) must not be overlooked in the effort to thwart al Qaeda.

In September 2002, U.S. Deputy Secretary of State Richard Armitage identified Hizballah as the "A-team" of terrorism. With this comment, Richard Armitage expressed the comparative advantage Hizballah has over al Qaeda in reference to their global support and operations infrastructure and demonstrated ability to conduct acts of international terrorism. Similarly, President George W. Bush identified Hizballah as a terrorist group with "global reach" in his 2002 State of the Union address. Considering the extensive infrastructure and capabilities Hizballah has developed since its

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<sup>1</sup> Rachel Ehrenfeld, *Funding Evil: How Terrorism is Financed and How to Stop It*. Chicago: Bonus Books, 2003, p. 1.

<sup>2</sup> Daniel L. Byman, Peter Chalk, Bruce Hoffman, William Roseneau, and David Brannan, *Trends in Outside Support for Insurgent Movements*. RAND, 2001. p. 42.

establishment in 1982, and the significant amount of violence against American targets it has been responsible for, it is time to shift the focus of U.S. counter-terrorism attention and efforts from predominantly targeting al Qaeda to also include Hizballah.

## A. DISCUSSION

The purpose of this thesis is to develop a framework to help identify where and how Hizballah carries out fundraising operations in Latin America. A review of the collective bodies of literature on terrorist fundraising operations and environmental factors conducive to terrorist operations will be conducted to identify factors that facilitate terrorist fundraising operations. To date, most of the attention of international counter-terrorist organizations has been directed toward Hizballah's fundraising operations in the Tri-Border Area (TBA) of Argentina, Brazil, and Paraguay and information generated by investigations of Hizballah's activities in Paraguay will be used to validate the framework developed in this thesis. Increased focus on the TBA after the Hizballah-linked bombings in Buenos Aires in 1992 and the Argentine-Israeli Mutual Association in 1994,<sup>3</sup> and again after the terrorist attacks of September 11 in the United States, has brought with it increased understanding of Hizballah's fundraising operations in the area, but also has had the unintended impact of leading Hizballah to shift its fundraising operations to other areas of Latin America. The location, nature, and extent of these activities are largely unknown.

Accordingly, the central research question this thesis will answer is: *What is the nature and significance of Hizballah's fundraising operations in Latin America?* Subsequently, three sub-questions will be examined to comprehensively answer the main research question:

- 1) *What generalizations can be made about how and where terrorist organizations conduct fundraising operations?*
- 2) *What is the modus operandi for Hizballah's fundraising operations in the TBA?*
- 3) *To what extent can we expect this model to be used for fundraising operations elsewhere in Latin America?*

The central hypothesis of this thesis is that these fundraising operations will be developed in permissive (or hospitable) environments according to the specific

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<sup>3</sup> Mario Daniel Montoya, "Israel Takes Special Interest in Triple Border Area," *Jane's Intelligence Review*, No. 12, December 2001, pp. 13-14.

characteristics of each particular permissive environment. Variations in significant characteristics of each environment will determine the extent of the similarity or divergence evident in the fundraising operations used. For example, Paraguay's geo-strategic proximity to the free trade zone of the TBA is conducive to piracy and money laundering and explains their use by Hizballah. Also, high levels of communal and ideological support for Hizballah from Paraguay's Lebanese diaspora are conducive to extortion and donations and explain their use. Conversely, low levels of communal and ideological support for Hizballah from Ecuador's Lebanese diaspora explain why no evidence exists indicating Hizballah uses extortion and donations for fundraising operations. Also, Ecuador's geo-strategic proximity to Colombia's drug trafficking zone operated by the Revolutionary Armed Forces of Colombia (FARC) is conducive to drug trafficking and money laundering and explains their use.

## **B. SCOPE**

This thesis will attempt to determine how host-nation characteristics, geo-strategic variables, and diaspora characteristics combine to influence the nature and significance of Hizballah's fundraising operations in Latin America. The analysis of host-nation characteristics will focus the extent to which the degree of an environment's *permissiveness* influences the nature of the fundraising operations. Permissive threat environments are defined by their possession of the following characteristics: weak political institutions, widespread government corruption, weak legal framework relating to terrorism and money laundering. The plethora of countries not typically identified as having weak government institutions or widespread corruption but which can nevertheless be a *hospitable* environment for terrorist operations highlights the importance of the existence of geo-strategic characteristics and influential diasporas in the identification of such environments. The analysis of geo-strategic variables will focus on an environment's proximity to free trade or drug trafficking zones. The combination of these characteristics often provides the economic infrastructure and sufficient profit potential necessary for successful fundraising operations. The analysis of diasporas will focus on the levels of communal and ideological support they have for

Hizballah, which is in turn shaped by the diaspora's motivation for migration and its religious composition.<sup>4</sup>

### **C. METHODOLOGY**

This thesis will examine two case studies to determine the dependent variable: the nature and significance of Hizballah's fundraising operations in Latin America. The independent variables examined within each case study are: geo-strategic variables, host-nation characteristics, and diaspora characteristics.

Chapter II describes Hizballah's general fundraising needs and strategies and develops an analytical framework to help predict how and where terrorist organizations are likely to undertake fundraising operations. The chapter shows that Hizballah needs a steady supply of financial resources to not only carry out armed actions against Israel but, perhaps more importantly, to increase its legitimacy and mitigate internal opposition to its growing participation in Lebanese politics. Although the majority of these funding needs are met by assistance from state sponsors, Hizballah has traditionally pursued a variety of fundraising operations to diversify the sources of its funding and these operations are briefly described. It is to be expected that Hizballah will choose from this repertoire of activities when carrying out fundraising operations in Latin America.

The second half of Chapter II examines how geo-strategic variables, host-nation characteristics, and diaspora characteristics are likely to shape the particular fundraising operations a terrorist organization might employ in a particular area of the world. To date, most studies have focused on how host-nation characteristics like weak government institutions and widespread corruption create hospitable environments for terrorist operations; these are undoubtedly important and are included in the framework. However, the large number of countries not typically identified as having these characteristics but which can nevertheless be considered either a permissive or hospitable environment for terrorism highlights the importance of including other factors in the framework, such as geo-strategic variables and diaspora characteristics.

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<sup>4</sup> Terrence Lyons, "Globalization, Diasporas, and Conflict," Institute for Conflict Analysis and Resolution, George Mason University, January 2004. Available online at: [http://www.intlstudies.ucsd.edu/iicas\\_research\\_papers/Globalization,%20Territoriality,%20and%20Conflict%20Conference/GlobalDiaCon.pdf](http://www.intlstudies.ucsd.edu/iicas_research_papers/Globalization,%20Territoriality,%20and%20Conflict%20Conference/GlobalDiaCon.pdf), Accessed on 12/2/04.

Chapter III examines Hizballah's fundraising operations in Paraguay according to the analytical framework established in Chapter II. Paraguay scores high on all three sets of variables identified in the framework, thus it comes as no surprise that high levels of fundraising activities for Hizballah have been identified in the country. Evidence shows that the fundraising operations most commonly used by Hizballah in Paraguay are money laundering, donations, extortion, and piracy. Factors contributing to the nature of Hizballah's fundraising operations in Paraguay are: weak political institutions, widespread government corruption, weak legal framework relating to terrorism and money laundering, geo-strategic proximity to the TBA's free trade zone, and evidence of high levels of communal and ideological support for Hizballah from the Lebanese diaspora. The nexus between Ciudad del Este's Lebanese community and the free trade zone of Paraguay, Argentina, and Brazil facilitates money laundering and piracy operations.

Chapter IV is important because it demonstrates how the geo-strategic variables, host-nation characteristics, and diaspora characteristics in Ecuador shape the particular fundraising operations Hizballah uses in that environment. Ecuador's host-nation and geo-strategic characteristics are consistent with those seen in Paraguay. As a result, Ecuador appears to present as favorable an environment to terrorist fundraising operations as Paraguay does. However, the small size of Ecuador's Lebanese Islamic population, relative to Ecuador's Lebanese Christian population and Paraguay's Lebanese Islamic population, seemingly creates an unfavorable environment for Hizballah's fundraising operations. As a result of low levels of communal and ideological support from Hizballah from the Lebanese diaspora, fundraising operations most commonly used by Hizballah in Ecuador are money laundering and drug trafficking rather than donations or extortion. Factors contributing to the nature of Hizballah's fundraising operations in Ecuador are: weak political institutions, widespread government corruption, and the geo-strategic proximity to the FARC-controlled drug trafficking zone. Ecuador's proximity to Colombia's drug trafficking zone in the FARC-controlled territory facilitates money laundering and drug trafficking operations.

The nature of Hizballah's fundraising operations in Ecuador- with a diaspora that does not appear to possess the religious characteristics seemingly required to facilitate fundraising operations has significant implications for the future identification of permissive threat environments. The lack of evidence documenting any significant amount of donations made by Ecuador's Lebanese diaspora to Hizballah-linked organizations in Lebanon reflects the diaspora's lack of a shared religion, which in turn likely indicates low levels of communal support for Hizballah. As previously mentioned, the small size of the Lebanese diaspora's Islamic population (relative to the size of its Christian population) indicates a low potential for ideological support within the diaspora. However, the recent increase in the Islamic presence in Ecuador, demonstrated by the emergence of mosques that espouse radical Islamic rhetoric consistent with that used by Hizballah to legitimize its violence, is evidence that Hizballah is attempting to increase its ideological support within Ecuador's Lebanese diaspora. The levels of communal and ideological support evident in Ecuador's Lebanese diaspora clearly influence Hizballah's fundraising operations in the country. However, Hizballah's relationship with influential Lebanese businessmen in the region appears to be a more significant contributing factor to the nature and significance of Hizballah's fundraising operations in Ecuador than either communal or ideological support.

Chapter V is the conclusion. This focus of this chapter is on the comparative analysis of how the independent variables in each case study determine the nature and significance of Hizballah's fundraising operations. The nature and significance of Hizballah's fundraising operations in Paraguay are largely a result of favorable geo-strategic variables, host-nation characteristics, and diaspora characteristics. Predictably then, a wide range of fundraising operations is employed by Hizballah in Paraguay that result in a large volume of financial profits. In Ecuador as well, geo-strategic variables and host-nation characteristics are favorable to fundraising operations. However, the less than ideal characteristics of Ecuador's Lebanese diaspora explain Hizballah's fundraising operations in that country. Hizballah's use of money laundering and drug trafficking for fundraising capitalizes on favorable host-nation characteristics and geo-strategic variables and is not overly dependent on either communal or ideological support

from the diaspora. Finally, this chapter will briefly recommend areas for future research and outline policy implications of government-diaspora relations.

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## II. HIZBALLAH: IN SEARCH OF A CAUSE

This chapter describes how Hizballah's evolution from an ideological armed resistance movement to an active participant in Lebanon's political system resulted in an organizational need for financial resources and develops an analytical framework to determine how and where terrorist organizations conduct fundraising operations. This transformation process began in 1992 with Hizballah's decision to participate in Lebanon's parliamentary elections and culminated in 2000 with Israel's withdrawal from Lebanon. Section A of this chapter describes Hizballah's need for a steady supply of financial resources to continue its extensive amount of social service programs in Lebanon. A central goal of Hizballah's social services is to increase its legitimacy and mitigate internal opposition to its growing participation in Lebanese politics.

Section B of this chapter examines how Hizballah has traditionally developed international financial support networks independent of its state sponsors despite the fact that it receives significant amounts of financial support from state sponsors. This section identifies a comprehensive menu of options available to terrorist organizations for fundraising operations. As described in Chapter I, the specific fundraising options utilized by Hizballah in Latin America will be analyzed in Paraguay and Ecuador. The collective body of literature on terrorist fundraising operations identifies the following as common means by which terrorist organizations generate required funds: money laundering, remittances, donations to charities, extortion, piracy, drug trafficking, document falsification, kidnapping, robbery, arms trafficking, blackmail, smuggling, and counterfeiting.<sup>5</sup>

Section C of this chapter examines how the independent variables of the thesis-geo-strategic variables, host-nation characteristics, and diaspora characteristics will influence which fundraising options Hizballah are likely to employ. This analytical framework will provide useful insights into understanding how the fundraising operations

<sup>5</sup> Daniel L. Byman, Peter Chalk, Bruce Hoffman, William Roseneau, and David Brannan, *Trends in Outside Support for Insurgent Movements*. RAND, 2001. p. 42, LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro, "Nations Hospitable to Organized Crime and Terrorism." Library of Congress Report, October 2003. p. 177, and Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." Library of Congress Report, July 2003. p. 9.

conducted in any environment are a function of the specific characteristics of that environment.

**A. HIZBALLAH'S NEED FOR FUNDRAISING OPERATIONS AND WHY THIS NEED EXISTS**

The central theme under which the above mentioned relationships exists is Hizballah's transformation from its establishment in 1982 as an armed resistance movement to its current form and function as a legitimate political, military, and social institution. The analysis of this transformation process focuses primarily on the internal politics of Hizballah and assumes that terrorist organizations become self-sustaining regardless of political consequences.<sup>6</sup> Therefore, according to Crenshaw's organizational process theory, a fundamental purpose of Hizballah is to ensure its own survival vis-à-vis changing real world dynamics.<sup>7</sup> This transformation is evident in the balance Hizballah has created between its original ideological goals, as established in its 1985 political platform, and its recent (1992 to present) emerging reliance on more pragmatic political goals required to provide the legitimacy necessary to sustain the organization.<sup>8</sup> The decision to have Hizballah candidates run for office in Lebanon's 1992 parliamentary election demonstrates the organization's pragmatism, indicates its willingness to compromise its strategic goals,<sup>9</sup> and marks the beginning of the organization's transition from an ideological armed resistance movement. This evolution culminated with Israel's withdrawal from Lebanon in 2000. Israel's withdrawal from Lebanon created a fundamental dilemma for Hizballah by validating the legitimacy of the organization's ideological goals and its tactical operations toward their achievement while simultaneously removing the organization's primary cause and undercutting a significant portion of its fundamental ideological motivation.<sup>10</sup>

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<sup>6</sup> Martha Crenshaw, "Theories of Terrorism: Instrumental and Organizational Approaches," in *Inside Terrorist Organizations*, edited by David C. Rapoport, New York: Columbia University Press, 1988.

<sup>7</sup> Martha Crenshaw, "An Organizational Approach to the Analysis of Political Terrorism," *Orbis*, Vol. 29, No. 3, Fall 1985.

<sup>8</sup> Magnus Ranstorp, "The Strategy and Tactics of Hizballah's Current 'Lebonization Process'," *Mediterranean Politics*, Vol. 3, No. 1, Summer 1998. pp. 3-4.

<sup>9</sup> Augustus R. Norton, "Hizballah: From Radicalism to Pragmatism," *Middle East Policy*, Vol. V, No. 4, January 1998.

<sup>10</sup> *Ibid.*

This fundamental change in roles and sources of legitimacy resulted in two significant implications for the role of Hizballah's social service programs. As Hizballah's main motivation for its armed resistance was removed, the pragmatic rationale for its continued existence- social services and political representation, gained in relative importance. Additionally, assuming that the sources and quantity of funding (internal and external) remained constant, the sudden lack of a practical reason for armed resistance in southern Lebanon would free additional resources for social service programs- having the immediate consequence of further bolstering their importance relative to the organization's yet undefined ideology-based strategy. The increased importance of Hizballah's social service programs to its legitimization and overall organizational survival establishes the importance of fundraising operations.

Since Israel's withdrawal from Lebanon, Hizballah's leadership has utilized the ideological rhetoric of armed deterrence against future Israeli aggression and support for Palestine in the Israeli-Palestinian conflict to counterbalance any potential perception that its increased presence in Lebanon's political system deteriorates its revolutionary character with its domestic and international constituency.<sup>11</sup> The opposition to the participation in Lebanese politics initially came from within Hizballah's radical elements and eventually translated into independent acts of violence against Israel in an attempt to undermine Nasrallah's leadership.<sup>12</sup> The assumption made to validate the relationship between ideology and legitimacy is that Lebanese diasporas are more likely to support the ideological goals of Hizballah's armed resistance role than the political goals of its parliamentary representatives. It is important to note that this ideological campaign has been conducted simultaneously with the increased importance of the network of social service projects. While each is intended to influence different segments of Hizballah's audience: the increased importance of the social service programs is designed to target the "hearts and minds" of the common man, while the ideological rhetorical campaign is designed to target members of the radical constituency, their parallel paths ultimately

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<sup>11</sup> "Hizballah: Rebel Without a Cause?," *Middle East Briefing*, International Crisis Group, 30 July 2003, Augustus R. Norton, "Hizballah: From Radicalism to Pragmatism," and Ely Karman, "Fight on All Fronts: Hizballah, the War on Terror, and the War in Iraq," *The Washington Institute for Near East Policy*, Policy Focus, No. 46, December 2003.

<sup>12</sup> Magnus Ranstorp, "The Strategy and Tactics of Hizballah's Current 'Lebanization Process.'"

facilitate the achievement of common strategic goals- increasing legitimacy and the profit potential for future fundraising operations.

## **B. THE DEVELOPMENT OF FUNDRAISING OPERATIONS SEPARATE FROM STATE SPONSORS**

The need for financial resources to support social service programs combined with a desire to be more self-reliant resulted in the early establishment of fundraising operations separate from state sponsorship, like zakat- that utilizes common religious beliefs (ideology) to garner financial resources. An organizational goal to increase self-reliance led Hizballah to seek alternate sources of funding. The geo-strategic variables, host-nation characteristics, and diaspora characteristics of areas in Latin America provided a potential source for an independent source of required funding. However, despite the development of separate sources of funding, the maintenance of the substantial amount of financial support Hizballah receives from Iran is an integral part of its ability to sustain its legitimacy with its constituency in Lebanon.<sup>13</sup> It appears logical that Hizballah's fundraising operations (through ideology linked procedures like zakat or fundraising operations within diasporas) can be attributed to an organizational motivation to increase the diversity of sources of its funding. The recognition that multiple causal relationships support the rationale behind Hizballah's use of fundraising operations in Latin America reinforces the argument that, although state support is vital to Hizballah's operations and its maintenance is important, financial self-sufficiency is a goal of organizational survival.

The importance of fundraising operations to Hizballah's ability to balance conflict between ideology and pragmatism reinforces the concept that the organization's operations and public statements are simultaneously directed toward internal and external audiences.<sup>14</sup> Although the level of restraint imposed by these individual factors is likely to fluctuate according to continuously shifting international and domestic dynamics, an important theme remains constant: that Hizballah's heavy reliance on social service programs to increase its legitimacy in the face of opposition to its participation in

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<sup>13</sup> Magnus Ranstorp, "The Strategy and Tactics of Hizballah's Current 'Lebonization Process'," p. 21.

<sup>14</sup> Ibid.

Lebanon's political system depends on a steady (or progressively increasing) influx of financial resources.

While funding from international state sponsors like Iran is vital to Hizballah's legitimization efforts, growing international pressure associated with the U.S.-led GWOT is likely to have either decreased the levels of overt state financial sponsorship of terrorist organizations or will decrease them in the future.\* Libya's recent cooperation with the U.S. in the GWOT is evidence that coercive efforts to deter state-sponsored terrorism can result in substantial influence and reduce the overall availability of resources required by terrorist organizations. Libya's recent policy reversal and support for U.S. counter-terrorism policy is significant considering the inability of previous U.S. coercive efforts (military and economic sanctions) to effectively deter its sponsorship of terrorism. Libya and Iran are vastly different countries with correspondingly different sensitivities to coercive techniques. While it cannot be assumed that techniques used to successfully coerce Libya will have any coercive influence on Iran, the trend suggests that, under the dynamics of the GWOT, Iran and other state sponsors of terrorism may be vulnerable to coercive diplomacy in ways they have not been in the past. A climate of decreased resources from international sponsors will be the likely result of the GWOT. Therefore in the future, Hizballah will likely be required to increasingly seek to satisfy its own growing need for financial resources with its own fundraising operations.

Money laundering, remittances, donations to charities, extortion, piracy, drug trafficking, document falsification, kidnapping, robbery, arms trafficking, blackmail, smuggling, and counterfeiting are identified as common means by which terrorist organizations generate required funds.<sup>15</sup> While the specific techniques available for terrorist financing are clear, the secretive nature of their application in the real world

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\* Due to the secretive nature of state support and the resultant ambiguity of the quantitative analysis associated with it, it is not surprising that there is not yet any direct evidence indicating a decreased level of state support for Hizballah as a result of the GWOT.

<sup>15</sup> Daniel L. Byman, Peter Chalk, Bruce Hoffman, William Roseneau, and David Brannan, *Trends in Outside Support for Insurgent Movements*. RAND, 2001. p. 42, LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro, "Nations Hospitable to Organized Crime and Terrorism." Library of Congress Report, October 2003. p. 177, and Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." Library of Congress Report, July 2003. p. 9.

often prevents any substantive analysis.<sup>16</sup> The covert nature of applied fundraising techniques often use pre-existing and legitimate economic infrastructures and transactions to disguise their intended purposes. The particular technique used by terrorist organizations to conduct fundraising operations will likely depend on the specific characteristics of the environment in which they operate. This same body of academic and policy-based literature also identifies common environmental characteristics that facilitate terrorist fundraising operations.<sup>17</sup> The extent these favorable environmental characteristics exist in Latin America will be described in section four of this chapter. However, a list of fundraising techniques commonly used terrorists in Latin America is provided in Table 1.

Table 1. Fundraising Techniques (From Ref **18** )

Generic list of fundraising techniques available to terrorist organizations.	Techniques used by Hizballah for fundraising in Latin America (Paraguay and Ecuador).
<ul style="list-style-type: none"> <li>▪ Money laundering</li> <li>▪ Remittances</li> <li>▪ Donations</li> <li>▪ Extortion</li> <li>▪ Piracy</li> <li>▪ Smuggling</li> <li>▪ Drug trafficking</li> <li>▪ Counterfeiting</li> <li>▪ Document falsification</li> <li>▪ Kidnapping</li> <li>▪ Robbery</li> <li>▪ Arms trafficking</li> <li>▪ Blackmail</li> </ul>	<ul style="list-style-type: none"> <li>▪ Money laundering</li> <li>▪ Remittances</li> <li>▪ Donations</li> <li>▪ Extortion</li> <li>▪ Piracy</li> <li>▪ Drug trafficking</li> <li>▪ Smuggling</li> </ul>

<sup>16</sup> A large percentage of the analysis on terrorist fundraising operations in Latin America is focused on the TBA. Additionally, these reports all reference the same sources of information- much of which describes actions in the mid to late-1990s. The lack of comprehensive evidence on terrorist fundraising operations is an understandable consequence of the covert nature of its application.

<sup>17</sup> Daniel L. Byman, Peter Chalk, Bruce Hoffman, William Roseneau, and David Brannan, *Trends in Outside Support for Insurgent Movements*. RAND, 2001. p. 42, LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro, “Nations Hospitable to Organized Crime and Terrorism.” Library of Congress Report, October 2003. p. 177, and Rex Hudson, “Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America.” Library of Congress Report, July 2003. p. 9.

<sup>18</sup> John Horgan and Max Taylor, “Playing the ‘Green Card’- Financing the Provisional IRA: Part I,” *Terrorism and Political Violence* 11:2 (Summer 1999). Available online at: <http://www.ciaonet.org/wps/hoj05/hoj05.pdf>, Accessed on 12/4/04. While kidnapping for ransom, blackmail, and armed robbery are options certainly available to terrorist organizations, this analysis is focused on fundraising operations that meet a higher level of sophistication and concealment.

If a terrorist organization is able to appeal to the radical religious ideology of a diaspora (or if it's able to foster ideological support where it previously did not exist) it will likely increase the foundation of ideological support it receives from that community and thus increase the profit potential for its fundraising operations. This relationship establishes the likelihood that Hizballah will promote radical Islam in Latin America. This relationship is significant because while religious ideology is not commonly considered a direct technique of terrorist fundraising, the promotion of religious ideology consistent with Hizballah's radical ideology can facilitate the creation of environmental characteristics that are likely to increase the profitability of fundraising operations.

### **C. THE INFLUENCE OF GEO-STRATEGIC VARIABLES, HOST-NATION CHARACTERISTICS, AND DIASPORA CHARACTERISTICS ON FUNDRAISING OPERATIONS**

The specific identification of diasporas as strategically valuable to terrorist operations results in several important policy implications for their treatment by host-nations determined to combat terrorist operations. This requires an examination of why and how diasporas support terrorists.

Using characteristics of Lebanese diasporas as primary indicators of the existence of permissive threat environments requires a detailed understanding of exactly which characteristics of the diaspora should be *targeted* to effectively identify environments conducive to fundraising operations. As previously mentioned, diasporas are commonly motivated to support terrorist organizations for communal or ideological reasons.<sup>19</sup> As a result, some mechanism of measurement must be developed and applied to each in order to determine which is more influential. The tactics used for fundraising from a diaspora may indicate the relative power relationship that exists between the communal or ideological motivations for support. Evidence of a large amount of donations by diasporas to Hizballah-linked social organizations or of large amounts of donations sent to organizations and individuals in Lebanon is likely indicative of a strong communal motivation within the diaspora. An important distinction must be made regarding the nature of this relationship: the existence of communal motivation does not depend on

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<sup>19</sup> Daniel L. Byman, Peter Chalk, Bruce Hoffman, William Roseneau, and David Brannan, *Trends in Outside Support for Insurgent Movements*. RAND, 2001.

whether the donations made to Hizballah-linked organizations or individuals. However, evidence of Hizballah's extensive use of extortion is likely indicative of weak communal support. Additionally, levels of communal support will fluctuate with perceptions the effectiveness of Hizballah. This relationship, otherwise known as the "bandwagon effect,"<sup>20</sup> appears to be linked to ideological motivations for support.

An example of this link is Hizballah's use of diaspora members with shared ideological perspectives to gather information on Israeli targets in Argentina. This information was used in attacks against these targets in 1992 and 1994.<sup>21</sup> These attacks were then used as examples of Hizballah's success- and theoretically increased levels of communal support within the diaspora.<sup>22</sup> Evidence of Islamic mosques espousing ideological beliefs consistent with Hizballah's radical ideology is likely indicative of ideological support within the diaspora. Evidence linking these mosques to Hizballah operatives within the diaspora indicates a substantially increased level of ideological support- unless however, these operatives received funding for the development and maintenance of the mosques from external sources or the mosques received little support from diaspora members. Additionally, changing characteristics of the diaspora's religious composition, not otherwise explained by the host-nation's domestic level dynamics, is likely indicative of ideological support within the diaspora (when these religious changes are consistent with Hizballah's use of Islam to legitimize its actions).

Hizballah's regional tactics reflect the organization's increasing reliance on ideology-based rhetoric to counterbalance any perceived loss of legitimacy resulting from its increased participation in Lebanese politics. This relationship appears to have influenced the emergence of Islamic mosques in Paraguay and Ecuador. The development of mosques in Paraguay may be partially explained by the religious composition of Paraguay's Lebanese diaspora. However, the religious composition of Ecuador's Lebanese diaspora was not consistent with the establishment of mosques.

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<sup>20</sup> Ibid.

<sup>21</sup> Mario Daniel Montoya, "Israel Takes Special Interest in Triple Border Area," *Jane's Intelligence Review*, No. 12, December 2001, pp. 13-14.

<sup>22</sup> Daniel L. Byman, Peter Chalk, Bruce Hoffman, William Roseneau, and David Brannan, *Trends in Outside Support for Insurgent Movements*. p. 52.



Therefore, Hizballah's attempt to develop an ideological support base in Ecuador must be a suspected reason for the creation of mosques in a predominantly Christian diaspora absent compelling evidence that domestic dynamics in Ecuador were responsible. Evidence that many of these mosques are linked to Hizballah or espouse Islamic fundamentalist rhetoric, consistent with the organization's ideology, further suggests the existence of strategically significant legitimacy-bolstering operations. Religion-interpreted from sacred texts and communicated by clerical leaders who claim to represent the divine, becomes a tool used by Hizballah to legitimize its strategy and tactics.<sup>23</sup>

However, when changes in a diaspora's religious composition can be explained by external dynamics, like migration patterns, it is crucial to determine the group's initial motivation to migrate. The degree of connection a diaspora community has with a terrorist organization involved in a struggle related to the group's "homeland" is often related to whether the migration was motivated by violent conflict or perceived oppression, or economic need or opportunity.<sup>24</sup> Diaspora members whose migration was motivated by violent conflict or a perceived oppression would likely produce higher levels of ideological support for Hizballah than those whose migration was motivated by economic need or opportunity.<sup>25</sup> The concept linking diasporas to violent conflict is supported by studies of diaspora influences on the length and reasons for civil wars.<sup>26</sup> In the analysis of the relationship between diasporas and civil wars, Collier and Hoeffler determine that a direct relationship exists between the degree of sympathy diasporas have for a civil war and whether the conflict was motivated by greed or grievance. Grievance

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<sup>23</sup> Bruce Hoffman, *Inside Terrorism*, (New York: Columbia University Press, 1998) p. 94.

<sup>24</sup> Terrence Lyons, "Globalization, Diasporas, and Conflict," Institute for Conflict Analysis and Resolution, George Mason University, January 2004. Available online at: [http://www.intlstudies.ucsd.edu/iicas\\_research\\_papers/Globalization,%20Territoriality,%20and%20Conflict%20Conference/GlobalDiaCon.pdf](http://www.intlstudies.ucsd.edu/iicas_research_papers/Globalization,%20Territoriality,%20and%20Conflict%20Conference/GlobalDiaCon.pdf), Accessed on 12/2/04.

<sup>25</sup> Ibid.

<sup>26</sup> Paul Collier and Anke Hoeffler, "Greed and Grievance in Civil War," a policy paper prepared for the World Bank in March 2002. pp. 25-26. Available online at: [http://128.8.56.108/iris-data/docs/ppc\\_ideas/conflict\\_frameworks/collier\\_hoeffler.pdf](http://128.8.56.108/iris-data/docs/ppc_ideas/conflict_frameworks/collier_hoeffler.pdf), Accessed on 12/3/04.

evokes more substantial levels of sympathy and support from diasporas than greed, and results in more prolonged civil wars.<sup>27</sup>

Another characteristic of diasporas that influences the nature and significance of fundraising efforts are geo-strategic variables. The analysis of geo-strategic variables is focused on an environment's proximity to free trade or drug trafficking zones. The combination of these characteristics often provides the economic infrastructure and sufficient profit potential necessary for successful fundraising operations. The existence of a well-developed financial infrastructure and influential businessmen (that are sympathetic to Hizballah's ideology) within the diaspora significantly increases the environment's profit potential. Available evidence suggests that the involvement of Lebanese businessmen in Hizballah's fundraising operations in Latin America is common. However, evidence to determine if these businessmen participate in these terrorist fundraising operations because they are sympathetic to Hizballah or for greed is unavailable.

The relative importance of each of these characteristics on the nature and significance of Hizballah's fundraising operations in Latin America will depend on the specific characteristics of the respective host-nation. The characteristics of host-nations that facilitate Hizballah's fundraising operations will be referred to as permissive threat environments. Hizballah's strategic shift from an ideological armed resistance movement to an active participant in Lebanon's political system is consistent with a relative decrease in the importance of communal support vis-à-vis both ideological support and the presence of influential businessmen. Consequently, the variables that most effectively influence the creation of permissive threat environments are ideological support for terrorist organizations, the existence of influential businessmen within the diaspora (who share the terrorist's ideology), and the proximity to high profit-potential economic environments.

The term permissive threat environment has a wide variety of definitions, often based on divergent concepts of the causal relationships between environmental characteristics and threat levels. The definition of permissive threat environment used in

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<sup>27</sup> Ibid, pp. 3-5.

this chapter is a significant modification of the definition of “hospitable” nations provided by the 2003 Library of Congress (LOC) Report: *Nations Hospitable to Organized Crime and Terrorist Organizations*. While this definition is based primarily on domestic-level characteristics, it also includes significant geographic characteristics that have potential strategic value for terrorist operations.<sup>28</sup> As defined by the LOC, the main elements that make a nation “hospitable” to terrorist operations are “official corruption, incomplete or weak legislation, poor enforcement of existing laws, non-transparent financial institutions, unfavorable economic conditions, lack of respect for the rule of law in society, and poorly guarded national borders.”<sup>29</sup>

For the purposes of this analysis, permissive threat environments are defined by their possession of the following characteristics: weak political institutions, widespread government corruption, weak legal framework relating to terrorism and money laundering, prominent Lebanese diasporas, geo-strategic location (proximity to established drug trafficking or free trade zones), and evidence of communal or ideological support for Hizballah from Lebanese diasporas. These characteristics are represented in Table 2.

Table 2. Characteristics of Permissive Threat Environments.

<p>Permissive Threat Environments (include both geo-strategic variables and Diaspora characteristics).</p> <ul style="list-style-type: none"> <li>▪ Weak political institutions</li> <li>▪ Widespread government corruption</li> <li>▪ Weak legal framework</li> <li>▪ Prominent Lebanese Diasporas (Lebanese businessmen)</li> <li>▪ Geo-strategic location (high profit-potential economic environments)</li> <li>▪ Communal support of Diaspora</li> <li>▪ Ideological support of Diaspora</li> </ul>
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While the relatively broad definition of permissive threat environments and its potential applicability to a large number of nations threatens to decrease its practical utility, its efficacy relative to Hizballah operations is increased by the application of the

<sup>28</sup> Library of Congress Report: *Nations Hospitable to Organized Crime and Terrorist Organizations*, October 2003.

<sup>29</sup> Ibid.

established link between the ideology of terrorist organizations and their perceived range of legitimate options for operations.<sup>30</sup> According to Drake, the ideology of a terrorist organization shapes its world outlook, determines the range of potential options they view as legitimate, defines how they judge the utility of institutions, and directly influences their targeting patterns. Although Drake's theory describing the influence of ideology was developed to explain patterns in the decision-making processes resulting in the target selection of terrorist organizations, it is also applicable to a terrorist organization's decision-making processes relating to all other decisions in general. As a result, Hizballah's ideology predisposes the organization to seek support where they perceive the potential exists for communities to have religious beliefs that are consistent with their strategic goals.

The specific link between the influence of ideology (as described by Drake) and Hizballah's selection of permissive threat environments, in which to conduct fundraising operations, is the organization's identification of influential Lebanese diasporas that potentially provide Hizballah with sufficient levels of communal or ideological support to facilitate its fundraising operations. This theory is based on the assumption that Hizballah's ideology influences its worldview and predisposes the organization to identify Lebanese diasporas as a significant characteristic of a permissive threat environment. The applicability of the link between Lebanese diasporas and permissive threat environments depends on the assumption that Hizballah is capable of identifying and quantitatively measuring, according to some rational system of value assignment, the potential for communal or ideological support they would likely receive from a Lebanese diaspora.

The relationship between ideology and Hizballah's identification of Lebanese diasporas for fundraising operations is strengthened by the nature of the organization's traditional use of religious ideology to legitimize the violence of its actions. Hizballah's use of ideology to legitimize its actions is significant because it clarifies the differences in the intended utility of diasporas depending on the nature of the organization relying on that diaspora. After all, immigrant communities often rely on compatriots for assistance

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<sup>30</sup> C. J. M. Drake, "The Role of Ideology in Terrorists' Target Selection," *Terrorism and Political Violence* Vol. 10 No.2, Summer 1998.

and drug-trafficking networks are routinely established according to ethnic ties. The use of ideology to legitimize actions distinguishes Hizballah from common criminal organizations- like international drug-trafficking organizations, whose primary motivations are financial. The connection between ideology and legitimacy is central to Hizballah's attraction to Lebanese diasporas and differentiates the terrorist-diaspora dynamic from the criminal-diaspora dynamic.

Weak government institutions and widespread corruption are factors contributing to the creation of permissive threat environments. However, the large number of countries not typically identified as having these characteristics but which can nevertheless be considered either a *threatening* or *hospitable* environment for terrorist operations highlights the importance of the existence of influential diasporas and geo-strategic characteristics in the identification of such environments. Canada and several Western European countries considered leaders of the European Union (EU), like France, Germany, and the United Kingdom, are not generally associated with having either weak government institutions or widespread corruption.<sup>31</sup> However, each is identified by the LOC as being "hospitable" for terrorist operations.<sup>32</sup> While Canada and the above mentioned prominent EU-member nations have substantial diaspora communities, their attractiveness to terrorist organizations appears to result from a combination of their sophisticated financial institutions and their proximity to strategic geographic locations.<sup>33</sup> In theory, capable government institutions in Canada or EU-member nations make the operations of terrorist organizations more difficult relative to terrorist operations in nations with weak institutions or widespread corruption. In practice however, their sophisticated financial institutions and proximity to well established financial markets increase the relative profitability of terrorist or criminal operations. According to a 2001 study, the price per kilogram of cocaine rises from US\$2,000 at its point of origin in Colombia to US\$22,500 in Spain and to US\$42,000 in the United

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<sup>31</sup> Transparency International Corruption Perceptions Index 2003. Available online at: [http://transparency.org/pressreleases\\_archive/2003/2003.10.07.cpi.en.html](http://transparency.org/pressreleases_archive/2003/2003.10.07.cpi.en.html), Accessed on 10/31/04.

<sup>32</sup> Library of Congress Report: *Nations Hospitable to Organized Crime and Terrorist Organizations*, October 2003.

<sup>33</sup> Ibid.

Kingdom.<sup>34</sup> The economic modernity of Canada and Western Europe provides similar incentives to terrorists and legitimate businessmen. According to arms trafficking expert Paul Eavis, “As crime becomes more ‘business-like,’ it not only becomes more difficult to detect, but criminal groups also profit from many of the conditions and systems established to facilitate legal business, including the Internet and e-commerce channels.”<sup>35</sup> The identification of a mutually beneficial relationship existing between terrorists, criminals, and businessmen and threat environments in which they operate reinforces the influential roles Lebanese businessmen play in Hizballah’s operations within Ecuador and Paraguay. The identification of characteristics of Lebanese diasporas and geo-strategic variables as important contributing factors in the creation of permissive threat environments is a significant departure from the LOC’s definition of “hospitable” environments and directly supports the importance of this chapter’s definition of permissive threat environments. While the strength of government institutions and the degree of corruption remain important factors contributing to the creation of permissive threat environments, the description of threat environments in Canada and Western Europe illustrate how the characteristics of diasporas and geo-strategic variables are more significant contributing factors.

Although an accurate identification of Hizballah’s value assignment process is speculative at best, several general characteristics of Lebanese diasporas are likely to be consistent with their identification as having potentially adequate levels of communal or ideological support for Hizballah’s fundraising operations. While this list is not intended to be comprehensive, it will somewhat reduce the sample size of attractive Lebanese diasporas. A Lebanese diaspora will likely be attractive for Hizballah’s fundraising operations if it consists of a large enough population to conceal illegal operations and is strategically located to support illegal operations.

The following case studies describing Hizballah operations in Paraguay and Ecuador are important because they illustrate how a common strategy applied to

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<sup>34</sup> Christopher Aaron, “Globalisation and Organized Crime,” *Jane’s Intelligence Review*, 1 December 2001.

<sup>35</sup> Paul Eavis, “The Hidden Security Threat: Transnational Organized Criminal Activity,” *RUSI Journal*, 146, no. 6, December 2001.

permissive threat environments with variations in the composition of their defining characteristics can result in different organizational tactics for fundraising operations. While Paraguay and Ecuador share many common characteristics defining permissive threat environments, the difference in the religious demographics of each Lebanese diaspora provides valuable insights into the utility of ideology-based rhetoric and demonstrates the latent potential for future support held by otherwise seemingly benign diasporas. The implications of seemingly benign diasporas having latent potential must be reconciled with the demonstrated need to focus counter-terrorism attention on diasporas. The success of any such reconciliation process will depend on the effectiveness of policies implemented to regulate government-diaspora relations. However, this subject is beyond the scope of this chapter and will be addressed in Chapter V. The Paraguayan case study is important because it represents the epitome of a permissive threat environment and serves as a valuable comparative reference for the Ecuadorian case study. The Ecuadorian case study is important because it demonstrates how an environment with less than ideal characteristics, as compared to those evident in Paraguay, can have significant strategic value given the application of appropriate tactics.

Table 3 provides a useful guide by which to analyze how the characteristics of any particular environment can be used to determine the fundraising operations that are likely to be employed there. This table simply combines the menu of options available for fundraising (Table 1) with the defining characteristics of a permissive threat environment (Table 2). Characteristics of permissive threat environments are listed along the vertical axis and the menu of options available for fundraising operations are listed along the horizontal axis. Environmental characteristics favorable to a particular fundraising operation will be indicated with an X at the point of intersection on the table. This table represents how geo-strategic variables, host-nation characteristics, and diaspora characteristics will likely determine *how* and *where* terrorist organizations conduct fundraising operations. Variations of this table will be used in the analysis of Paraguay and Ecuador to link the environmental characteristics of each case with the fundraising operations employed by Hizballah. Instances when particular fundraising options are linked with multiple environmental characteristics do not indicate any ranking

of influence among the characteristics. Additionally, because no two environments are identical, the characteristics of permissive threat environments applicable will vary according to the particular environment analyzed.

Table 3. Environmental Characteristics and Fundraising Techniques

Characteristics of Permissive Threat Environments (Tailor to specific environment)	Money Laundering	Donations	Document falsification	Kidnapping	Robbery	Arms Trafficking	Blackmail	Smuggling	Extortion	Piracy	Drug Trafficking	Counterfeiting
Weak political institutions	X								X	X	X	X
Widespread government corruption			X						X	X	X	X
Weak laws (relating to terrorism and money laundering)	X								X	X	X	X
Influential Lebanese Diasporas		X										
Geo-strategic location (near high profit-potential economic environments)	X					X		X		X	X	
Communal support from Diaspora		X										
Ideological support from Diaspora		X							X			



### **III. HIZBALLAH'S FUNDRAISING OPERATIONS IN PARAGUAY**

The organization of this chapter is intended to progress from a general description of Hizballah's fundraising operations in Paraguay to a detailed explanation of how the nature and significance of these fundraising operations are shaped by geo-strategic variables, host-nation characteristics, and diaspora characteristics. The chapter is divided into four sections: a description of Hizballah's fundraising operations in Paraguay, a description of the Lebanese diaspora and how its characteristics shape Hizballah's fundraising operations, a description of significant geo-strategic variables and how they shape Hizballah's fundraising operations, and a description of host-nation characteristics that are conducive to Hizballah's fundraising operations. The information presented in this chapter will validate the analytical framework developed in Chapter II to help identify where and how Hizballah carries out fundraising operations in Latin America. The sizeable scope and magnitude of Hizballah's fundraising operations in Paraguay are facilitated by the country's favorable geo-strategic variables, host-nation characteristics, and diaspora characteristics.

#### **A. HIZBALLAH'S FUNDRAISING OPERATIONS**

The ideological and political aspects of Hizballah's strategic goals have always been relatively balanced. Israel's withdrawal from southern Lebanon in 2000 deprived Hizballah of its primary reason for armed resistance and resulted in a shift in tactical operations from armed resistance to deterrence. This tactical shift is illustrated by Hizballah's rhetorical support for Palestine and its commitment to the deterrence of future Israeli aggression in Lebanon.<sup>36</sup> Although the U.S. invasion of Iraq creates a new regional balance of power that can potentially be used by Hizballah for momentum to continue its original cause for armed resistance, recent rhetoric and evidence is consistent with the strategic shift away from armed resistance and toward political deterrence.<sup>37</sup> For example, Hizballah's stance toward Israel and southern Lebanon has shifted from

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<sup>36</sup> "Hizballah: Rebel Without a Cause?," *Middle East Briefing*, International Crisis Group, 30 July 2003.

<sup>37</sup> Ibid.

armed resistance to deterrence. Hizballah spokesman, Hassan Izz ad-Din is quoted as saying:

Israeli Prime Minister Sharon knows that an attack on Lebanon is not an easy decision. As for Hizballah, we have very developed capabilities. We can't prevent an attack but we can make it very difficult for the Israeli's to achieve their goals.<sup>38</sup>

The effectiveness of ideology as a motivational tool to cultivate solidarity and support from a constituency is demonstrated by Hizballah's continued use of rhetorical statements consistent with its radical religious ideology to garner support, despite a clear strategic shift toward less-ideologically influenced political goals-like participation in Lebanon's Parliament. The Irish Republican Army (IRA) is similar to Hizballah in that it exploits the motivational potential of a common repressed religion (Catholicism) while fundamentally espousing a consistent political goal. The IRA exploited the British government's decision to institute internment of terror suspects in the 1970's to increase its fundraising and political support from the Irish diaspora in the North Eastern United States.<sup>39</sup>

The TBA of Argentina, Brazil, and Paraguay provides a hospitable environment for terrorist fundraising operations in Latin America. The examination of Hizballah's fundraising operations in Paraguay is representative of its operations throughout the TBA and validates the framework developed in Chapter II to the extent that the geo-strategic variables, host-nation characteristics, and diaspora characteristics used in the framework are constant across each of the countries forming the TBA. The evidence of Hizballah's fundraising operations in Paraguay includes a substantial amount of donations to Hizballah-linked organizations, extortion of Lebanese businesses, illegal sales of contraband and pirated goods, and money laundering.

Official Hizballah party operatives primarily coordinate with prominent Lebanese businessmen who are sympathetic to Hizballah's radical ideology. These Lebanese businessmen then coordinate various legal and illegal fundraising operations within the

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<sup>38</sup> Cited in *The Daily Star*, 20 March 2003.

<sup>39</sup> Paul Wilkinson. *Terrorism Versus Democracy: The Liberal State Response*. London: Frank Cass Publishers, 2000. pp. 34-36.

TBA. The primary legal means for generating financial support for Hizballah are donations. The primary illegal means for generating financial support for Hizballah are extortion, sales of contraband and pirated goods, and money laundering. One of the likely strategic goals of highly visible acts of violence motivated by Hizballah's ideology is an attempt to increase levels of ideological and/or communal support within the Lebanese diaspora, thereby potentially increasing the profit potential for its fundraising operations in other countries in Latin America.<sup>40</sup> Hizballah operatives and Lebanese businessmen have been implicated in the 1992 bombing of the Israeli Embassy in Buenos Aires and the 1994 bombing of the Argentine-Israeli Mutual Association.<sup>41</sup> These operations may have been intended, in part, to demonstrate the success of Hizballah's ideology and propaganda to the Lebanese diaspora. Even if these types of violent demonstrations consistently result in increased amounts of financial income from fundraising operations (evidence of this does not exist), they are not likely to be used extensively by terrorist organizations. The increased international attention this level of violence produces would likely increase the overall costs of operations (in terms of increased counter-terrorist capability and decreased covertness for the terrorist organization) to a level outweighing any potential gains. The ideological propaganda that accompanies any demonstration of Hizballah's power is intended to exploit common religious beliefs among the Lebanese population in the TBA.

There is evidence that a percentage of the Lebanese diaspora in Ciudad del Este identifies with radical Islamic fundamentalist ideology consistent with Hizballah's rhetoric and ideology. A letter to Lebanese businessman Assad Ahmad Barakat from Hizballah's Secretary-General Hassan Nasrallah thanking him for his financial contributions to El Martir obtained in an October 2001 police raid on one of Barakat's many Ciudad del Este businesses indicates active fundraising operations by radical terrorists in the TBA.<sup>42</sup> Since 1995, Barakat's donations to Hizballah in Lebanon are

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<sup>40</sup> Daniel L. Byman, Peter Chalk, Bruce Hoffman, William Roseneau, and David Brannan, *Trends in Outside Support for Insurgent Movements*. p. 52.

<sup>41</sup> Mario Daniel Montoya, "Israel Takes Special Interest in Triple Border Area," *Jane's Intelligence Review*, No. 12, December 2001, pp. 13-14.

<sup>42</sup> Blanca Madani, "Hezbollah's Global Finance Network: The Triple Frontier." *Middle East Intelligence Bulletin*, Vol. 4, No. 1, January 2002. p. 3.

estimated to be in excess of \$50 million.<sup>43</sup> Another significant link to radical Islamic fundamentalist ideology was discovered in February 2000, with the arrest of Lebanese businessman Ali Khalil Mehri in Ciudad del Este on software piracy charges. The software Mehri distributed among the Arab population to raise money to support Hizballah contained interviews of suicide bombers (prior to their acts of terror) encouraging viewers to strike at U.S. and Israeli targets in Latin America.<sup>44</sup> The example of Hizballah's promotion of radical ideology within Paraguay's Lebanese diaspora is significant for two reasons: one, if this software has enough resonance within the community to produce financial profits, then its level of ideological support for Hizballah must be at a sufficient level to facilitate fundraising operations; and two, the active promotion of radical ideology likely encourages or increases levels of ideological support where it otherwise would be low.

The documented link between Assad Barakat and Hizballah Secretary General Hassan Nasrallah regarding Barakat's financial contributions from the TBA demonstrates a modus operandi for Hizballah to interact with businessmen in Ciudad del Este's Lebanese community. Assad Barakat owns several legitimately registered businesses in the TBA, Chile, and the U.S. like Galleria Page (Ciudad del Este's largest shopping mall); investigators believe these businesses are fronts used to funnel profits to Hizballah.<sup>45</sup> Several of Barakat's Ciudad del Este businesses are identified on the 2004 U.S. Treasury Department's (Office of Foreign Assets Control) Specially Designated Nationals and Blocked Persons list as having links with Hizballah.<sup>46</sup> Following the terrorist attacks in the U.S. on September 11, 2001, Barakat fled Ciudad del Este in response to international arrest warrants being issued indicting him on charges of

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<sup>43</sup> Blanca Madani, "Hezbollah's Global Finance Network: The Triple Frontier," p. 3.

<sup>44</sup> Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." p. 74.

<sup>45</sup> Madani, "Hezbollah's Global Finance Network: The Triple Frontier." p. 3; Harris Whitbeck and Ingrid Arneson, "Sources: Terrorists Find Haven in South America.," and La Tercera de la Hora[Internet version-www], November 14, 2001, as translated for FBIS, "Hizballah-Linked Businessman Acknowledges Having Businesses in Chile, US," November 14, 2001. FBIS Document ID: LAP200111140000752000.

<sup>46</sup> U.S. Department of the Treasury, Office of Foreign Assets Control: Specially Designated Nationals and Blocked Persons, 14 September 2004. Available online at: <http://www.ustreas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf>, Accessed on 9/27/04.

association for criminal purposes, abetment of crime, and tax evasion.<sup>47</sup> Barakat was arrested in Brazil and extradited to Paraguay in 2002.<sup>48</sup> Barakat has also been implicated in the 1992 bombing of the Israeli Embassy in Buenos Aires and the 1994 bombing of the Argentine-Israeli Mutual Association.<sup>49</sup>

Sobhi Fayad, a business partner of Assad Barakat was arrested in November 2001 on charges of tax evasion after bank statements retrieved by Paraguayan investigators in a raid on one of Barakat's businesses revealed Fayad made significant financial transfers to Lebanon on nearly a daily basis.<sup>50</sup> During the course of this investigation, it was revealed that Sobhi Fayad had not paid taxes since 1992.<sup>51</sup> Seized documents indicate that, in 2000, Sobhi Fayad made contributions of more than \$3.5 million to the Martyr Social Benefit Organization- a *humanitarian* organization in Lebanon that financially supports the orphans and families of Hizballah suicide bombers.<sup>52</sup> Fayad's significant influence within the Lebanese community in Ciudad del Este is indicated by his documented connections with the Lebanese ambassador in Paraguay, Hicham Hamdam.<sup>53</sup>

Sobhi Fayad is also charged with running an extensive extortion operation to squeeze "donations" from Lebanese businessmen in Ciudad del Este.<sup>54</sup> In a 2002 interview with Jeffrey Goldberg (a journalist for the New Yorker), Muhammed Youssef Abdallah, a prominent religious official and owner of the Ciudad del Este Mosque of the

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<sup>47</sup> Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." p. 71.

<sup>48</sup> "Brazilian Federal Supreme Court Rule to Extradite Barakat," *ABC Color* [Internet version-www], December 20, 2002, as translated for FBIS. FBIS Document ID: LAP20021220000015.

<sup>49</sup> Harris Whitbeck and Ingrid Arneson, "Sources: Terrorists Find Haven in South America."

<sup>50</sup> "Detienen en Paraguay a presunto nexo de Hezbola" AFP, 9 November 2001; Daniel Montoya, "Israel Takes Special Interest in Triple Border Area"; and "Paraguay; Lebanese Man with Alleged Hezbollah Links Arrested in Ciudad del Este," BBC Monitoring, November 9, 2001.

<sup>51</sup> Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." p. 72.

<sup>52</sup> "Extremistas receberam US\$50 mi de Foz do Iguacu" *Folha de S. Paulo*, December 3, 2001; and *ABC Color* [Internet version-www] as translated by FBIS, "Paraguay: Daily reports More Evidence of Barakat's Contributions to Hizballah," May 28, 2002, FBIS Document ID: LAP20020528000073.

<sup>53</sup> Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." p. 73.

<sup>54</sup> Jeffrey Goldberg, "In the Party of God," *The New Yorker*, October 28, 2002.

Prophet Mohammad, denies any connection with Hizballah but concedes that he and other Lebanese businessmen are expected to donate to the group. Muhammed Youssef Abdallah is quoted as saying, "Five years ago, people were expected to give twenty percent of their income."<sup>55</sup> Lebanese businessmen being forced to pay protection money to Hizballah in the TBA is described in detail in a 1997 article by an Argentine reporter.<sup>56</sup> The extent of these extortion operations is illustrated by the fact that the president of the Paraguayan Arab Chamber of Commerce, Armando Kassen, was charged with ordering the 1998 murder of a Ciudad del Este businessman who refused to pay the required tax/donation.<sup>57</sup>

Paraguay's thriving industry of pirated goods results from weak government support for enforcement measures, an obstructionist judiciary, and ineffective customs procedures.<sup>58</sup> Ciudad del Este is the pre-eminent route into Latin America for counterfeit goods from Asia, with an estimated \$1.5 billion worth of goods moving through the country annually.<sup>59</sup> Paraguayan authorities arrested another Lebanese businessman, Ali Mehri, at Interpol's request in Ciudad del Este in February 2000 on software piracy charges.<sup>60</sup> Mehri exploited weak Paraguayan intellectual property rights laws in 1998 by registering the Play Station video game brand (that is owned by Sony).<sup>61</sup> He managed to escape prior to being questioned by Argentine authorities on suspicion of involvement in the bombings of Israeli targets in Buenos Aires in 1992 and 1994.<sup>62</sup>

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<sup>55</sup> Ibid.

<sup>56</sup> "Brazil: Report on Islamic Terrorism in Iguazu Triangle," *al-Watan al-'Arabi* [Paris] January 9, 1998.

<sup>57</sup> "Mastermind of Taiyen's Murder Residing in Beirut," *Vanguardia* [Ciudad del Este], November 11, 2002. FBIS Document ID: LAP20021121000006.

<sup>58</sup> LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro. "Nations Hospitable to Organized Crime and Terrorism." p. 191.

<sup>59</sup> Mariano Cesar Bartolome. Threats to the Security of States: The TBA as a 'Grey Area' in the Cone of South America.

<sup>60</sup> "Barchini's Calls Under Scrutiny, New Antiterrorist Officials," *ABC Color*, November 5, 2001. FBIS Document ID: LAP20011105000019.

<sup>61</sup> Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." p. 74.

<sup>62</sup> Kevin G. Hall, "Officials Link Pirated Goods in Paraguay to Terrorism: Money Sent on to Hezbollah," *San Diego Union-Tribune*, April 15, 2001.

Paraguayan authorities claim that Mehri was responsible for the sale of millions of dollars worth of pirated software and CDs from shopping malls in Ciudad del Este and funneling the proceeds to Hizballah. Piracy is a primary source of income for terrorist groups in the TBA.<sup>63</sup> During the February 2000 raid on Mehri's Ciudad del Este apartment, Paraguayan authorities discovered financial documents representing financial transactions from Mehri to terrorist organizations totaling more than \$700,000. Additionally, authorities discovered pirated software and CDs containing radical Islamic propaganda.<sup>64</sup>

According to the U.S. Department of State, Paraguay is a principal money-laundering center in Latin America.<sup>65</sup> As of 2000, an estimated \$12 billion was being laundered in the TBA each year- \$5 billion of which was being laundered out of Paraguay.<sup>66</sup>

Because many Lebanese immigrants in Ciudad del Este maintain close ties with family in Lebanon and identify themselves with the political struggles of the Lebanese people, they routinely send money to political organizations in Lebanon (Hizballah is an official political party in Lebanon).<sup>67</sup> The Paraguayan Interior Minister Julio Cesar Fanego said, when describing a joint U.S.-Paraguayan investigation of remittances made from the TBA to the Middle East between 1998 and 2001: "We verified the remittance of money [to terrorist groups]. I am almost sure that there are citizens linked to the

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<sup>63</sup> David M. Jones and Michael Smith. "Islamists Defeat Asian Way," *World Today*, 58, no. 6, June 2002.

<sup>64</sup> "Commandos terroristas se refugian en la triple frontera" *El Pais*[Colombia], November 9, 2001.

<sup>65</sup> U.S. Department of State, *International Narcotics Control Strategy Report 2003*.

<sup>66</sup> Pedro Oviedo. "En la Triple Frontera se lavan doce mil millones de dólares al año del narcotráfico, según un informe oficial" [In the Triborder Area US\$12 billion Is Laundered Per Year From Narcotics Trafficking, According to an Official Report]. Available online at: <http://misionesonline.net/paginas/action.lasso?-database=noticias3&-layout=web&-response=noticia.html&id=11349&autorizado=si&-search>, Accessed on 9/5/04, and Mario Osava, "Ciudades de America Latina/Brasil: Lavado y fuga de capitales en la frontera con Paraguay" [Cities of Latin America/Brazil: Laundering and Flight of Capital on the Border with Paraguay], Inter-Press Service report- 1999.

<sup>67</sup> Mariano Cesar Bartolome, *Amenzas a la seguridad de los estados: La triple frontera como 'area gris' en el cono sur Americano* [Threats to the Security of States: The Triborder as a 'Grey Area' in the Southern Cone of South America]. Buenos Aires, November 29, 2001. p. 4.

Hizballah on the Triborder area."<sup>68</sup> Paraguay and the United States have confirmed that Arab communities in the TBA have made remittances of between \$50 and \$500 million to Islamic terrorist organizations in the Middle East from 1998 to 2001.<sup>69</sup> According to the minister, most of the financial remittance transactions were for very small amounts of money (between \$500 and \$2000) and were made by numerous individuals in the Lebanese community. While it was difficult to determine whether small magnitude financial transfers (between \$500 and \$2000) were intended to support charity or terrorism, large individual financial transfers from illegal financial activities strongly indicate the intent to support terrorism. The Paraguayan Money Laundering Prevention Secretariat identified 45 people who made individual transactions of over \$100,000 from the TBA to the Middle East between 1998 and 2001.<sup>70</sup> While the identities of individuals on this list were kept secret, Angel Gabriel Gonzalez Caceres, the Paraguayan Bank Superintendent, acknowledged that a significant percentage of them were Lebanese businessmen.<sup>71</sup>

The magnitude of the financial transfers generates significant distrust from Paraguayan and U.S. governments over the motivations of the Lebanese diaspora. Although the U.S. and Paraguayan governments recognize Hizballah as a terrorist organization, the group does provide a substantial amount of humanitarian services in Lebanon- which many Muslims feel obligated to support. "Muslims have the religious duty of donating money to charity institutions, and the Hizballah works with poor children justifying money remittance operations," said Adrienne Senna, chairman of the Brazilian Financial Activities Oversight Council. According to Ali Hussein, a Muslim who lives in Ciudad del Este, "A Muslim should give 20 percent of his income to charity, for poor children and unemployed Muslims... If I can help the Hizballah I do so, because the Hizballah has brought peace to Lebanon."<sup>72</sup> This sense of a communal shared

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<sup>68</sup> Brackets appear in FBIS document.

<sup>69</sup> Roberto Cosso, As translated for FBIS, "Brazil: \$50 Million Remitted to Terrorist Groups from Triborder Area," *Sao Paulo Folha de Sao Paulo (Internet Version-WWW) in Portuguese 03 Dec 01*. FBIS Document ID: LAP20011203000110.

<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.



experience and struggle between the Lebanese Diaspora in Ciudad del Este and Lebanon is reinforced by religious teachings promoting support for charity. The dual operations of Hizballah (terror and charity) make the motivations of individual sources of donations somewhat unclear. However, the sense of communal support within the Lebanese diaspora in Ciudad del Este is evident regardless of whether the motivations of individual Lebanese supporters are humane or sinister. Table 4 lists the fundraising operations used by Hizballah in Paraguay.

Table 4. Hizballah’s Fundraising Techniques in Paraguay

Techniques used by Hizballah for fundraising in Paraguay.
<ul style="list-style-type: none"> <li>▪ Money laundering</li> <li>▪ Donations</li> <li>▪ Extortion</li> <li>▪ Piracy</li> </ul>

## B. PARAGUAY’S LEBANESE DIASPORA

Paraguay had a large influx of Lebanese and other Middle East nationals about 60 years ago, and it formally accepts a small number of naturalized citizens from Arab countries each year. As a result of the region’s ideal geographic and economic characteristics, the heterogeneous population of the TBA increased from 60,000 in 1971 to more than 700,000 in 2001.<sup>73</sup> The ideal geographic conditions resulted from the Iguazu Falls and the ideal economic conditions resulted from the establishment of a free trade zone in Ciudad del Este. This free trade zone was established in an attempt to harness the tourist and energy-production potential of the Iguazu Falls.<sup>74</sup> By 2001, the region’s population included 23,000 Lebanese-Arabs.<sup>75</sup> Many of the Lebanese migrated to Paraguay due to the civil war in Lebanon in the 1970’s.<sup>76</sup> The Lebanese community

<sup>73</sup> Bartolomé, Mariano César. Threats to the Security of States: The TBA as a ‘Grey Area’ in the Cone of South America.

<sup>74</sup> Sebastian Junger, “Terrorism’s New Geography,” *Vanity Fair*, No. 508, December 2002.

<sup>75</sup> John Daly, “The Suspects: The Latin American Connection,” *Jane’s Terrorism and Security Monitor*, 1 October 2001.

<sup>76</sup> LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro. “Nations Hospitable to Organized Crime and Terrorism.” p. 175.

in Paraguay shares a common foundation of religious beliefs (Islam) and cultural experiences (Lebanese Civil War).

The Lebanese community in Paraguay has the necessary infrastructure to control its own cultural, commercial, educational, and social activities. The large Arab population in Ciudad del Este and its uniform religious composition facilitates the conduct of fundraising operations by Islamic terrorist organizations. Of the estimated 20,000 to 30,000 Arab immigrants living in the TBA (mainly in the cities of Ciudad del Este and Foz do Iguacu), the Lebanese account for 90% of the Arab population in Ciudad del Este.<sup>77</sup> Considering the general lack of immigration control and accountability (from the governments of Brazil, Paraguay, and Argentina) in the TBA, the size of the Arab (and thus Muslim) population is likely to be larger than estimated.<sup>78</sup> The tightly knit social framework of the Arab community provides terrorists with the freedom to operate with little chance of detection or leaks. The size and influence of this community may explain why the Lebanese government closed its embassy in Asuncion in 1999 and opened a consulate in Ciudad del Este.<sup>79</sup> The established retail economy of Ciudad del Este ranked third in the world in 1994 with \$12 billion dollars in cash transactions in 1994.<sup>80</sup> By 2001, the estimated number of Arab retailers in Ciudad del Este was 7,500.<sup>81</sup>

According to Este Foz do Iguacu Islamic Cultural Center spokesman- Mohamed Ismail, ninety-nine percent of the Arab nationals living in the TBA profess the Islamic

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<sup>77</sup> Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." Library of Congress Report, July 2003. p. 9.

<sup>78</sup> LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro, "Nations Hospitable to Organized Crime and Terrorism." Library of Congress Report, October 2003. p. 177.

<sup>79</sup> LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro. "Nations Hospitable to Organized Crime and Terrorism." p. 176.

<sup>80</sup> Sebastian Rotella, "Jungle Hub for World's Outlaws," *Los Angeles Times*, 24 August 1998. p. 1; and Rex Hudson. "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." p. 11.

<sup>81</sup> "Argentina, Brasil y Paraguay aumentan controles en caliente Triple Frontera," AFP, 13 September 2001.

religion.<sup>82</sup> A joint U.S.-Argentine intelligence operation conducted between 1999 and 2001 observed each of the three Muslim Mosques in Ciudad del Este hosting meetings between terrorist organization extremists.<sup>83</sup> During this investigation, the Argentine State Intelligence Service (SIDE) filmed meetings between leaders of the Lebanese community and known terrorist operatives and recorded telephone communications made by them to terrorist organizations in the Middle East.<sup>84</sup> The leader of Ciudad del Este's Prophet Mohamed Mosque, Sheik Munir Fahdel, refuted the allegations that mosques are used as Hizballah meeting places and claimed that Hizballah is a "legitimate religious and political organization".<sup>85</sup> However, Argentine intelligence services identified Sheik Fahdel as a senior Hizballah leader.<sup>86</sup>

The future potential for an increase in the radical ideological support base for Hizballah is significant considering the large size of the Lebanese-Islamic population in the TBA and the fact that the mosques in Ciudad del Este have been linked to terrorist organizations by legitimate intelligence operations. According to Paraguayan intelligence reports, the Prophet Mohamed mosque was visited and blessed by Sheiykh Fadhallah (Hizballah's spiritual leader) in 1994.<sup>87</sup> While the exact date of the opening of the Prophet Mohamed mosque is unclear, Fadhallah's appearance in 1994 roughly coincides with the beginning of Hizballah's organizational evolution (1992). The demographic characteristics of Paraguay's Lebanese diaspora likely explain the creation of mosques in Paraguay. However, extensive evidence of international religious links and the timing of Fadhallah's visit to the Prophet Mohamed mosque in Paraguay indicate the involvement of external forces (Hizballah) in the promotion of radical Islamic ideology (through mosques). This indicates that the context and direction of the activities

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<sup>82</sup> *A Gazeta do Iguacu* [Foz do Iguacu], "Muslims Prevail Among Small Religions in Foz," February 3, 2003, as translated for FBIS, "Highlights From the Tri-Border Press for the Week 3-7 February," FBIS Document ID: LAP20030211000124.

<sup>83</sup> Mario Daniel Montoya, "War on Terrorism Reaches Paraguay's Triple Border." *Jane's Intelligence Review*, December 01, 2001.

<sup>84</sup> *Ibid.*

<sup>85</sup> Harris Whitbeck and Ingrid Arneson, "Sources: Terrorists Find Haven in South America." CNN, 7 November 2001.

<sup>86</sup> Peter Hudson, "There Are No Terrorists Here," *Newsweek*, November 19, 2001.

<sup>87</sup> Jeffrey Goldberg, "In the Party of God," *The New Yorker*, October 28, 2002.

of these mosques were directed by external actors. SIDE investigations of the bombings of Israeli targets in Argentina reveal information linking Muhsin Rabbini, a long time member of the Iranian Embassy in Argentina, as being a spiritual leader of Latin America's Shiite Muslim community since 1982.<sup>88</sup> While this information indicates the presence of an Islamic community in Latin America's southern cone that could potentially provide domestic motivations for the development of mosques, Rabbini's links to Iran and Hizballah-sponsored terrorist acts strongly suggests Hizballah's involvement in the establishment of mosques in Latin America.

The number of Lebanese directly involved in radical ideological terrorist operations appears small relative to those who feel a familial camaraderie with the plight of those in Lebanon. However, the radical minority (composed primarily of successful businessmen and influential religious and political officials) is likely to benefit from a substantial level of support from the remainder of the Lebanese community- whether that support is intentionally directed toward radical Islamic fundamentalist ideological goals or simply given to fellow members of the diaspora. In contrast, the level of ideological support for terrorist groups like Hizballah is not likely to be significant in Latin American countries where a majority of the Lebanese immigrants are Christian, unless the religious demographics of these diasporas change dramatically.<sup>89</sup>

### **C. GEO-STRATEGIC VARIABLES**

The TBA's porous borders and Ciudad del Este's close proximity to the large population centers of the Argentine city of Puerto Iguazu and the Brazilian city of Foz do Iguacu create an ideal geographical location to exploit social and economic conditions conducive to terrorist activities. In the early 1970s, the Paraguayan government sought to profit from the tourist attraction of Iguazu Falls by establishing a free-trade zone in the city of Ciudad del Este, allowing Argentines and Brazilians to purchase cheap products.<sup>90</sup> However, the open borders and laissez-faire immigration standards intended

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<sup>88</sup> Yehudit Barsky, *Hizballah: the Party of God*. The American Jewish Committee, 2003, p. 19. Available online at: <http://www.ajc.org/upload/pdf/HizballahMay2003.pdf>, Accessed on 11/9/04.

<sup>89</sup>Meir Zamir, *Formation of Modern Lebanon*. London: Cornell University Press, 1988, p. 24.

<sup>90</sup> Sebastian Junger, "Terrorism's New Geography," *Vanity Fair*, no. 508, December 2002, p. 196.

to increase the efficiency of legitimate business transactions have been exploited by terrorist and organized crime groups for illegal operations.

The most significant geographic characteristic contributing to a hospitable environment for terrorist fundraising operations is the proximity of Ciudad del Este to the Brazilian city of Foz do Iguacu, and the Argentine city of Puerto Iguacu. The TBA's porous borders and Ciudad del Este's strategic location on the Pan American Highway (which provides the critical transportation infrastructure linking the TBA to the Brazilian port of Paranagua), combined with the general lack of government authority over the territory and the large Arab population creates an ideal environment for Hizballah fundraising operations.

The economic success of the government-sponsored free-trade zone in the TBA depends primarily on the efficient transfer of goods and services between Ciudad del Este and Foz do Iguacu. Most of these transfers occur via the Friendship Bridge across the Parana River, to which a Brazilian Federal Police Official said, "Everyday we have more than 20,000 people crossing that bridge, and you can't stop and inspect them all."<sup>91</sup> The estimated annual turnover in the economy of Ciudad del Este is larger than the economy of the rest of Paraguay.<sup>92</sup> This annual turnover rate includes the formal and informal economies of Ciudad del Este.<sup>93</sup> These estimates are rough because they include illegal financial transactions made within Ciudad del Este's informal economy which is beyond the regulatory control of the Paraguayan government. The economic success of the city of Ciudad del Este and, particularly, of its Lebanese businessmen, create a situation in which the Paraguayan government is reluctant to alienate the "pillars" of their country's economy- Lebanese businessmen in Ciudad del Este.<sup>94</sup> The economic success of Ciudad del Este's prominent Lebanese businessmen combined with the poor performance of the

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<sup>91</sup> Larry Rohter, "Terrorists are Sought in Latin Smuggler's Haven," *The New York Times*, September 27, 2001.

<sup>92</sup> Ibid.

<sup>93</sup> U.S. Department of State, *International narcotics Control Strategy Report*, 2003.

<sup>94</sup> "Middle East Terror Groups Find Sanctuary, Revenue in South America: Tri-Border Area Hotbed for Crime-Terror Nexus, Hezbollah Firmly Established," *JINSA Online*, January 15, 2004.

remainder of Paraguay's economy and the weakness of its political institutions leads to the widespread corruption of government officials (police, politicians, and

#### **D. HOST-NATION CHARACTERISTICS**

The Paraguayan government's inability to effectively reduce the level of Hizballah's fundraising operations within Paraguay, results primarily from a combination of geographic, economic, and political factors. The consequence of these characteristics is the creation of a favorable environment for terrorist fundraising operations within Paraguay. Common themes influencing each factor are the weakness of government institutions and the pervasiveness of corruption throughout government institutions resulting in their inability or unwillingness to efficiently confront a variety of significant problems.

Between 1993 and 2003, Transparency International has consistently ranked the Paraguayan government as one of the most corrupt governments in Latin America.<sup>95</sup> The corruption of government officials by suspected terrorists has significantly hindered the ability of international anti-terror organizations to disrupt Hizballah's fundraising operations in the TBA and prosecute terrorists. Terror suspect, Ali Mehri, who made significant campaign contributions to powerful officials in the Colorado Party, was somehow able to escape from a Paraguayan prison in 2000 and flee to Syria.<sup>96</sup> An investigation conducted by Paraguay's National Directorate of Civil Aeronautics found that an average of 570 foreigners enter the Ciudad del Este Airport each year with illegal documentation after paying bribes averaging \$5,000.<sup>97</sup> The Directorate of Legal Affairs in Paraguay's Ministry of Foreign Affairs opened several cases in 2001 concerning illicit visas, the most damaging of which was one in which the Paraguayan Consulate in Panama (which was not even authorized to issue visas) issued terror-suspect Ahmad

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<sup>95</sup> Transparency International Corruption Perceptions Indexes. Available online at: <http://www.transparency.org/surveys/index.html>, Accessed on 9/28/04.

<sup>96</sup> Roslyn Mazer, "From T-Shirts to Terrorism: That Fake Nike Swoosh May Be Helping to Fund Bin Laden's Network," *Washington Post*, September 30, 2001.

<sup>97</sup> Mariano Cesar Bartolome. Threats to the Security of States: The TBA as a 'Grey Area' in the Cone of South America.

Barakat a visa in 1989.<sup>98</sup> Another significant case of corruption is of the Paraguayan consul in Miami, Carlos Weiss, who sold more than 300 passports, visas, and shipping documents to individuals traveling to the TBA between 1999 and 2001. Weiss sold documents to three individuals on the FBI's terrorist watch list.<sup>99</sup>

The effectiveness of Paraguay's police force in combating terrorism is clearly vulnerable to bribery as the average police officer makes only \$400 a month.<sup>100</sup> With the increased amount of attention Arabs have received from Paraguayan police after September 11, 2001, accusations of police-led extortion rings have been routinely made.<sup>101</sup> Maria del Pilar Callizo, head of the Paraguay Chapter of Transparency International, said the areas most corrupted were the judicial branch, the political parties, and the police.<sup>102</sup>

Perhaps the most influential factors limiting the Paraguayan government's ability to effectively combat terrorism are that Paraguay has no anti-terror law and the government does not perceive the terrorist threat from Islamic organizations to be particularly significant.<sup>103</sup> The lack of an anti-terror law severely limits the ability of international anti-terror organizations to disrupt the financial support for Hizballah from Paraguay. According to the 2003 U.S. Department of State's International Narcotics Control Strategy Report, Paraguay has no law making financing terrorist organizations illegal.<sup>104</sup> Weak government institutions regulating the country's financial system, inconsistent money laundering laws, and ineffective judicial practices related to financial

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<sup>98</sup> LaVerle Berry, Glenn Curtis, John Gibbs, Rex Hudson, Tara Karacan, Nina Kollars, and Ramon Miro. "Nations Hospitable to Organized Crime and Terrorism." p. 179.

<sup>99</sup> Mariano Cesar Bartolome. Threats to the Security of States: The TBA as a 'Grey Area' in the Cone of South America.

<sup>100</sup> U.S. Department of State, *Country Reports on Human Rights Practices 2001*.

<sup>101</sup> Bill Rogers, "Arabs Accuse Paraguayan Police of Corruption," *Middle East News Online*, October 4, 2001.

<sup>102</sup> "Transparency International Lowers Paraguay's Rating as Most Corrupt," *Paraguay Press Highlights in Spanish 8 October 2003*, 2 March 2004 FBIS Document ID: LAP20031008000101.

<sup>103</sup> "Middle East Terror Groups Find Sanctuary, Revenue in South America: Tri-Border Area Hotbed for Crime-Terror Nexus, Hezbollah Firmly Established," *JINSA Online*, January 15, 2004.

<sup>104</sup> U.S. Department of State, *International narcotics Control Strategy Report, 2003*.

fraud further inhibit anti-terror operations.<sup>105</sup> As a result, the Paraguayan government's ability to limit money-laundering operations in support of terrorist organizations is significantly limited.<sup>106</sup>

The fundamental difference between the terrorist threat perception of the U.S. and Paraguayan governments is a significant factor preventing the establishment of effective anti-terrorism policy in Paraguay.<sup>107</sup> The Paraguayan government's inaccurate perception of the terrorist threat is evident in statements made by the Foreign Minister, Moreno Ruffinelli, and the Defense Minister, Migual Candia, denying the presence of Islamic terrorist groups in the TBA.<sup>108</sup> In addition to the reluctance of many government officials to recognize the presence of active terror organizations within the region, most of those who do acknowledge their presence do not perceive any legitimate threat to Paraguay- to date, Hizballah has not attacked any targets in Paraguay and is not likely to in the future. Table 5 lists the characteristics of Paraguay that contribute to its permissiveness for terrorist fundraising operations.

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<sup>105</sup> Ibid, and FATF Annual Report 2003-2004, "Paraguay." Available online at: [http://www1.oecd.org/fatf/pdf/AR2004-Annexes\\_en.pdf](http://www1.oecd.org/fatf/pdf/AR2004-Annexes_en.pdf), Accessed on 12/4/04.

<sup>106</sup> "US Says Al Qaeda and Hezbollah in Ecuador," *Guayaquil el Universo*, 19 April 2002, FBIS Document ID: LAP20020419000026, and "Foreign Minister: Ecuador Not Among Countries harboring Terrorists," *Guayaquil el Universo*, 4 October 2001, FBIS Document ID: LAP20011004000030.

<sup>107</sup> For a more comprehensive explanation of the differing perceptions among Latin American political leaders regarding terrorism's threat to national security issues, see Pedro Villagra Delgado, *Hemispheric Security: A Perception from the South*, Carlisle, Pennsylvania: Strategic Studies Institute, July 2003. Available online at: <http://www.carlisle.army.mil/ssi/pdf/00006.pdf>, Accessed on 12/5/04.

<sup>108</sup> "Paraguay: Defense Minister, Ciudad del Este Authorities Deny Terrorist Presence," [Asuncion] October 28, 2002, FBIS Document ID: LAP20021028000075; and "Paraguay: Vice Interior Minister Confirms Presence of 'Dormant' Islamic Terrorist Cells," [Asuncion] May 4, 2001, FBIS Document ID: LAP20010505000002.



Table 5. Characteristics Contributing to Paraguay's Permissiveness

Permissive Threat Environments (include both geo-strategic variables and Diaspora characteristics).
<ul style="list-style-type: none"> <li>▪ Weak political institutions</li> <li>▪ Widespread government corruption</li> <li>▪ Weak legal framework (relating to anti-terror and anti-money laundering laws)</li> <li>▪ Prominent Lebanese Diasporas (Lebanese businessmen)</li> <li>▪ Geo-strategic location (high profit-potential economic environments)</li> <li>▪ Communal support of Diaspora (High)</li> <li>▪ Ideological support of Diaspora (High)</li> </ul>

Based on the analysis in this chapter, it is clear that several variables combine to determine the nature and significance of Hizballah's fundraising operations in Paraguay: the weakness of Paraguayan political institutions; the favorable geo-strategic characteristics of Ciudad del Este; the strength of the Lebanese diaspora's business/economic network; and the homogeneity of the Lebanese diaspora's religious composition. There are several significant problems with the political landscape of Paraguay that have combined to enhance the attractiveness of Ciudad del Este to terrorist organizations. A brief summary of the most significant problems of the Paraguayan political landscape are widespread corruption of government officials, inefficient immigration laws and border control, terrorism not consistently being recognized by government officials as a legitimate problem, and ineffective laws dealing with terrorism. There are significant geo-strategic characteristics of the TBA in general, and Ciudad del Este in particular, that make the region a "haven" for terrorist fundraising operations by simultaneously capitalizing on the weaknesses of the political institutions and the strengths of the surrounding cultural resources. The economic significance of the city of Ciudad del Este to the Paraguayan-national economy combined with the prominence of the Lebanese community within Ciudad del Este's economy likely discourages the Paraguayan government from aggressively combating economic characteristics that facilitate Hizballah's fundraising operations. The uniform religious composition of the Lebanese diaspora provides Hizballah operatives with essential levels of cover and legitimacy.

Several observations can be made about the relative strength of the characteristics contributing to the creation of a terrorist threat environment in Paraguay. These observations are based on the evidence presented in this case study and the potential indicators of the relative strength of the primary characteristics of permissive threat environments (communal and/or ideological support, and influential Lebanese businessmen with links to Hizballah) outlined in Chapter II. On one hand, the extensive evidence available documenting the large amount of donations made by members of Paraguay's Lebanese diaspora to Hizballah-linked organizations in Lebanon indicates a high degree of communal support. On the other hand, Hizballah's widespread use of extortion on the Lebanese business community is likely indicative of low communal support within the diaspora. Although the evidence of Hizballah's fundraising operations in Paraguay seems to present conflicting implications regarding the likely level of communal support Hizballah receives within the diaspora, the evidence supporting a strong ideological support base within the diaspora (specifically, the magnitude of donations) outweighs any evidence that the communal support base is weak. Evidence linking mosques in Ciudad del Este with Hizballah operatives and the large percentage of Lebanese diaspora members who profess the Islamic religion indicate strong ideological support for Hizballah.

While evidence supports the claim that the levels of communal and ideological support for Hizballah appear high within Paraguay's Lebanese diaspora, the influence of prominent Lebanese businessmen with links to Hizballah appears to be the most significant contributing factor facilitating fundraising operations in Paraguay. The significance of the relationship between Lebanese businessmen and Hizballah's fundraising operations in Paraguay is heightened by the economic importance of the economy of Ciudad del Este to the success of Paraguay's overall economy.

Table 6 provides a useful guide to analyze how the geo-strategic variables, host-nation characteristics, and diaspora characteristics of Paraguay shape the fundraising operations likely to be employed there. Table 6 combines the list of fundraising techniques used by Hizballah in Paraguay (Table 4) with the characteristics that contribute to Paraguay's permissiveness (Table 5). Characteristics of permissive threat

environments are listed along the horizontal axis and the menu of options available for fundraising operations are listed along the vertical axis. Environmental characteristics favorable to a particular fundraising operation will be indicated with an X at the point of intersection.

Table 6. Environmental Characteristics and Fundraising Techniques in Paraguay

Characteristics of Permissive Threat Environments ( <i>Paraguay</i> )	Weak political institutions	Widespread government corruption	Weak laws (relating to terrorism and money laundering)	Prominent Lebanese Diasporas	Geo-strategic location (TBA- free trade zone)	Communal support from Diaspora(High)	Ideological support from Diaspora (High)
Fundraising Operations							
Piracy	X	X	X		X		
Extortion	X	X	X				X
Donations				X		X	X
Money Laundering	X		X		X		

The large amount of support Hizballah receives from Paraguay’s Lebanese diaspora, indicated by high levels of communal and ideological support, is not typical of the support levels evident in other Lebanese diasporas in Latin America- namely the Lebanese community in Ecuador. The nature and significance of Hizballah’s fundraising operations in Paraguay relative to the levels of communal and ideological support are significant when considering the small population size of Paraguay’s Lebanese diaspora relative to Ecuador’s Lebanese diaspora and the corresponding differences in their religious composition. Diaspora characteristics (and their influence on fundraising operations) become increasingly important when similarities in geo-strategic variables and host nation characteristics evident across cases shape Hizballah’s fundraising operations in similar ways (as Chapter IV demonstrates is the case with Paraguay and Ecuador).

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## **IV. HIZBALLAH'S FUNDRAISING OPERATIONS IN ECUADOR**

The organization of this chapter is intended to progress from a general description of Hizballah's fundraising operations in Ecuador to a detailed explanation of how the nature and significance of these fundraising operations are shaped by geo-strategic variables, host-nation characteristics, and diaspora characteristics. The chapter is divided into four sections: a description of Hizballah's fundraising operations in Ecuador, a description of the Lebanese diaspora and how its characteristics shape Hizballah's fundraising operations, a description of significant geo-strategic variables and how they shape Hizballah's fundraising operations, and a description of host-nation characteristics that are conducive to Hizballah's fundraising operations. The information presented in this chapter will validate the framework of Hizballah's fundraising operations in Paraguay by determining to what extent the model can be used for fundraising operations elsewhere in Latin America. Like Paraguay, Ecuador has geo-strategic variables and host-nation characteristics that facilitate Hizballah's fundraising operations. However, Hizballah appears to have adapted its fundraising operations in Ecuador to mitigate the influence of seemingly unfavorable diaspora characteristics.

The analysis of Hizballah's fundraising operations in Ecuador is valuable because Ecuador and Paraguay have similar geo-strategic variables and host-nation characteristics which result in consistent forces shaping Hizballah's fundraising operations across both cases. Of particular interest then, are the differences in diaspora characteristics evident between Paraguay and Ecuador and their influence on the nature and significance of Hizballah's fundraising operations.

### **A. HIZBALLAH'S FUNDRAISING OPERATIONS**

Currently, the Lebanese community in Ecuador is distributed predominantly among the coastal cities of Guayaquil and Esmeraldas, and the capital, Quito. While the social demographics of the community represent various levels of the socioeconomic spectrum, a significant percentage of the import/export businesses located in and around the ports of Guayaquil and Esmeraldas are owned and operated by Lebanese businessmen. Investigations of Hizballah's fundraising operations in Paraguay

demonstrate clear trends by which official Hizballah representatives coordinate their activities primarily with prominent Lebanese businessmen who are sympathetic to radical Islamic ideology. These Lebanese businessmen then coordinate various legal and illegal fundraising operations within their respective communities. The primary legal means Hizballah employs to generate financial support from Paraguay are donations made by the Lebanese community to either Hizballah itself or to various social organizations that support its terrorist activities.<sup>109</sup> The primary illegal means Hizballah employs to generate financial support from Paraguay are extortion, sales of contraband and pirated goods, and money laundering.<sup>110</sup> Ecuador's Lebanese community is larger, and has access to a more robust economic and political infrastructure, than the Lebanese community in Paraguay. As a result, the Lebanese community in Ecuador provides a potentially more favorable environment for Hizballah's fundraising operations than the Lebanese community in Paraguay. However, this potential is limited by the religious composition (predominantly Catholic) of Ecuador's Lebanese diaspora. In Ecuador, evidence indicates Hizballah uses money laundering and smuggling operations and suggests its use of drug trafficking for fundraising operations. While extortion is a well-documented tactic of the Revolutionary Armed Forces of Colombia (FARC) along Ecuador's border with Colombia,<sup>111</sup> the extent of Hizballah's use of extortion on the Lebanese business community remains unclear. However, Hizballah's use of extortion on the Lebanese business community in Ciudad del Este, Paraguay provides an example of its potential profitability in Ecuador.<sup>112</sup>

The Colombian conflict produced well-established regional transit routes for gun running and drug trafficking involving countries on all of Colombia's borders.<sup>113</sup>

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<sup>109</sup> "Extremistas receberam US\$50 mi de Foz do Iguacu" *Folha de S. Paulo*, December 3, 2001; and *ABC Color* [Internet version-www] as translated by FBIS, "Paraguay: Daily reports More Evidence of Barakat's Contributions to Hizballah," May 28, 2002, FBIS Document ID: LAP20020528000073.

<sup>110</sup> Rex Hudson, "Terrorist and organized Crime Groups in the Tri-Border Area (TBA) of South America." Library of Congress Report, July 2003. p. 9.

<sup>111</sup> U.S. Department of State, Bureau of Western Hemisphere Affairs, August 2004. Available online at: <http://www.state.gov/r/pa/ei/bgn/35761.htm>, Accessed on 9/5/04.

<sup>112</sup> Jeffrey Goldberg, "In the Party of God," *The New Yorker*, October 28, 2002.

<sup>113</sup> "Colombia and its Neighbors: The Tentacles of Instability", *International Crisis Group Latin America Report No. 3*, April 2003. p. 3.

Ecuador and Colombia share common economic and domestic political fragilities that, when combined with the influence of Colombia's contagious instability, produce an "arc of instability" in the Andean region.<sup>114</sup> While regional paramilitary groups like the FARC have traditionally been involved in the majority of stages of production, distribution, and money laundering related to drug trafficking and gun running,<sup>115</sup> recent trends (since the early 1990s) indicate an increased involvement of Islamic terrorist organizations in general, and Hizballah in particular.<sup>116</sup>

Hizballah's original fatwa, issued in the mid-1980s, related to drug distribution, establishes a pragmatic motivation for its involvement in drug trafficking and supports evidence indicating its increased involvement in drug trafficking: "We are making these drugs for Satan-America and the Jews. If we cannot kill them with guns, so we will kill them with drugs."<sup>117</sup> This statement alone does not provide sufficient evidence to demonstrate that Hizballah is involved in drug trafficking in Latin America. However it does provide an organizational motivation to support available information (see note 8) of Hizballah's involvement in drug trafficking in Latin America. The U.S. Department of State's 2002 International Narcotics Control Strategy Report (INCSR) lists Ecuador as one of twenty-four major illicit drug-transit countries.<sup>118</sup> The two most significant transit routes between Colombia and Ecuador are: from Esmeraldas to Tumaco (both in Ecuador), to Guachucal and Pasto (both in Colombia); and along the Pan-American Highway: from Quito-Ibarra-Tulcan (all in Ecuador), to Ipiales (in Colombia).<sup>119</sup>

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<sup>114</sup> "Latin America Seen as Potential Source of Terrorist Threat to US," Moscow Nezavisimoye Voennoye Obozreniye, 14 Mar 03. FBIS Document ID: CEP20030314000319.

<sup>115</sup> Ibid, p. 4, and "Colombia: El Espectador Gives 'Organizational Chart' of Drug Cartel in Narino," Bogota El Espectador [Internet version-www], 11 Jun 01. FBIS Document ID: LAP2001061000034.

<sup>116</sup> Rex Hudson, "A Global Overview of Narcotics-Funded Terrorist and other Extremist Groups." Library of Congress Report, May 2002. p. 8, Ambassador Philip C. Wilcox, Jr., "International Terrorism in Latin America," Testimony to the U.S. House of Representatives, Committee on International Relations, September 28, 1995, and "Article Analyzes Why War on Terrorism Will Affect Colombia," Bogota Cambio, 24 Sept 01. FBIS Document ID: LAP20010924000008.

<sup>117</sup> Ibid, p. 10.

<sup>118</sup> U.S. Department of State report: The International Narcotics Control Strategy Report, 2002, p. 4, and Patterns of Global Terrorism, 21 May 2002. Available online at: <http://www.state.gov/s/ct/rls/pgtrpt/2001/html/>, Accessed on 9/3/04.

<sup>119</sup> "Despite Official Denial, Article Says Ecuador to Colombia Gunrunning Exists," Bogota Semana [Internet version-www], 10 Nov 03. FBIS Document ID: LAP20031109000021.

Ecuador's northern border is particularly vulnerable to drug and weapons trafficking due to its proximity to the Colombian departments of Putumayo and Narino, which account for nearly thirty-seven percent of Colombia's total coca production.<sup>120</sup> While a substantial percentage of the goods transported via these routes consist of chemical precursors used in various stages of the drug production process,<sup>121</sup> trends indicating their increased use by Islamic terrorist organizations have significant national security implications.<sup>122</sup> As Tom Riley, the spokesman for the Office of National Drug Control Policy explained, "If you wanted to smuggle bombs into America, there is a ready-made network to do that. It is the drug network."<sup>123</sup> The real strategic significance of Ecuador is provided by the country's Pacific ports of Guayaquil and Esmeraldas, which provide the infrastructure necessary for the international distribution of refined cocaine and heroin smuggled from Colombia.<sup>124</sup> An example of the scope of the international drug shipment routes through Ecuadorian ports is provided by an incident when British Customs Officials confiscated 651 kilograms of cocaine hidden in a cargo container on a ship originating from Ecuador in November 2003.<sup>125</sup> The established transit routes and their geographical proximity to Colombia and strategic ports in Ecuador are highlighted in Figure 1.

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<sup>120</sup> "Colombia and its Neighbors: The Tentacles of Instability", *International Crisis Group Latin America Report No. 3*, April 2003. p. 8, and "Ecuadorian Army Commander Admits Weapons Crossing into Colombia," Bogota El Espectador [Internet version-www], 13 Sep 03. FBIS Document ID: LAP20030913000028.

<sup>121</sup> United States Department of State/Bureau for International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report", March 2002. p. XI-15.

<sup>122</sup> Rex Hudson, "A Global Overview of Narcotics-Funded Terrorist and other Extremist Groups." Library of Congress Report, May 2002. p. 11.

<sup>123</sup> Mary Jacoby, "War's New Target: Drugs," *St. Petersburg Times*, February 11, 2002.

<sup>124</sup> "Colombia and its Neighbors: The Tentacles of Instability", *International Crisis Group Latin America Report No. 3*, April 2003. p. 8.

<sup>125</sup> "UK Government: Cocaine Smugglers Jailed for 64 Years," Coventry, 7 Jun 04. Available online at: <http://proquest.umi.com/pqdweb?index=59&sid=1&srchmode=1&vinst=PROD&fmt=3&s>, Accessed on 7/16/04.



Figure 1. Map of Ecuador-Colombia Border



While the complete scope of Hizballah’s cooperation with the FARC remains unclear, the FARC has regularly operated in Ecuador for decades. In a January 2004 interview with Quito-based newspaper *El Comercio*, General (Ret.) Rene Vargas Pazzos (former head of Ecuador’s Armed Forces) detailed how the FARC has been using Ecuador and its transportation infrastructure for strategic smuggling operations for forty years.<sup>126</sup> However, there is a high probability that Hizballah, recognizing the potential for utilizing its connections with the Lebanese-controlled business infrastructure in strategic locations throughout Ecuador to launder their profits, is involved in regional drug trafficking, when considering the geographic proximity of FARC operations in the

<sup>126</sup> “Ecuador: FARC Leader Reyes Escapes Police Surveillance in Quito,” *El Comercio* [Internet version-www], 11 Jan 04. FBIS Document ID: LAP20040112000029.

Colombian departments of Putumayo and Narino and the suspected links between the FARC and Hizballah.<sup>127</sup>

In 2001, the Colombian Technical Investigation Corps (CTI) arrested a Lebanese businessman, named Mohammed Ali Farhad, with ties to Hizballah for managing a \$650 million cigarette smuggling and money laundering operation between Ipiales, Colombia and ports in Ecuador.<sup>128</sup> The investigation of Mohammed Ali Farhad established a link between Farhad and a Hizballah-backed money laundering operation, run by Eric and Alexander Mansur, through the Mansur Free Zone Trading Company N.V.<sup>129</sup> The Mansur Free Zone Trading Company N.V. was Phillip Morris' main distributor in Latin America until the U.S. indicted the Mansur brothers for money laundering.<sup>130</sup>

According to a lawsuit filed against Philip Morris in 2002 by the Republic of Ecuador,<sup>131</sup> the company sold tobacco products to smugglers in exchange for gun running and drug trafficking money, commonly referred to as the Black Market Peso Exchange (BMPE) from 1987 to 2002.<sup>132</sup> According to the lawsuit, Phillip Morris Inc.:

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<sup>127</sup> Samii A. William, "Iranians Out of Colombia," Iran Report [RFE/RL News], 27 December 1999. Available online at: <http://www.rferl.org/iran-report/1999/12/-511299.asp>, Accessed on 8/31/04, and Remarks made by General James T. Hill, Commander of U.S. Southern Command to the Center for Strategic and International Studies September 10, 2003. Available online at: <http://www.ciponline.org/colombia/030910hill.htm>, Accessed on 12/1/04. In these remarks, General Hill clarifies that the FARC conducts its drug trafficking operations "across all of Colombia's borders," and that "Islamic radical groups [Hizballah] and narco-terrorist groups [FARC] in Colombia all practice the same business methods," and Remarks made by Dr. Condoleezza Rice at a Foreign Press Center Briefing on October 30, 2003. Available online at: <http://fpc.state.gov/fpc/25774.htm>, Accessed on 12/1/04. In response to a question regarding cooperation between Hizballah and the FARC, Dr. Rice responded, "the one thing we're learning is these terrorist organizations are connected. They connect through financing -- terrorist organizations, in general, connect through financing; they feed off of the same lawlessness that exists. They feed off the same sources of narcotrafficking and of gunrunning and of corruption. And so, when we talk about connections, it's important to remember they're all born of the same womb in that sense."

<sup>128</sup> Rex Hudson, "A Global Overview of Narcotics-Funded Terrorist and other Extremist Groups." Library of Congress Report, May 2002. pp. 47-50, and Vheadline.com (Venezuela), 1 Apr 00. Accessed on 8/31/04.

<sup>129</sup> Fabio Castillo, "The Hizballah Contacts in Colombia," Part III of "Tracking the Tentacles of the Middle East in South America," El Spectador [Internet version-www], 9 Dec 01. FBIS Document ID: LAP2001121000036.

<sup>130</sup> *Tobacco Companies Linked to Criminal Organizations in Cigarette Smuggling: Latin America*, The Public I: An Investigative Report of the Center of Public Integrity, March 3, 2001.

<sup>131</sup> Republic of Ecuador v. Phillip Morris Companies, Inc., 188 F. Supp. 2d 1359 (S.D. Fla. 2002).

<sup>132</sup> See Rex Hudson, "A Global Overview of Narcotics-Funded Terrorist and other Extremist Groups." Library of Congress Report, May 2002. pp. 49-50 for a detailed description of how the BMPE functioned.

...violated Ecuador's regulatory scheme by illegally selling tobacco products on the Ecuadorian black market. To further these unlawful enterprises, Ecuador alleges Defendants committed numerous acts, including mail and wire fraud. Moreover, Defendants allegedly falsified shipping records, stamps, and labels on packages that Ecuadorian officials inspected... Ecuador claims that the RJR Defendants, through their use of distributors, ship handlers, and smugglers, established the routes and mechanisms by which cigarettes were smuggled.<sup>133</sup>

There is evidence that the group originally responsible for bombing the World Trade Center in 1993, and which later merged with Hizballah and al-Qaeda, had counterfeit cigarette tax stamps in its possession, presumably from Ecuador.<sup>134</sup> A significant percentage of the profits Mohammed Ali Farhad generated from the BMPE in Ecuador were funneled to Hizballah.<sup>135</sup> Although case specifics regarding the identification of individual import/export companies in Ecuador used by Mohammed Ali Farhad to ship contraband and money to and from Ecuador are not available, the nature of the operations detailed in the case are consistent with joint FARC-Hizballah smuggling operations- to the extent that the same transit routes used by the FARC to ship drugs and arms were used to smuggle cigarettes.

Similar to the Lebanese diaspora in Ciudad del Este, many Lebanese immigrants in Ecuador maintain close ties with family in Lebanon and identify with the political struggles of the Lebanese people. This level of communal identification in the Lebanese diaspora of Ciudad del Este is demonstrated by the large amount of donations made to political organizations in Lebanon tied to Hizballah.<sup>136</sup> More research is required by intelligence organizations to accurately determine the amount of donations made by Ecuador's Lebanese diaspora to pro-Hizballah organizations in Lebanon. The significant number of Ecuador-based individuals and organizations placed on the Office of Foreign

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<sup>133</sup> Republic of Ecuador v. Phillip Morris Companies, Inc., 188 F. Supp. 2d 1359 (S.D. Fla. 2002).

<sup>134</sup> Brian Louis, *Cigarette Smuggling a Worry: Illegal Sales Help Terrorist Groups Worldwide*, *ATF Fears*, Winston-Salem Journal, 3 November 2002.

<sup>135</sup> Rex Hudson, "A Global Overview of Narcotics-Funded Terrorist and other Extremist Groups," p. 48.

<sup>136</sup> Mariano Cesar Bartolome, *Amenzas a la seguridad de los estados: La triple frontera como 'area gris' en el cono sur Americano* [Threats to the Security of States: The Triborder as a 'Grey Area' in the Southern Cone of South America]. Buenos Aires, November 29, 2001. p. 4.

Assets Control's 2004 Specially Designated Nationals and Blocked Persons list indicates the existence of a substantial network of institutions and individuals with financial links to terrorist organizations within Ecuador.<sup>137</sup> To be sure, a large percentage of the individuals and organizations are on this list because of their links with drug trafficking organizations. However, the suggested links between Hizballah and the FARC would likely make the financial network represented by the members on the list valuable to Hizballah's fundraising operations as well.

A financial network of this sort appears ideal for funneling money to Hizballah-linked organizations. However, the amount of donations made by the Ecuadorian Lebanese diaspora is likely to be low when considering evidence of low levels of communal and ideological support for Hizballah. This trend is consistent with evidence linking large amounts of donations from the Lebanese community in Ciudad del Este to their high levels of communal and ideological support for Hizballah. However, evidence of an emerging presence of Islamic mosques in Ecuador that espouse radical religious ideology consistent with Hizballah's ideology has the potential to increase future levels of ideological and communal support. This increase combined with the terror-linked financial network in Ecuador would then likely result in a substantial volume of donations- consistent with that evident in Paraguay.

Promoting the expansion of the Islamic presence in Ecuador appears to be a vital component in Hizballah's strategy to increase the overall profit potential for its fundraising operations in Ecuador. While the sources of funding for the growing number of mosques in Ecuador are uncertain,<sup>138</sup> it is unlikely that Ecuador's small Islamic population is capable of providing all of the funds required to finance the activities of the mosques. The established financial and ideological links between Iran and Hizballah are a likely source of funding for Ecuadorian mosques (espousing Islamic fundamentalist rhetoric consistent with Hizballah's radical ideology) considering the close relationship between Hizballah's command leadership and Iranian religious institutions and clergy,

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<sup>137</sup> U.S. Department of the Treasury, Office of Foreign Assets Control: Specially Designated Nationals and Blocked Persons, 14 September 2004. Available online at: <http://www.ustreas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf>, Accessed on 9/20/04.

<sup>138</sup> The Islamic Center of Ecuador's homepage specifically claims to receive no international funding.

and recent operations by the Iranian Embassy in southern Colombia.<sup>139</sup> Radical members of Iranian clergy have traditionally held positions in Iran's Ministries of Islamic Guidance and Foreign Affairs to maintain relationships with Hizballah leadership (Secretary Hassan Nasserallah) and place its members in Iranian embassies abroad to facilitate Hizballah's fundraising operations.<sup>140</sup> The estimated annual Iranian financial support for Hizballah is between fifty and one-hundred million dollars.<sup>141</sup>

In 2000, the Iranian Embassy in Bogota, Colombia, announced the cancellation of the construction of an Iran-financed multi-million dollar meat packing industry in the FARC-controlled department of Putumayo, after inquiries by Colombian government officials and businessmen. The head of the Colombian National Cattlemen's Association questioned the development of the slaughterhouse in a location that cannot support the export requirements of a facility of that size. Although the Iranian Ambassador to Colombia, Hussein Sheikh Zeineddin, claimed the area was chosen because Tehran wanted to contribute to the Colombian peace process and facilitate negotiations between the FARC and the Colombian authorities, it appears more likely that Iran was interested in establishing a factory in the center of a FARC controlled cocaine production area to facilitate Hizballah's involvement in regional fundraising operations.<sup>142</sup>

The potential for a future increase in the radical ideological support base for Hizballah in Ecuador is significant considering the large size of the Lebanese population, relative to the Lebanese population in Paraguay or the TBA, and the fact that mosques in Ecuador promote rhetoric consistent with radical Hizballah ideology. The number of

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<sup>139</sup> Magnus Ranstorp, "Hizbollah's Command Leadership: Its Structure, Decision-Making and Relationship with Iranian Clergy and Institutions," *Terrorism and Political Violence*, Vol. 6, No. 3 (Autumn 1994), pp. 303-339.

<sup>140</sup> Shireen T. Hunter, "Iran and the Spread of revolutionary Islam," *Third World Quarterly*, April 1988. pp. 743-744, Ambassador Philip C. Wilcox, Jr., "International Terrorism in Latin America," Testimony to the U.S. House of Representatives, Committee on International Relations, September 28, 1995, and Kenneth Katzman, *Terrorism: Near East Groups and State Sponsors, 2002*, CRS Report for Congress. pp. 30-31.

<sup>141</sup> Howard Scheider, "The Changing Face of a Militant Movement," *Washington Post Foreign Service*, 5 April 2000. Available online at: [www.library.cornell.edu/colldev/mideast/hizbnw.htm](http://www.library.cornell.edu/colldev/mideast/hizbnw.htm), Accessed on 9/20/04 and "Hizbollah: Rebel Without a Cause?," *Middle East Briefing*, *International Crisis Group*, 30 July 2003.

<sup>142</sup> Safa Haeri, "Iran Withdrawal From Suspicious Meat Project in Colombia," *Iran Press Service*. Available online at: [http://www.iran-press-service.com/articles/iran\\_colombia\\_1100.htm](http://www.iran-press-service.com/articles/iran_colombia_1100.htm), Accessed on 9/20/04.

Lebanese directly involved in radical ideological terrorist operations is likely to be small relative to those who feel a familial camaraderie with the plight of those in Lebanon. However, the radical minority (composed primarily of prominent businessmen and influential religious leaders) is likely to benefit from an increased level of support from the remainder of the Lebanese diaspora- regardless of whether that support is intentionally directed toward shared ideological goals or simply given to fellow members of the diaspora. Table 7 lists the fundraising operations used by Hizballah in Ecuador.

Table 7. Hizballah’s Fundraising Techniques in Ecuador

Techniques used by Hizballah for fundraising in Ecuador.
<ul style="list-style-type: none"> <li>▪ Money laundering</li> <li>▪ Smuggling</li> <li>▪ Drug trafficking</li> </ul>

## B. ECUADOR’S LEBANESE DIASPORA

The Lebanese diaspora in Ecuador is one of the oldest and well-established immigrant communities in the country. The story of the evolution of Lebanese immigrants in Ecuador from “Arab invaders” to influential businessmen and politicians is intertwined with the history of Ecuador’s development.<sup>143</sup> The process of increased interaction between the Lebanese and native Ecuadorians throughout the country’s development eventually resulted in the social, economic, and political integration of the Lebanese, though not their complete assimilation. The Lebanese immigrants experienced a relatively low level of prejudice and opposition because of the initial small size of their immigrant population (only five “Turkos”<sup>144</sup> registered in the 1890 census)<sup>145</sup> and the fact that the size of their community increased slowly. A significant characteristic of Lebanese immigrants that eased their transition into Ecuadorian society was their religion. The majority of the Lebanese immigrants into Ecuador were

<sup>143</sup> Lois J. Roberts, *The Lebanese in Ecuador: A History of Emerging Leadership*. Boulder: Westview, 2000, p. 29.

<sup>144</sup> *Turko* was a term commonly used to identify immigrants from any country in the Middle East.

<sup>145</sup> “Resumen del Censo General de la poblacion de Guayaquil, considerados sus habitantes nacionalidades, December 31, 1890”, *Informe y memoria estadistica de la Intendencia de provincial del Guayas* (1891).

Christian. Many Christian Lebanese began to leave Lebanon for the new world as a result of increasing violence with Muslim Lebanese.<sup>146</sup> Arab Muslim disillusionment following the defeat of the Turks in the 1911 and 1912 wars with Italy and the Balkan states resulted in increased Muslim nationalism in Lebanon and increased levels of conflict with Christian Lebanese.<sup>147</sup>

At the turn of the century, the Ecuadorian society had a cultural disdain for trade and merchants left over from the Spanish colonial period. This created the socioeconomic niche necessary for the Lebanese diaspora to prosper. The cultural characteristics of the Lebanese immigrants favored a strong work ethic and a family-oriented business style. The combination of these conflicting social characteristics resulted in the success of the Lebanese diaspora in the businesses of importing and merchandise sales. As a result, a majority of Lebanese immigrants established businesses in the port city of Guayaquil. Lebanese immigrants entered Ecuador with enough capital to open small businesses immediately, or they steadily accumulated enough capital to eventually open businesses by traveling and selling small items. Through hard work and determination, the Lebanese diaspora eventually increased the size and profits of their businesses. However, despite their relatively rapid economic success, the Lebanese remained socially and politically isolated.<sup>148</sup>

The Lebanese formed the Sociedad Union Libanesa in 1921,<sup>149</sup> which was intended to represent the future social, political, and economic interests of the Lebanese community. The Ecuadorian government formally recognized the Sociedad Union Libanesa on August 8, 1921.<sup>150</sup> The creation and formal recognition of a representative union marked a significant step in the integration of the Lebanese diaspora into the

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<sup>146</sup> Meir Zamir, *The Formation of Modern Lebanon*. London: Cornell University Press, 1988, p. 24.

<sup>147</sup> Ibid, pp. 25-30.

<sup>148</sup> By 1920, no Lebanese immigrants held political office or were members of social clubs.

<sup>149</sup> Out of the 71 founding fathers of the Lebanese union, 37 had established commercial businesses in Guayaquil.

<sup>150</sup> Lois J. Roberts, *The Lebanese in Ecuador: A History of Emerging Leadership*, p. 74.

economic and sociopolitical institutions of Ecuador.<sup>151</sup> The Sociedad Union Libanesa served as the institutional precursor to increased Lebanese participation in leadership positions in other social and political organizations such as political parties. In an effort to maintain Lebanese heritage within the diaspora, female members of the Sociedad Union Libanesa established Arabic language and Lebanese history schools for their children. Teaching Lebanese children the accurate history of Lebanon and maintaining their proficiency of the Arabic language reinforced their cultural heritage.

The Lebanese began to diversify their business interests throughout the 1920s by establishing textile factories in Ecuador. Their international connections produced steady supplies of cheap cotton that allowed their textile factories to prosper. Because these textile factories were established in Quito, the Lebanese began to expand their influence beyond Guayaquil. Since the Lebanese population was smaller in Quito than in Guayaquil, their presence was less threatening to Ecuadorians, and they tended to be more socially and politically introverted. Lebanese merchants in Quito utilized their import connections in Guayaquil to undersell the local competition. Despite economic instability, their steady access to an inexpensive supply of cotton resulted in increased profits.<sup>152</sup> These profits were reinvested into Ecuadorian industry by creating a Lebanese-owned textile factory in 1928 called “La Perla del Pacifico.”<sup>153</sup> Despite the economic instability resulting from the Great Depression, the willingness of the Lebanese to invest in Quito’s economy demonstrates that the stake the immigrant community had in Ecuador was large, and increasing. As the success of Lebanese merchants in Quito increased, so did their influence in social and political circles.<sup>154</sup>

By the start of the 1930s, the Lebanese diaspora established a solid economic foundation (in Quito and Guayaquil) that enabled the immigrants to exert an increasing

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<sup>151</sup> Barbara Schmitter Heisler, “Trade Unions and Immigrant Incorporation: Then and Now, Here and There”, Paper presented at Workshop at the Institute for Migration Research and Intercultural Studies, University of Osanbrück, June 19-20, 2003, pp. 2-3.

<sup>152</sup> The efficiency of the transport of goods between the coast and the Sierra was improved by the completion of a railroad between Guayaquil and Quito in 1908.

<sup>153</sup> Lois J. Roberts, *The Lebanese in Ecuador: A History of Emerging Leadership*, p. 121.

<sup>154</sup> Quito established a Chamber of Commerce in 1938 in to which Lebanese members were admitted in the 1940’s.



amount of influence in Ecuador's social and political institutions. Several Guayaquil-based Lebanese businessmen made the important sociopolitical step of becoming members of the Chambers of Agriculture, Industry, and Commerce.<sup>155</sup> This level of involvement placed Lebanese immigrants in regional corporate business decision-making positions that, in turn, influenced regional and national political decisions. By the end of the 1930s, in addition to their established industries of import and sales, the relatively small Lebanese community was firmly established in agriculture.<sup>156</sup>

By the mid-1960s, many third-generation Lebanese were returning to Ecuador after being educated in foreign universities (as was the custom in Latin America). These well-educated children of Lebanese immigrants returned to Ecuadorian society with opportunities their parents did not have. Since their arrival just prior to the turn of the century, the Lebanese immigrant community worked hard to establish a legitimate position of influence in Ecuador's economic, political, and social institutions. The most successful of the Lebanese diaspora established influence with Ecuador's traditional elite, while the bulk of the community contributed to the lower and emerging middle-class work force. However, despite almost a century of incorporation, the Lebanese in Ecuador continued to face prejudice and opposition. The third-generation Lebanese immigrants simultaneously embraced their cultural heritage (by maintaining strong ties within the diaspora) and desired cultural acceptance (through increased social interaction and assimilation with native Ecuadorians).

By the mid-1970s, the Lebanese diaspora established significant levels of incorporation into Ecuador's economic and political institutions, and were beginning to make significant progress toward incorporation into social institutions outside of their immigrant community. The economic and political incorporation achieved by the Lebanese diaspora provided Lebanese immigrants with levels of influence that, in many cases, contributed to the path of Ecuador's development. However, Lebanese immigrants continued to struggle to balance their cultural heritage with definitions of their immigrant

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<sup>155</sup> Two prominent Lebanese businessmen were appointed to board of directors for the Guayaquil Chamber of Agriculture.

<sup>156</sup> According to Registro de la Propiedad Literaria y Artística de Canton de Quito, only 1,066 Lebanese immigrants were in Ecuador in 1931.

status in society. The importance of their cultural heritage was reinvigorated for many third-generation Lebanese immigrants by the escalation of violence between Christians and Muslims in Lebanon. The civil war in Lebanon, and its resultant diasporas, changed the demographics of the Lebanese community in Ecuador. The character of these changes was dependent on the development and level of incorporation achieved by the Lebanese diaspora from 1900 to 1975.

The Lebanese community in Ecuador has the necessary infrastructure to control its own cultural, commercial, educational, and social activities. It has also demonstrated its ability to influence the political development of Ecuador. Although a large portion of the Lebanese community in Ecuador is Catholic, recent trends indicate an increasing presence of Islamic Lebanese in Ecuador, particularly in Quito. According to current rough estimates, the size of Ecuador's Islamic community is between five and fifteen hundred.<sup>157</sup> While the size of Lebanese-Islamic community may seem insignificant relative to the size of Ecuador's Lebanese community (roughly 95,000),<sup>158</sup> recent rhetoric associated with several of the country's newly formed Islamic organizations is consistent with radical Islamic ideology (espoused by terrorist organizations like Hizballah).

The Khaled Ibn al Walid Islamic Center, located in Quito, is evidence that a significant shift in the composition of the religious characteristics of Ecuador's Lebanese diaspora is underway.<sup>159</sup> The use of a prominent historical heroic Islamic figure—Khaled Ibn al Walid, in the name of the Islamic Center is significant for several reasons and is likely indicative of a growth in Islamic fundamental sentiment within the Ecuadorian Lebanese community, consistent with that of members of the pro-Hizballah Lebanese population in Paraguay. Khaled Ibn al Walid, otherwise known as the “Sword of Islam”, was an Islamic Emir, appointed directly by Allah, who led the Muslim Army in the eighth century against the Roman Army. The two main themes Islamic

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<sup>157</sup> Yahya Juan Suquillo, *Islam in Ecuador*, May 2002. Available online at: <http://www.geocities.com/WestHollywood/Park/6443/LatinAmerica/ecuador.html>, Accessed on 8/25/04.

<sup>158</sup> <http://www.maronite-league.org.lb/diaspora.html>, Accessed on 8/20/04.

<sup>159</sup> Available online at: <http://www.islamicfinder.org/getitWorld.php?id=44908&lang>, Accessed on 8/25/04.

fundamentalist leaders traditionally evoke through rhetorical uses of the symbolic significance of Khaled Ibn al Walid are the religious importance of martyrdom and the necessity to continue the fierce fight against a seemingly invulnerable enemy of Islam.

A prominent example of a senior Islamic religious leader using rhetorical references to the themes symbolized by Khaled Ibn al Walid occurred in May 2001, when Sheikh Ikrimah Sabri, the Palestinian Authority Mufti of Jerusalem and Palestine, praised martyrdom for the defense of Islam against American oppression.

Oh Muslims. Oh believers, the Prophet's companion, Abdullah Ibn Rawwaha, was the army's third commander. He took the flag and fought until he was martyred. The Muslim soldiers were perplexed because they had no commanders left, since the three commanders who were appointed by the Prophet, were already martyred. The soldiers were about to retreat, but then, the Prophet's companion, 'Uqbah Ibn Abi 'Aamer, said to them: "Oh people, a man is better off being killed with his face to the front than while withdrawing". Yes, Oh Muslims. The soldiers realized their situation and agreed on appointing as Emir, the noble and heroic, Khaled Ibn Al-Walid, who managed, by his wisdom, his ability, and military skills, to save the army from total destruction. This was the first battle that was commanded by Khaled Ibn Al-Walid since he embraced Islam. When he took the flag that day, he fought fiercely.<sup>160</sup>

Sheikh Ikrimah Sabri is not a direct representative of Hizballah (nor was he when he gave the above sermon). However, his representation of the Palestinian Authority and the Palestinian Islamic Jihad's anti-Israeli/U.S. sentiment is consistent with the radical ideology used by Hizballah to legitimize its actions and with the organization's tactical operations supporting the anti-Israeli campaign.<sup>161</sup> Another recent example of the link between the symbolism of Khaled Ibn al Walid and its influence on the ideology and tactics of terrorist organizations is the July 7, 2004 kidnapping of a Filipino truck driver in Iraq by the Khaled Ibn al Walid Brigade.<sup>162</sup>

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<sup>160</sup> Taken directly from the May 5, 2001 Friday Sermon of Sheikh Ikrimah Sabri at the Al-Aqsa Mosque in Palestine. Available online at <http://www.memri.org/bin/articles.cgi?Area=jihad&ID=SP22601>, Accessed on 8/25/04.

<sup>161</sup> Kenneth Katzman, *Terrorism: Near East Groups and State Sponsors*, 2002, CRS Report for Congress. p. 5.

<sup>162</sup> Deborah Haynes, *Iraq in the Grip of Hostage Drama*, Middle East Online. Available online at: <http://www.middle-east-online.com/english/egypt/?id=10600>, Accessed on 8/25/04.

Although it is not possible to accurately quantify the size of the Lebanese population sympathetic to the type of Islamic fundamentalism espoused by the Khaled Ibn al Walid Islamic Center, the very existence of the mosques in Quito symbolizing traditional themes of Islamic fundamentalism represent a potentially significant change in the religious composition of the Lebanese Diaspora. This changing demographic indicates a religious trend that potentially increases the Lebanese Diaspora's predisposition to support Hizballah's ideology and tactics.

The Islamic Center of Ecuador Masjid Assalaam, also located in Quito, was established on October 15, 1994 and was the first Muslim religious organization to be officially recognized by the Ecuadorian government.<sup>163</sup> The religious, social, cultural, and educational activities of the mosque are conducted according to Muslim Sunni traditions. An extensive investigation of Hizballah's alleged involvement in the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) in Buenos Aires<sup>164</sup> eventually resulted in the Secretariat for State Intelligence's (SIDE) conclusion that "there is currently no operational difference between the Sunnites and the Shiites," and that "...the Sunnite organization maintains various contacts with elements suspected of being Hizballah sympathizers or affiliates."<sup>165</sup> Although the focus of the SIDE investigation is on Hizballah activities in the Triborder Area, there is evidence to suggest that similar characteristics exist in the relationships between Sunni and Shiite Lebanese in Ecuador. Although the Sunni tradition is not traditionally associated with the Shiite ideology of Hizballah, recent rhetoric in sermons given at the mosque indicate strong anti-Israeli/U.S. sentiment consistent with Hizballah's ideology. The following quotes taken from different sermons given at the Islamic Center of Ecuador highlight the similarities between the teachings of the mosque and the radical ideology used to justify

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<sup>163</sup>Yahya Juan Suquillo, *Islam in Ecuador*, May 2002. Available online at: <http://www.geocities.com/WestHollywood/Park/6443/LatinAmerica/ecuador.html>, Accessed on 8/25/04. The link to the Islamic Center of Ecuador Masjid Assalaam is <http://www.centroislamico.org.ec/principal.htm>, Accessed on 8/25/04.

<sup>164</sup> Ambassador Philip C. Wilcox, Jr., "International Terrorism in Latin America," Testimony to the U.S. House of Representatives, Committee on International Relations, September 28, 1995.

<sup>165</sup> "Bin Laden's Followers in Triborder Area Probed," FBIS Document ID: WA1907180899, July 19, 1999, and "Argentine Intelligence Services' 1999 Report on Usama Bin-Ladin's Agents in Triborder Area Viewed," FBIS Document ID: LAP20010916000021, September 16, 2001.

Hizballah's tactics and operations: "Oh you believers, take neither the Jews nor the Christians as Allied Forces, since they are allied between them,"<sup>166</sup> and "This legislation is the correct footpath, this is the footpath of Grace of the Prophets, of the noble martyrs and other correct people."<sup>167</sup> Various verses of the Qur'an stress that Muslims should seek assistance from other Muslims and distance themselves from non-believers.<sup>168</sup> The idea of separation is reinforced by religious rhetoric and is particularly dangerous when combined with literal interpretations of verses from the Qur'an advocating the use of force against non-Muslims:

Fight and slay the unbelievers wherever you find them and beleaguer them, and lie in wait for them in every stratagem [of war]; but if they repent and establish regular prayers and pay zaka [Islamic alms and religious tax] then open the way for them, for God is most forgiving...<sup>169</sup>

Contemporary non-violent Muslims believe the historical context of the timeframe in which these verses were written (one in which the existence of Islam was directly threatened) determines their applicability. In their view, a literal interpretation of these verses is not applicable today because Islam's existence is not in danger. However, Muslims who view the current international environment as an oppressive encroachment of Western ideals threatening the existence of Islam find justification for the radical ideology and tactics of a terrorist group (like Hizballah) in the verses of the Qur'an.

Sheikh Saleh bin Hamid, is listed on the Islamic Center of Ecuador Masjid Assalaam's homepage as one of its primary religious leaders and teachers. In response to the conduct of U.S. military operations in support of Operation Enduring Freedom in Afghanistan, Sheikh Saleh bin Hamid issued the following fatwa:

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<sup>166</sup> Original passage taken from The Islamic Center of Ecuador sermon "No parcerse en nada a los no musulmanes (jalifu al-kufar)" translated to English by the author. Available online at: <http://www.centroislamico.org.ec/rv03.htm>, Accessed on 7/12/04.

<sup>167</sup> Original passage taken from The Islamic Center of Ecuador sermon "Incentividando a ser diferentes a los kufar (mujalafat al-kufar)" translated to English by the author. Available online at: <http://www.centroislamico.org.ec/rv03.htm>, Accessed on 7/12/04.

<sup>168</sup> Verse 9:29 of the Qur'an, quoted in Abdullahi Ahmed An-Na'im, 'Islamic Ambivalence to Political Violence: Islamic Law and International Terrorism', *German Yearbook of International Law* 31 (1988) p.325. Cf. verses 3:28, 4: 144, and 8:72-3.

<sup>169</sup> Verse 9:5, quoted exactly in O'Boyle Garrett, 'Theories of Justification and Political Violence: Examples from Four Groups', *Terrorism and Political Violence*, Vol. 14, No. 2 (Summer 2002). p. 38.

And the wonder increases, and the Lord gets angry when the Muslims languish about the support of their wronged Muslim brothers, then how if a concern or he thought or one of the Muslims volunteered in the participation of the unbelievers with hitting the Muslims. It is temptations that leave forbearing and confused, and disasters for its terror the mountains crack...<sup>170</sup>

The combination of rhetorical teachings presented above establish the Islamic Center of Ecuador Masjid Assalaam as an organization within the Lebanese community that is sympathetic to Hizballah's utilization of martyr operations to destroy enemies of Islam at best, and supportive at worst.<sup>171</sup> When considering the joint U.S.-Argentine intelligence operation conducted between 1999 and 2001 that linked mosques, in Ciudad del Este, Paraguay, with Hizballah and other terrorist organizations and the consistency of the rhetoric from the above mentioned mosques with Hizballah's ideology and tactics, it is clear that the developing Islamic religious infrastructure in Ecuador provides a potentially valuable mechanism for Hizballah to increase levels of communal and ideological support from the Lebanese diaspora.<sup>172</sup>

As outline in Chapter II, Hizballah's promotion of radical religious ideology in Ecuador is consistent with its use to increase its legitimacy by mitigating any sources of opposition received from members of its radical constituency to the increased participation in the Lebanese political system.

### **C. GEO-STRATEGIC VARIABLES**

The most significant geo-strategic variable contributing to a hospitable environment for Hizballah's fundraising operations is Ecuador's proximity to FARC strongholds. The spillover effects of Plan Colombia make control of the Northern border particularly difficult for the weak institutions of the Ecuadorian government. While estimates of displaced Colombians entering Ecuador to flee the conflict are rough, they

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<sup>170</sup> Quoted directly from a fatwa given by Sheikh Saleh bin Hamid. Available online at: <http://www.homelandsecurityus.net>, Accessed on 8/23/04.

<sup>171</sup> Raphael Israeli, 'A Manual of Islamic Fundamentalist Terrorism', *Terrorism and Political Violence*, Vol. 14, No. 4 (Winter 2002). Pp. 25-27.

<sup>172</sup> Mario Daniel Montoya, "War on Terrorism Reaches Paraguay's Triple Border." *Jane's Intelligence Review*, December 1, 2001.

can conservatively be placed at forty thousand a year since 2001.<sup>173</sup> Ecuador does not have an adequate infrastructure of social institutions required to provide assistance to this volume of displaced persons. Additionally, despite U.S. financial aid, the combination of Ecuadorian military and police forces have been unable to prevent the cross-border trafficking of drugs and weapons to and from the FARC controlled departments of Potomayo and Narino.<sup>174</sup> Widespread corruption of military and police officials further reduces the capability of these inefficient institutions. In 2003, the International Crisis Control Group (ICG) estimated that forty percent of Colombian cocaine exits through Ecuador and fifty percent of the weapons and explosives used by the FARC enter through the same routes.<sup>175</sup> A 2003 investigation of the military's weapons inventory, by Octavio Romero, chief of the Ecuadorian Armed Forces Joint Command, revealed a significant amount of weapons, ammunition, and explosives disappeared from armed forces warehouses since 1998.<sup>176</sup> As a result of this investigation, thirty-seven military officers have been investigated for corruption.

The primary response of the Ecuadorian government to its border issues with Colombia has been to increase the military and police presence in border areas. However, merely increasing the presence of the military and police is unlikely to significantly reduce cross-border weapons and drug shipments considering the established history of corruption within the military and police and their extensive cooperation with the FARC.<sup>177</sup> Although the majority of documented deficiencies in the Ecuadorian government's ability to control its Northern border deal specifically with Plan

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<sup>173</sup> "Approximately 40,000 Displaced Colombians Return to Country From Ecuador," *Madrid EFE*, 21 October 2000, FBIS Document ID: LAP20001221000075.

<sup>174</sup> "Ecuadorian Defense Minister: Border Control 'Impossible'," *Bogota Radio Cadena Nacional*, 11 January 2001, FBIS Document ID: LAP20010111000047, and "Ecuador: USA to Send 150 Million Dollars in Aid to Strengthen Northern Border," *Madrid EFE*, 13 March 2001, FBIS Document ID: EUP20010313000504..

<sup>175</sup> "Porosity of Colombian-Ecuadorian Border Causes Problems for Both Countries," *Bogota El Tiempo*, 9 August 2003, FBIS Document ID: LAP20030812000028.

<sup>176</sup> "Ecuador Acknowledges that Weapons Leaving Country for Colombia," *El Espectador Judicial News Department*, 13 September 2003, FBIS Document ID: LAP20030913000028, and "Ecuadorian Authorities Dismantle Ring That Smuggled Supplies, Weapons to Colombia's FARC," *Bogota El Espectador*, 10 July 2000, FBIS Document ID: LAP20000710000014.

<sup>177</sup> "Ecuador: Soldiers, Policemen Deployed to Colombian Border to Bolster Security," *Quito El Comercio*, 14 January 2004, FBIS Document ID: LAP20040114000075.

Colombia and the FARC, the suspected links between Hizballah and the FARC make Ecuador's strategic proximity to Colombia and the weakness of its governmental institutions contributing factors to the creation of a hospitable environment for Hizballah's fundraising operations.

#### **D. HOST-NATION CHARACTERISTICS**

The Ecuadorian government's inability to reduce the level Hizballah's fundraising operations within Ecuador results primarily from a combination of political and geographic factors. The consequence of these characteristics is the creation of a favorable environment for terrorist fundraising operations within Ecuador. Common themes influencing each factor are the weakness of government institutions and the pervasiveness of corruption throughout government institutions resulting in their inability or unwillingness to efficiently confront a variety of significant problems. The overall ability of the government to combat internal instability and external conflict (spill-over from Colombian conflict) is low: a recent survey rated the efficiency of the Ecuadorian military at only eleven percent.<sup>178</sup> Widespread corruption further erodes the effectiveness of weak institutions. The 2003 Transparency International Corruption Report rated Ecuador the third most corrupt country in Latin America.<sup>179</sup>

A significant level of political instability in the Ecuadorian government compounds the implications of weak institutions.<sup>180</sup> The relationship between the international and domestic political systems is best described by Robert Putnam's examination of the dynamics of international relations on two levels. According to Putnam, a reciprocal causal relationship exists between international and domestic politics resulting in constraints under which negotiators maneuver to achieve

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<sup>178</sup> James F. Dunnigan, *How to Make War Fourth Edition*, (New York: HarperCollins Publishers Inc., 2003) p. 629, and "Porosity of Colombian-Ecuadorian Border Causes Problems for Both Countries," *Bogota El Tiempo*, 9 August 2003, FBIS Document ID: LAP20030812000028.

<sup>179</sup> Transparency International Corruption Perceptions Index 2003. Available online at: [http://transparency.org/pressreleases\\_archive/2003/2003.10.07.cpi.en.html](http://transparency.org/pressreleases_archive/2003/2003.10.07.cpi.en.html), Accessed on 9/20/04.

<sup>180</sup> Jane's Sentinel Security Assessment: South America. Available online at: <http://www4.janes.com/K2/doc.jsp?K2DocKey=%2Fcontent1%2Fjanesdata%2Fsent%2Fs>, Accessed on 7/14/2004.



advantageous international negotiations.<sup>181</sup> Since his election in 2002, President Gutierrez has negotiated significant international policy decisions with an increasing level of domestic opposition from elites, indigenous groups, and small insurgency operations. The two policies resulting in the most domestic opposition are Ecuador’s agreement with the U.S. to allow the U.S. military to conduct counter-drug operations from the Manta forward operating location (FOL) and neo-liberal economic reforms (most notably, dollarization and FTAA negotiations) designed to stabilize a fragile economy fresh off the 1999 banking system collapse.<sup>182</sup> This domestic opposition results in demonstrations and sporadic terrorist acts (low intensity propaganda bombings). While the focus of these demonstrations is often anti-government or anti-globalization, an increasing number have been anti-U.S. and anti-western.<sup>183</sup> A general description of the sources of domestic opposition in Ecuadorian government’s two-level game relative to regional U.S. policy preferences is provided in Table 8.

Table 8. Ecuador’s Domestic Political Opposition

		Level of Perceived U.S. Interaction	
		LOW	HIGH
Ecuador/U.S. Preferences	LIKE	Negative (Frustration)	Assurance
	UNLIKE	Negative (Lesser of two evils)	Oppressive

The degree of coherence between U.S. and Latin American regional economic and counter-terrorism/narcotics policies and the perceived level of U.S. involvement in each issue determines the level of domestic unrest in Ecuador. In general, the policy preferences of Ecuador and the U.S. regarding regional economics and counter-terrorism/narcotics issues are sufficiently different and Ecuador’s domestic perception of the level of U.S. interaction is sufficiently high to make President Gutierrez’s two-level

<sup>181</sup> Robert D. Putnam, *Double-Edged Diplomacy: International Bargaining and Domestic Politics* (California: University of California Press, 1993) p. 438.

<sup>182</sup> “Gutierrez on How Colombian Conflict Affects Ecuador,” *Bogota Cambio*, 2 December 2002, FBIS Document ID: LAP20021207000031.

<sup>183</sup> “Terrorism Review,” 25 March 2003, FBIS Document ID: GMP20030325000246, and “US Says Al Qaeda and Hezbollah in Ecuador,” *Guayaquil el Universo*, 19 April 2002, FBIS Document ID: LAP20020419000026.

game oppressive. The net result of an oppressive two-level game is that policy decisions are often influenced by negative pressure from the domestic and international systems. While this environment does not necessarily result in ineffective policy decisions, it does produce significant political instability. This political instability can potentially limit the successful implementation of government policy.

One of the most significant characteristics of Ecuador's government contributing to its inability to effectively combat Islamic terrorism is the general perception among many high-ranking officials that Islamic terrorist groups are not active inside Ecuador.<sup>184</sup> The fundamental difference between the terrorist threat perception of the U.S. and Ecuadorian governments is a significant factor preventing the establishment of effective anti-terrorism policy in Ecuador. The difference in terrorist threat perceptions between the U.S. and Ecuadorian governments facilitates the creation of an environment hospitable to terrorist fundraising operations. As demonstrated in Chapter III, a terror threat perception gap also exists between the U.S. and Paraguay.<sup>185</sup>

Ecuador has a history as a transit location for known Islamic terrorists. One of the earliest examples of Hizballah terrorist activity in Ecuador occurred in 1998. Seven terrorists identified by Interpol as members of Hizballah, and linked to the bombing of the Israeli Embassy in Buenos Aires by several international intelligence agencies, were detained in Quito.<sup>186</sup> Evidence of Ecuador being an international transit point for Islamic terrorists surfaced again in 1998 when Muhammad Ubayd Abd-al Al was arrested in Ecuador on his way to Colombia.<sup>187</sup> Muhammad Ubayd Abd-al-Al was wanted by the Egyptian government for crimes he committed while a member of the terrorist

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<sup>184</sup> "US Says Al Qaeda and Hezbollah in Ecuador," *Guayaquil el Universo*, 19 April 2002, FBIS Document ID: LAP20020419000026, and "Foreign Minister: Ecuador Not Among Countries harboring Terrorists," *Guayaquil el Universo*, 4 October 2001, FBIS Document ID: LAP20011004000030.

<sup>185</sup> For a more comprehensive explanation of the differing perceptions among Latin American political leaders regarding terrorism's threat to national security issues, see Pedro Villagra Delgado, *Hemispheric Security: A Perception from the South*, Carlisle, Pennsylvania: Strategic Studies Institute, July 2003. Available online at: <http://www.carlisle.army.mil/ssi/pdf/files/00006.pdf>, Accessed on 12/5/04.

<sup>186</sup> Douglas Farah, "7 Suspected Terrorists Detained in Ecuador; Police See Link to Buenos Aires Bombing," *The Washington Post*, 9 May 1992.

<sup>187</sup> "Ecuador Hands Over Egyptian Islamic Group 'Terrorist'," *Cairo MENA*, 1 November 1998, FBIS Document ID: FTS19981102001867.

organization Islamic Jihad (a known offshoot of Hizballah).<sup>188</sup> After the terrorist attacks of September 11, 2001, Ecuadorian and U.S. intelligence organizations conducted investigations of 207 tourists of Arab origin who entered and remained in Ecuador from 1999 to 2001.<sup>189</sup> <sup>190</sup> While the results of these investigations have not been made public, the weakness and corruption of Ecuadorian government institutions contributed to the creation of an environment hospitable to terrorist operations. Hundreds of false identification documents were seized and several government officials were arrested from Quito's Civil Registry office.<sup>191</sup> Additionally, these investigations accounted for only those tourists who registered with immigration offices, not those who entered Ecuador illegally. There are likely to be a significant number of people of Arab origin in Ecuador illegally considering the government's inability to effectively control its borders. Although these false documents were not linked to tourists of Arab origin, the potential exists for false documents to be available to members of terrorist organizations from government institutions. In an October 2001 interview with a Quito journalist, Ecuador's Foreign Minister Heinz Moeller, ruled out the existence of Islamic terrorist cells in Ecuador and claimed that no U.S. intelligence agents were in the country, despite his knowledge of FBI and CIA involvement in active investigations of terror cells and the history of arrests of Islamic terrorists in Ecuador.<sup>192</sup> In an April 2002 interview with a Guayaquil journalist, then President Gustavo Noboa said, "It is obvious that there is no al-Qa'ida or anything like that here. There is no existence of that here."<sup>193</sup> The rhetoric of high-ranking government officials directly contradicts evidence of the existence of

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<sup>188</sup> Ibid.

<sup>189</sup> According to information supplied by the Immigration Directorate of Quito, 105 of the 207 Arab tourists in Ecuador were Lebanese.

<sup>190</sup> "Ecuador Investigating Entry of Arab Tourists in Past Two Years," *Paris AFP to Mexico Central America and the Caribbean*, 21 September 2001, FBIS Document ID: LAP20010921000100, and "Foreign Minister Confirms FBI, CIA to Hunt for Possible Bin-Ladin's Cell in Ecuador," *Guayaquil CRE Satelital*, 18 September 2001, FBIS Document ID: LAP20010919000106.

<sup>191</sup> "Ecuador Investigating Entry of Arab Tourists in Past Two Years," *Paris AFP to Mexico Central America and the Caribbean*, 21 September 2001, FBIS Document ID: LAP20010921000100.

<sup>192</sup> "Foreign Minister: Ecuador Not Among Countries Harboring Terrorists," *Guayaquil El Universo*, 4 October 2001, FBIS Document ID: LAP20011004000030.

<sup>193</sup> "Ecuador's Noboa Remarks on Domestic Issues, al-Qa'ida Presence," *Guayaquil Ecuavisa Television*, 22 April 2002, FBIS Document ID: LAP20020422000052.

Hizballah operations in Ecuador, and is indicative of the government’s perception that the terrorist threat is insignificant. Table 9 lists the characteristics of Ecuador that contribute to its permissiveness for terrorist fundraising operations.

Table 9. Characteristics Contributing to Ecuador’s Permissiveness

Permissive Threat Environments (include both geo-strategic variables and Diaspora characteristics).
<ul style="list-style-type: none"> <li>▪ Weak political institutions</li> <li>▪ Widespread government corruption</li> <li>▪ Weak legal framework (relating to anti-terror and anti-money laundering laws)</li> <li>▪ Prominent Lebanese Diasporas (Lebanese businessmen)</li> <li>▪ Geo-strategic location (high profit-potential economic environments)</li> <li>▪ Communal support of Diaspora (Low)</li> <li>▪ Ideological support of Diaspora (Low)</li> </ul>

Based on the analysis in this chapter, it is clear that several variables combine to determine the nature and significance of Hizballah’s fundraising operations in Ecuador: the weakness of Ecuadorian political institutions; the favorable geo-strategic characteristics of Ecuador; the strength of the Lebanese diaspora’s business/economic network; and evidence suggesting that the religious composition of the Lebanese diaspora is becoming more Islamic- and appears to support radical religious ideology consistent with Hizballah’s ideology. There are several significant problems with Ecuador’s political landscape that combine to facilitate Hizballah’s fundraising operations. A brief summary of the most significant problems of the Ecuadorian political landscape are widespread corruption of government officials, weak institutions, inefficient border control, and the lack of a consistent perception among government officials that terrorism is a legitimate problem. Ecuador has significant geo-strategic characteristics that make it a likely “haven” for terrorist fundraising operations by simultaneously capitalizing on the weaknesses of the political institutions and the strengths of the surrounding cultural resources. Ecuador’s proximity to the FARC-controlled drug trafficking zone in Colombia makes it a strategic component of international drug shipment routes. The increased presence of mosques in Ecuador’s religious landscape disseminating radical religious rhetoric consistent with pro-Islamic fundamentalist ideology (seen in the

Paraguay) indicates that Ecuador's Lebanese diaspora potentially provides Hizballah operatives with essential levels of cover and legitimacy to conduct successful fundraising operations. While evidence appears to suggest that these mosques have yet to achieve any significant level of traction within the Lebanese diaspora (relative to mosques in Paraguay for example), any future indication that these mosques are becoming more widely supported by members of the Lebanese diaspora is a sign of increasing levels of ideological support for Hizballah. Any substantial increase in the levels of ideological support would likely encourage Hizballah to increase the variety and scope of its fundraising operations in Ecuador.

Several observations can be made about the relative strength of the characteristics contributing to the creation of a terrorist threat environment in Ecuador. The lack of evidence documenting any significant amount of donations made by Ecuador's Lebanese diaspora to Hizballah-linked organizations in Lebanon indicates low levels of communal and ideological support. However, Hizballah appears to be actively involved in efforts to increase the level ideological support within Ecuador's Lebanese diaspora, through the promotion of radical Islam. While the degree of success these activities have produced to date is unclear, the pattern established in Paraguay linking mosques to high levels of ideological support suggests a promising future. The small size of the Lebanese Diaspora's Islamic population (relative to the size of its Christian population) indicates a low potential for ideological support within the diaspora. However, the recent increase in the Islamic presence in Ecuador, demonstrated by the emergence of mosques espousing radical Islamic rhetoric consistent with that used by Hizballah to legitimize its violence, suggests an increase in the ideological support base for Hizballah within Ecuador's Lebanese Diaspora. Low levels of communal and ideological support likely explain why no evidence suggests Hizballah uses donations or extortion. Furthermore, low levels of communal and ideological support may explain why geo-strategic variables and the relationship with influential Lebanese businessmen appear to be the most significant factors contributing to the nature and significance of Hizballah's fundraising operations. After all, support from the Lebanese diaspora is less important to the success of

fundraising operations when a relatively small amount of businessmen, who are sympathetic to Hizballah, can take advantage of favorable geo-strategic variables.

Table 10 provides a useful guide to analyze how the geo-strategic variables, host-nation characteristics, and diaspora characteristics of Ecuador shape the fundraising operations likely to be employed there. Table 10 combines the list of fundraising techniques used by Hizballah in Ecuador (Table 7) with the characteristics that contribute to Ecuador’s permissiveness (Table 9). Characteristics of permissive threat environments are listed along the horizontal axis and the menu of options available for fundraising operations are listed along the vertical axis. Environmental characteristics favorable to a particular fundraising operation will be indicated with an X at the point of intersection.

Table 10. Environmental Characteristics and Fundraising Techniques in Ecuador

Characteristics of Permissive Threat Environments ( <i>Ecuador</i> )	Weak institutions	Weak political institutions	Widespread government corruption	Weak laws (relating to terrorism and money laundering)	Prominent Lebanese Diasporas	Geo-strategic location (FARC drug trafficking zone)	Communal support from Diaspora (Low)	Ideological support from Diaspora (Low)
Fundraising Operations								
Money laundering	X			X		X		
Smuggling						X		
Drug trafficking	X		X	X		X		

The influence of low levels of communal and ideological support evident in Ecuador on the nature and significance of Hizballah’s fundraising operations in the country are important because they validate the point made in Chapter III that diaspora characteristics become increasingly important to fundraising operations when similarities in geo-strategic variables and host nation characteristics evident across cases shape Hizballah’s fundraising operations in similar ways.

## V. CONCLUSION

The examination of Hizballah's fundraising operations in Paraguay and Ecuador demonstrates how variations in geo-strategic variables, host-nation characteristics, and diaspora characteristics produce a wide range of fundraising options. Hizballah's apparent ability to adapt fundraising tactics to the particular characteristics of specific environments suggests the organization applies a flexible strategy to its regional fundraising operations. The diversity of fundraising tactics used and the strategic flexibility underscores the *nature* of Hizballah's fundraising operations in Latin America. The scope and volume of fundraising operations conducted in environments with favorable characteristics and Hizballah's ability to operate in environments with less than ideal characteristics highlights the *significance* of Hizballah's fundraising operations in Latin America.

The analytical framework developed in Chapter II establishes two significant generalizations about *how* and *where* terrorist organizations are likely to conduct fundraising operations. First, according to Table 3, the characteristics of permissive threat environments that are favorable to the largest variety of fundraising operations are weak political institutions, widespread government corruption, weak laws (relating to terrorism and money laundering), and geo-strategic location (near high profit-potential economic environments). Second, the analysis conducted in Paraguay and Ecuador indicates that the levels of communal and ideological support from diasporas are the two characteristics of permissive threat environments that produce the largest variation in fundraising operations.

The nature and significance of Hizballah's fundraising operations in Paraguay are largely a result of favorable geo-strategic variables, host-nation characteristics, and diaspora characteristics. Predictably then, a wide range of fundraising operations is employed by Hizballah in Paraguay that result in a large volume of financial profits. In Ecuador as well, geo-strategic variables and host-nation characteristics are favorable to fundraising operations. More interesting however, Hizballah appears to have tailored its fundraising operations in Ecuador to mitigate the influence of the less than ideal diaspora

characteristics and maximize the potential of favorable host-nation characteristics and geo-strategic variables. Hizballah's use of money laundering and drug trafficking for fundraising capitalizes on favorable host-nation characteristics and geo-strategic variables and is not overly dependent on either communal or ideological support from the diaspora. Evidence linking Hizballah to the emergence of Islamic mosques in Ecuador, that promote radical religious ideology consistent with Hizballah's ideology, indicates that Hizballah recognizes a need to increase its ideological support base in Ecuador. Hizballah's promotion of radical religious ideology in Ecuador is consistent with its organizational use of radical ideology to increase its legitimacy by mitigating any sources of opposition it receives from members of its radical constituency in response to increased participation in the Lebanese political system. This relationship specifically identifies diasporas as strategically valuable to terrorist operations and results in several important policy implications for their treatment by host-nations determined to combat terrorist operations.

While Paraguay and Ecuador share many common characteristics defining permissive threat environments, the difference in the religious demographics of each Lebanese diaspora provides valuable insights into the utility of ideology-based rhetoric and demonstrates the latent potential for future support held by otherwise seemingly benign diasporas. The implications of seemingly benign diasporas having latent potential must be reconciled with the demonstrated need to focus counter-terrorism attention on diasporas. The success of any such reconciliation process will depend on the effectiveness of policies implemented to regulate government-diaspora relations.

#### **A. RECOMMENDATIONS FOR FUTURE RESEARCH**

The analysis in this thesis focuses primarily on Hizballah's fundraising operations in Latin America. While this approach explains Hizballah's fundraising operations in a specific region of the world, relative to that region's geo-strategic variables, host-nation characteristics, and diaspora characteristics, future research into Hizballah's fundraising operations in other regional environments will undoubtedly contribute to the generalizations made in Chapter II regarding how and where terrorist organizations conduct fundraising operations.



The apparent influence of different diaspora characteristics on Hizballah's fundraising operations in Paraguay and Ecuador requires the focus of future research on the roles of diasporas in terrorist fundraising operations be expanded from current characteristics to also include future potential. The focus on potential is justified by Hizballah's ability to modify its fundraising operations in Ecuador to mitigate the influence of unfavorable diaspora characteristics. In this respect, other diasporas whose characteristics are seemingly unfavorable to terrorist fundraising operations may still have the potential to provide terrorist organizations with favorable environments to conduct fundraising operations. A more comprehensive understanding of the forms this potential takes and how its development can be prevented will likely limit the scope of future terrorist fundraising operations.

Based on the research conducted on Hizballah's fundraising operations in Ecuador, future research should attempt to further develop the operational links between Hizballah and the FARC. When considering how different terrorist threat perceptions between the U.S. and the governments of Ecuador and Paraguay contributed to the development of permissive threat environments, future research into sources of differing perceptions can potentially limit future perception gaps and improve the overall effectiveness of U.S. counter-terrorism policy.

## **B. POTENTIAL POLICY IMPLICATIONS**

In response to Richard Armitage's classification of Hizballah as terrorism's "A-team", Martin Kramer stated, "If Hizballah is the A-team, Iran is the team owner and Syria is the coach."<sup>194</sup> Continued diplomatic pressure on Hizballah's main state supporters will likely increase the importance of its fundraising operations. The proper application of counter-terrorism policy based on the insights provided in this thesis about how host-nation characteristics, geo-strategic variables, and diaspora characteristics shape these fundraising operations will likely further isolate Hizballah and decrease the threat it poses to U.S. national security.

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<sup>194</sup> Martin Kramer, remarks made during a conference titled "The Terrorism of Hizballah: Ideology, Scope, Threat," at Woodrow Wilson International Center for Scholars, Washington, D.C., January 2003. Available online at: [http://wwics.si.edu/index.cfm?fuseaction=events.event\\_summary&event\\_id=16184](http://wwics.si.edu/index.cfm?fuseaction=events.event_summary&event_id=16184), Accessed on 11/9/04.

The degree to which the terrorist threat perceptions gaps between the U.S. and the governments of Ecuador and Paraguay contributed to the creation of permissive threat environments, future diplomatic efforts must be directed toward recognizing and decreasing these perception gaps. The Palestinian-Israeli conflict currently drives Hizballah's rhetorical campaign. Therefore, a long-term solution to the Palestinian-Israeli conflict will further erode Hizballah's foundation of ideological and decrease the profit potential for its fundraising operations in environments where ideological support is a facilitating factor.

The implications of government-diaspora relations are vital to any successful counter-terrorism policy, especially when host-nation governments and diasporas have a vested interest in dispelling the automatic causal link between terrorism and diasporas.

1. Determine the counter-terrorist relationship between diasporas and host-nations.
2. Determine how to effectively engage diasporas to reduce the likelihood of terrorist operations.<sup>195</sup>

When a host-nation perceives a diaspora exclusively in terms of being a part of the terrorist problem, and not part of a potential solution, the overall effectiveness of its counter-terrorism operations will be limited. Therefore, governments must recognize that coordination with diasporas can effectively contribute to their counter-terrorism operations. In this respect, diasporas must be considered not only as potential security threats, but also as vital assets to effective counter-terrorism efforts.<sup>196</sup> To date, no evidence exists indicating that the governments of Paraguay or Ecuador have coordinated their respective counter-terrorism efforts with the Lebanese diasporas in their countries. High levels of communal and ideological support for Hizballah in Paraguay may potentially limit the usefulness of this approach in Paraguay. However, low levels of communal and ideological support for Hizballah in Ecuador indicate the likely utility of this approach in Ecuador.

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<sup>195</sup> Margaret Purdy, "Targeting Diasporas: The Canadian Counter-Terrorism Experience," pp. 23-24. Available online at: [http://www.armedgroups.org/images/stories/pdfs/purdy\\_paper.pdf](http://www.armedgroups.org/images/stories/pdfs/purdy_paper.pdf), Accessed on 12/3/04.

<sup>196</sup> Rex Bryden, *Diaspora Populations and Security Issues in Host Countries*, a paper presented to the Metropolis Interconference Seminar, Dubrovnik, May 2002, p. 14. Available online at: <http://www.international.metropolis.net/events/croatia/brynen.pdf>, Accessed on 11/2/04.

This recognition depends on the assumption that diasporas are not unitary, but are composed of individuals possessing varying degrees of agreement with the ideology of the terrorist organization associated with the diaspora. In this context, members of diasporas who do not accept the ideology or tactics of a terrorist organization conducting fundraising operations can be invaluable sources of information for counter-terrorism operations. Again, low levels of communal and ideological support for Hizballah in Ecuador can factor into this relationship. On the other hand, high levels of communal and ideological support for Hizballah in Paraguay will likely limit the volume and utility of information the Paraguayan government can expect to get from the Lebanese diaspora. In this case, the social framework of the diaspora and the tactics employed by the terrorist organization to maintain support within the diaspora may make cooperation with the host-government's counter-terrorism efforts risky for these diaspora members.<sup>197</sup> As a result, in order to maximize the utility of the diaspora and the effectiveness of its counter-terrorism operations, the host-nation must have a sufficient level of interaction with the diaspora to recognize potential sources of cooperation and to understand how best to mitigate social dynamics that potentially deter cooperation.

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<sup>197</sup> Rohan Gunaranta, "Sri Lanka: Feeding the Tamil Tigers," in Karen Ballentine and Jake Sherman, *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. (Boulder: International Peace Academy) 2003. p. 213.

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