

# Extra-Hemispheric Influences in Latin America

## Venezuelan Perspective



# Agenda



**China-Venezuela Relations**



**Iran-Venezuela Alliance**



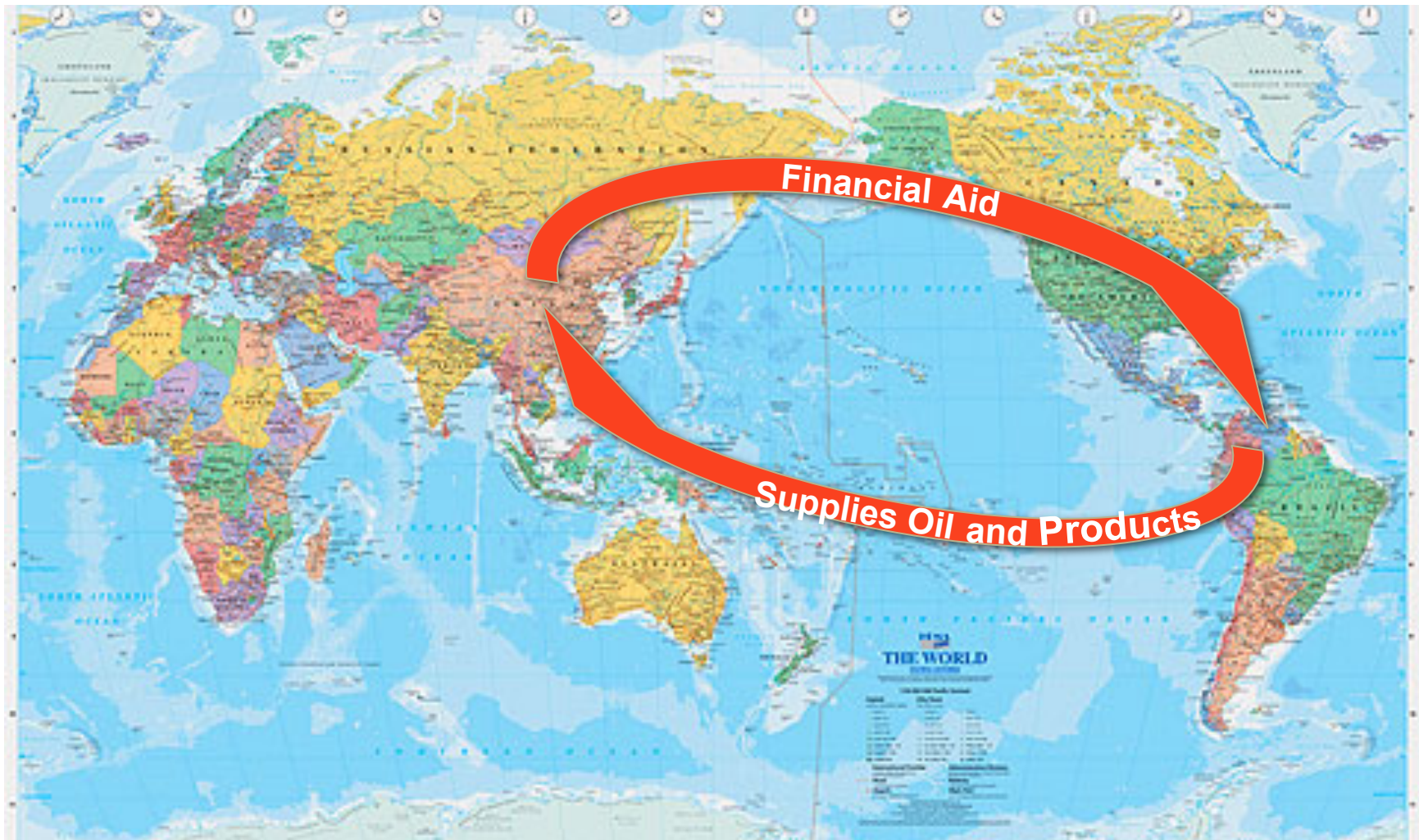
**Hezbollah Presence**



**Conclusion and Remarks**



# China-Venezuela Relation





# China-Venezuela Rationality



**Deng Xiaoping**

"It doesn't matter whether a **cat** is **white** or **black**, as long as it catches mice" Opening China to the outside world, advocating for political and economic pragmatism.

Source: [http://en.wikipedia.org/wiki/Deng\\_Xiaoping\\_Theory](http://en.wikipedia.org/wiki/Deng_Xiaoping_Theory)

"The relationship with China is the main strategic alliance developed by Venezuela foreign policy with its aim to promoting a plural world"

Source: [http://en.wikipedia.org/wiki/People%27s\\_Republic\\_of\\_China-Venezuela\\_relations](http://en.wikipedia.org/wiki/People%27s_Republic_of_China-Venezuela_relations)



**Hugo Chavez**



# China's economic pragmatism



- Chinese investment rationale is a strategic and national security matter in which the main objective is to have access to natural resources and gain political support.
- Today, China is the world's preferred lender, since its Banks offer quick financing process approval by not being tied to demands on transparency and social investment as the other international organizations (WB, IMF and others).
- China has provided to Latin America and the Caribbean, in the last 6 years: U.S. \$ 75 billion aprox.
- Argentina, Brazil, Ecuador and **Venezuela** account for more than 91%.
- The financing process is usually the same: The host country takes a loan from one the Chinese government Development Banks. The debt is canceled with supplies of raw materials such as oil, coal or natural gas, or with licenses for the exploitation of natural resources.



# China-Venezuela

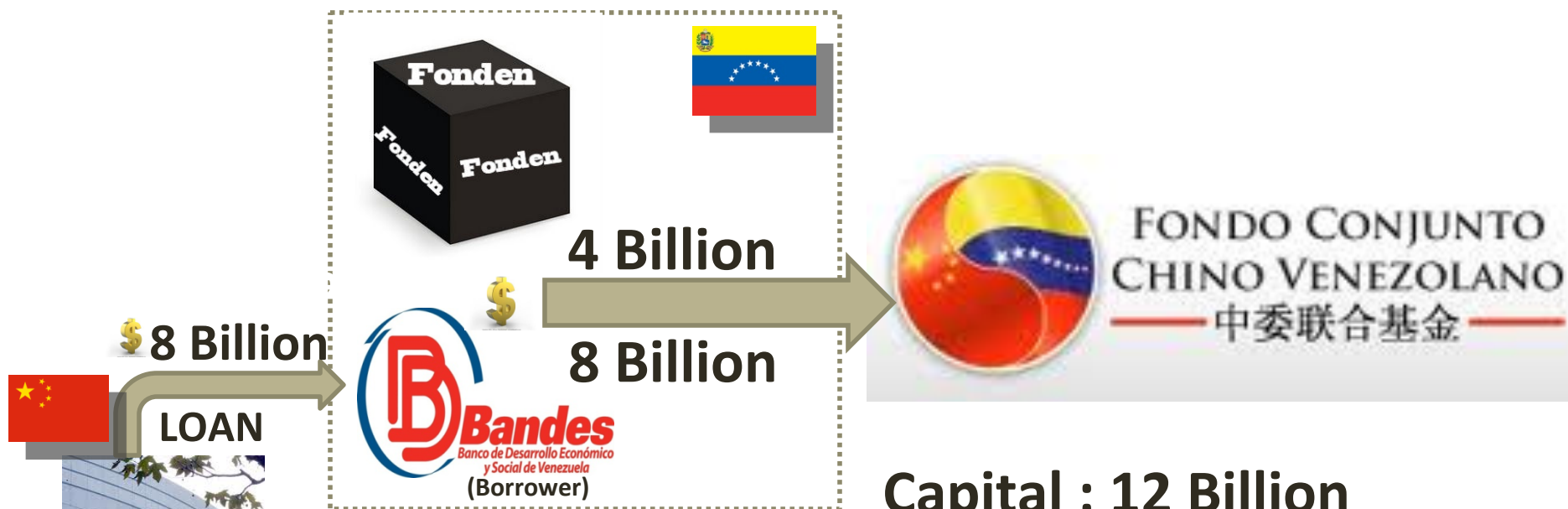


- The People Republic of China financial, commercial and technical support as an indirect enabler of Chavez regime
- Both sides pursuing self-interest, hoping to avoid pitfalls
  - **Venezuela:** Meet revenue demands of electoral ↑ in social spending + pay current bills + infrastructure & investment to bring future production on line...before debt repayment becomes unsustainable
  - **PRC:** Reap financial benefits of loans and construction projects, access to Venezuelan markets and commodities without:
    - Project failures, Loan defaults, “Lybia II”
    - Damage to strategic partnership with US





# Loan Flow Chart



## TWO PARTS:

- ✓ \$ 4B November 20<sup>th</sup> 2007
- ✓ \$ 4B May 17<sup>th</sup> 2009
- ✓ \$ 8.8 B October 17<sup>th</sup> 2010
- ✓ \$ 4B September 20<sup>th</sup> 2011

China Development  
Bank (CDB)



# Loan Payment Flow Chart



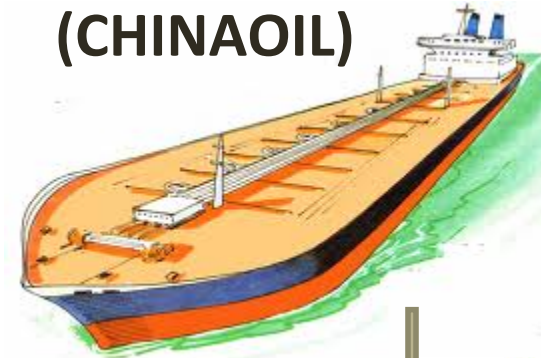
**VENEZUELA NATIONAL  
PETROLEUM CORP.**



**CHINA NATIONAL PETROLEUM  
CORP. (CHINA OIL)**



Boscan or Merey 16  
Crude Oil or  
IFO 380



**Total  
payment**



**Loan payment**

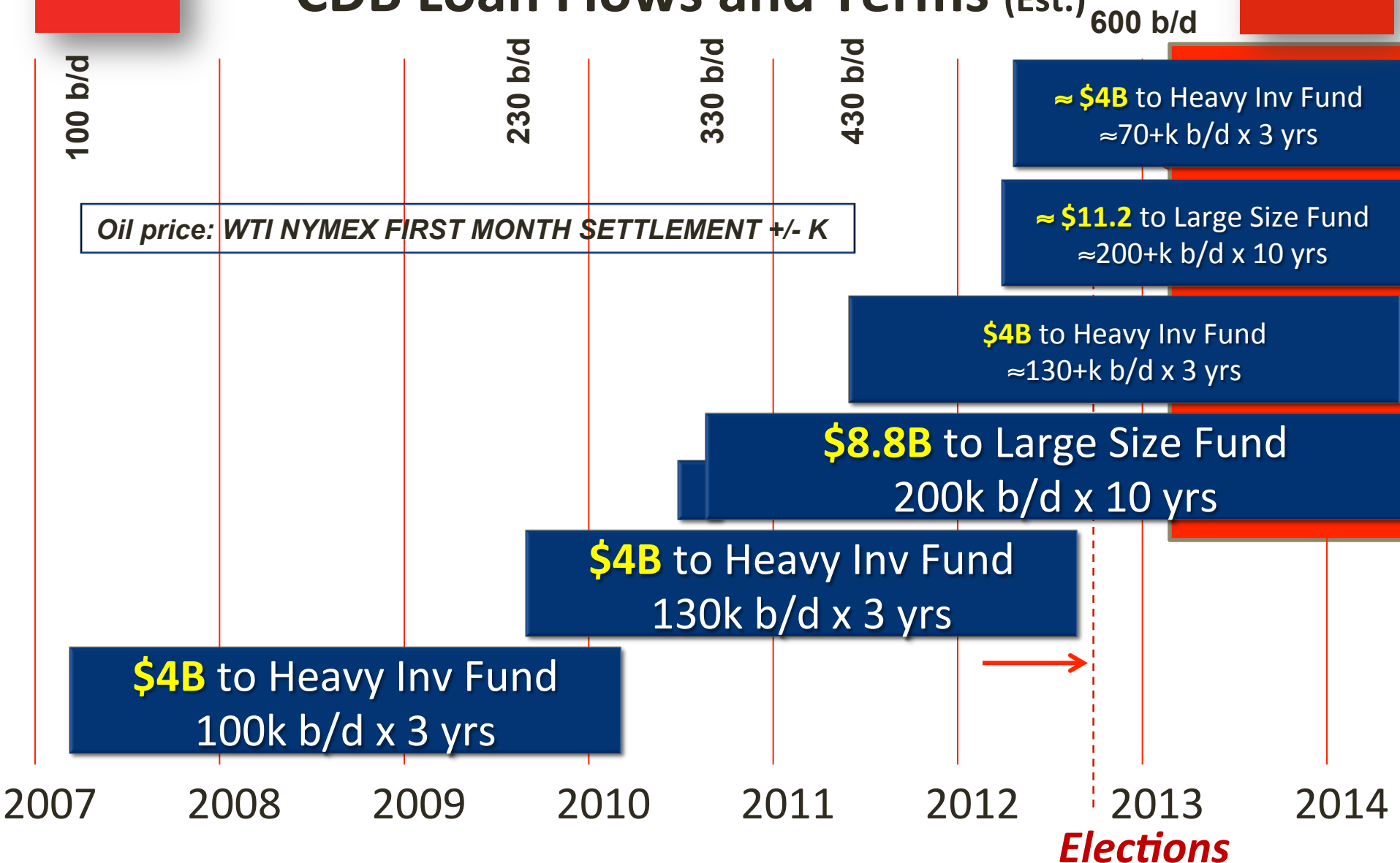


**China Development Bank  
(CDB)**





# CDB Loan Flows and Terms (Est.)

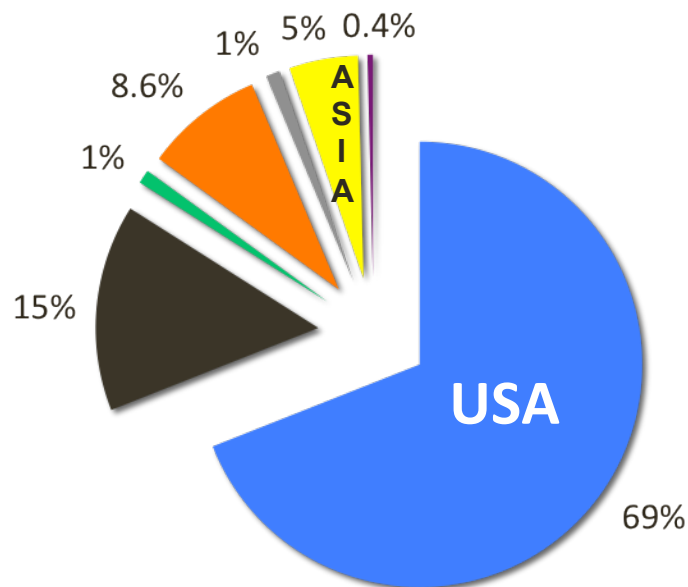




# Crude Oil Exports by Region

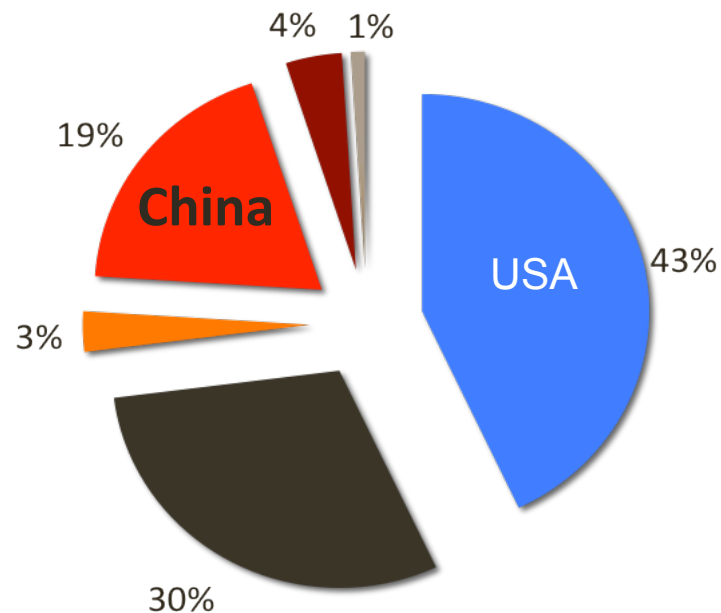


**2007 (2.51 MBd)**



■ United States    ■ Caribbean  
■ Center America    ■ Europe  
■ South America    ■ Asia  
■ Africa

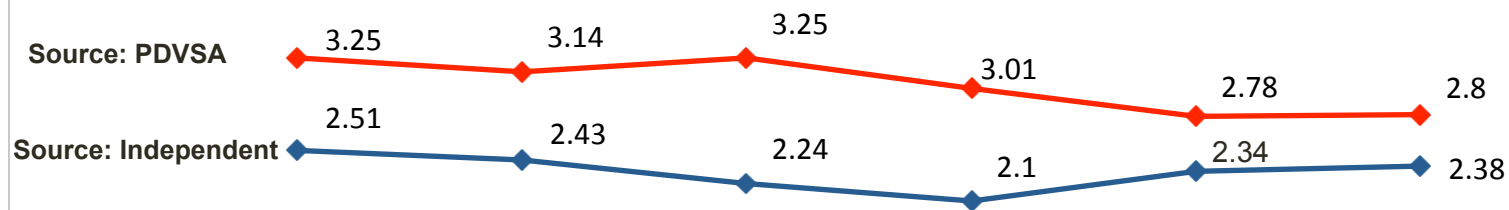
**2011 (2.38 MBd)**



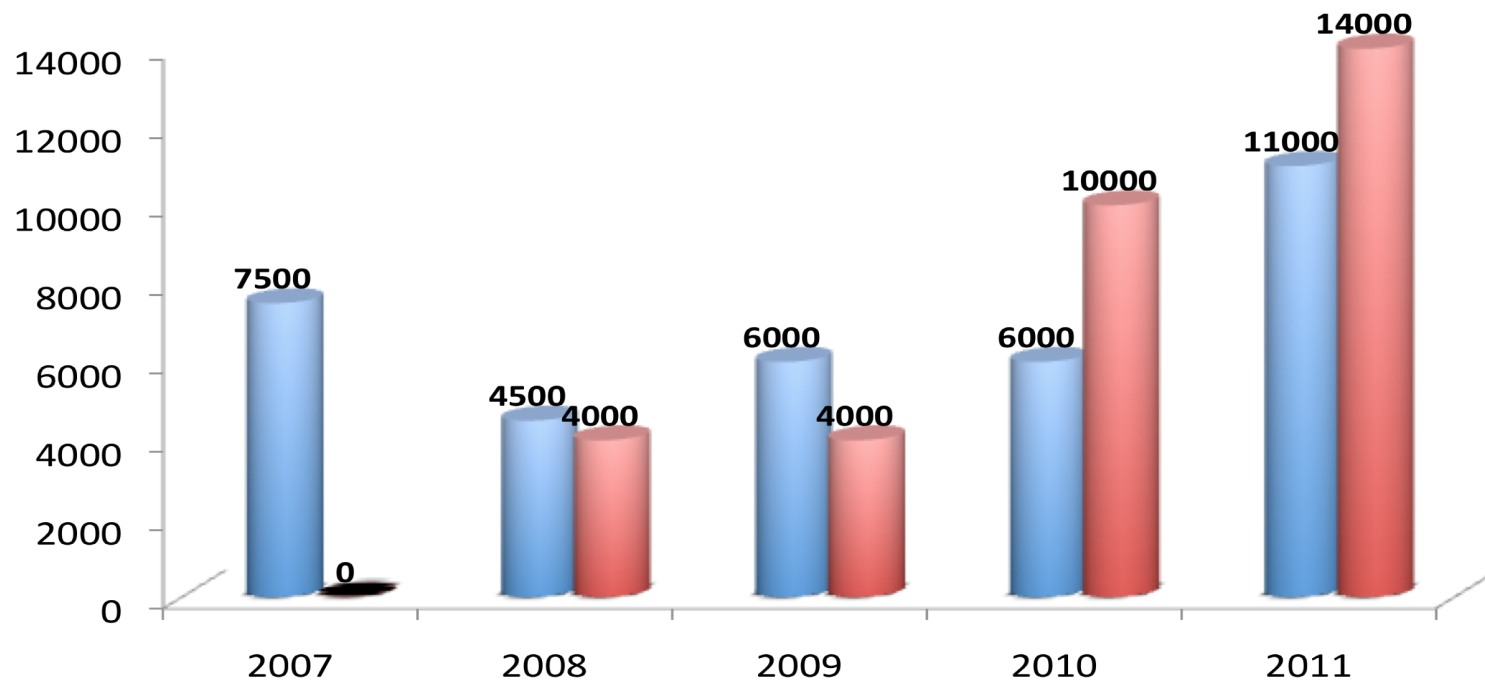
■ United States    ■ Caribbean  
■ Europe    ■ China  
■ Cuba    ■ South America



## PDVSA Production (MBPD) & External Debt (MMUSD) 2007-2011



**Total:  
\$32B**



■ PDVSA Bonds

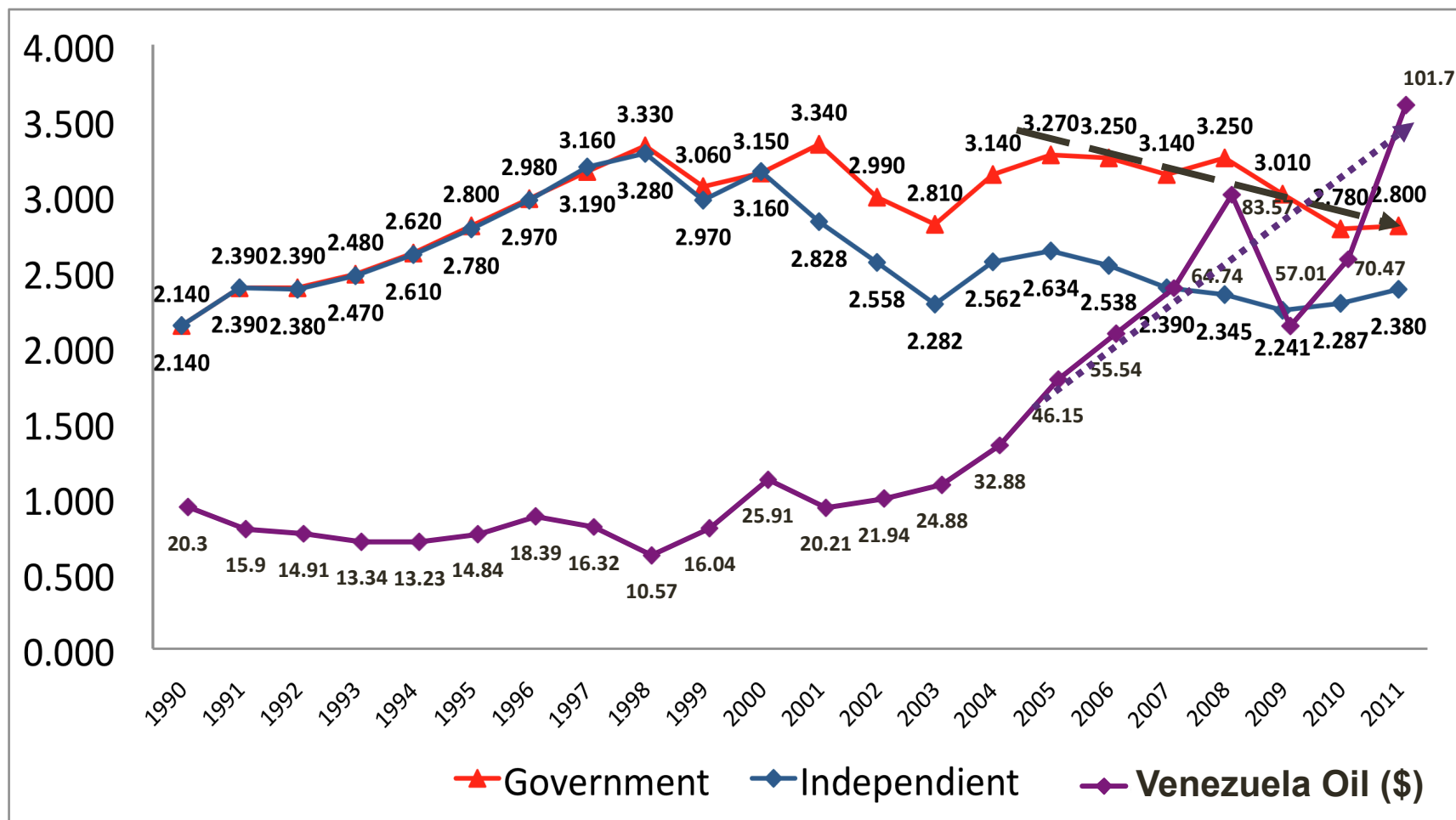
■ Chinese Found BANDES

Source: OPEC, Oil Market Report, 2011.



TBD

# Venezuela Oil Basket Annual Price and Oil Production 1990-2011

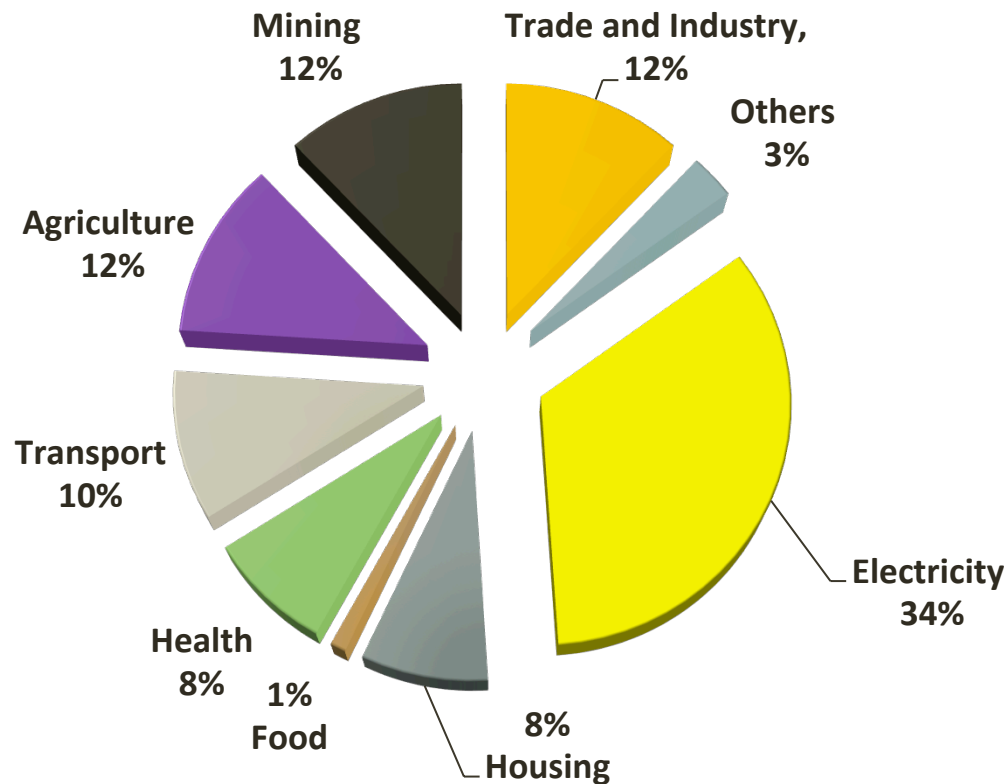


Sources: 1) Market Indicators. OPEC. Data Services Department. 2001-2009.

2) Plena Soberanía Petrolera. Febrero, 2012. Ministerio del Poder Popular de Energía y Petróleo, Venezuela.

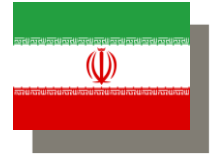


## Distribution of 38 projects financed through the Large Size & Long Term Fund (20B)





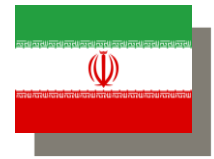
# Iran –Venezuela Alliance







# Iran-Venezuela Rationality



## Hugo Chávez:

"If the US empire succeeds in consolidating its dominance, humankind has no future. Therefore, we have to save humankind and put an end to the US empire"

## Mahmoud Ahmadinejad:

"Mr. Chávez is my brother, he is a friend of the Iranian nation and the people seeking freedom around the world. He works perpetually against the dominant system. He is a worker of God and servant of the people."



**Chávez and Ahmadinejad said they sought to "establish a new world order"**



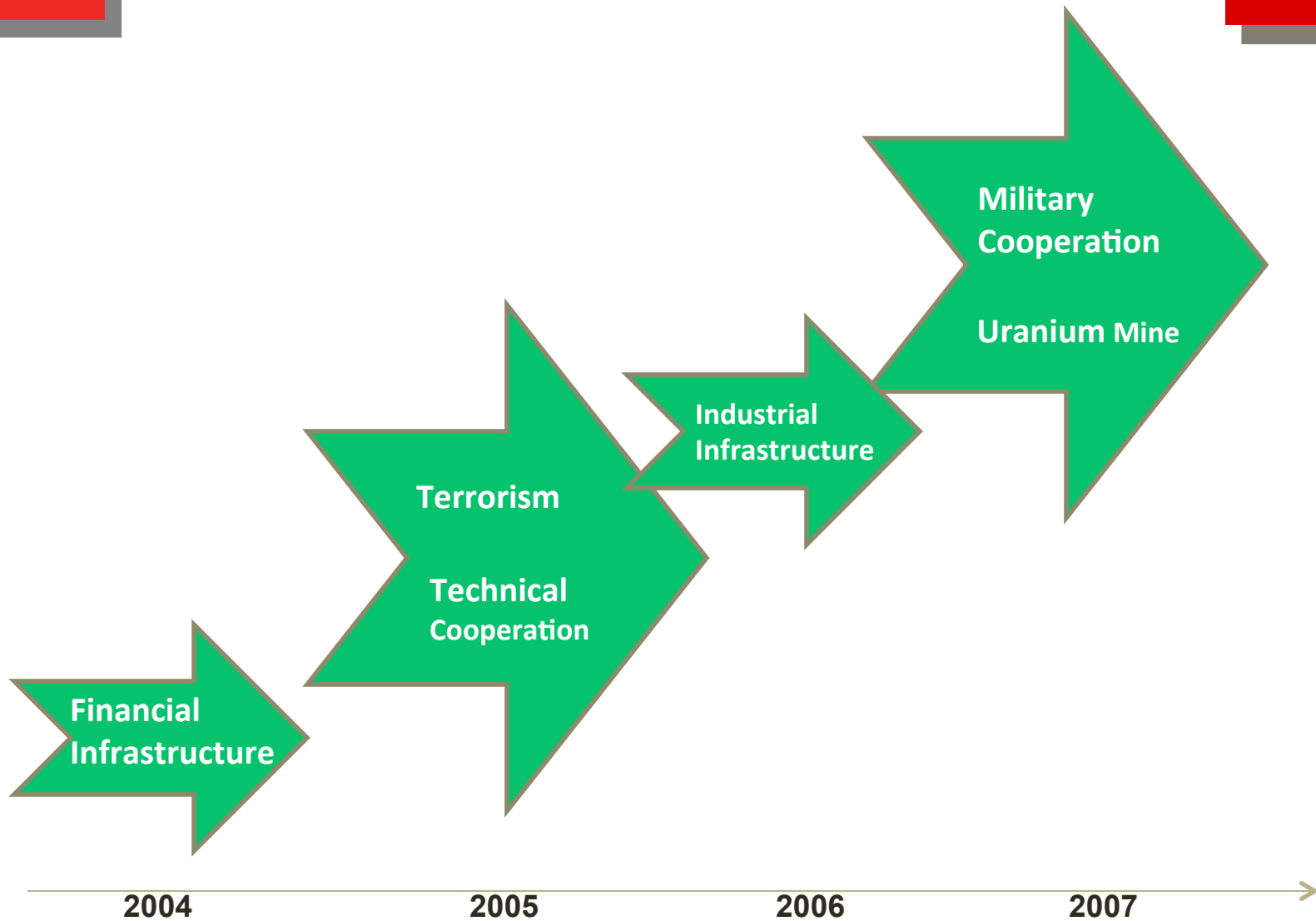
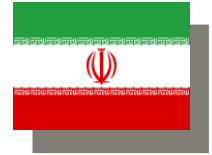
# Iran-Venezuela Brotherhood



- Chávez is a key ally to Iran 's nuclear program creating the means to avoid 2008 UN sanctions.
- Since 2005, Iran-Venezuela have signed 262 agreements in areas such as energy, agriculture, trade, and manufacturing among others.
- In 2008 the Export Development Bank of Iran (Bank Saderat) established the International Development Bank (Banco Internacional de Desarrollo) in Caracas, allowing access to Venezuela' s unrestricted financial market.
- In September 2009, Chavez agreed to supply Iran with 20,000 barrels of gasoline per day.
- In October 2009, Iran and Venezuela established an oil company named Beniroug to make investments and develop activities in other countries, including Cuba, Sudan, China and Bolivia,”
- Among the factories installed in Venezuela, a tractor factory Veneiran in 2009 tried to smuggle military equipment from Iran to Venezuela; it was discovered under suspicions shipment by the Turkish authorities when the ship entered Mersin port.
- Venezuelan own state companies have joint ventures with Iranian counterparts sanctioned by UN' s resolutions for their involvement in the Iran nuclear program.

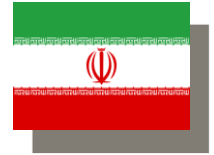


# Time line of Iran-Venezuela relation

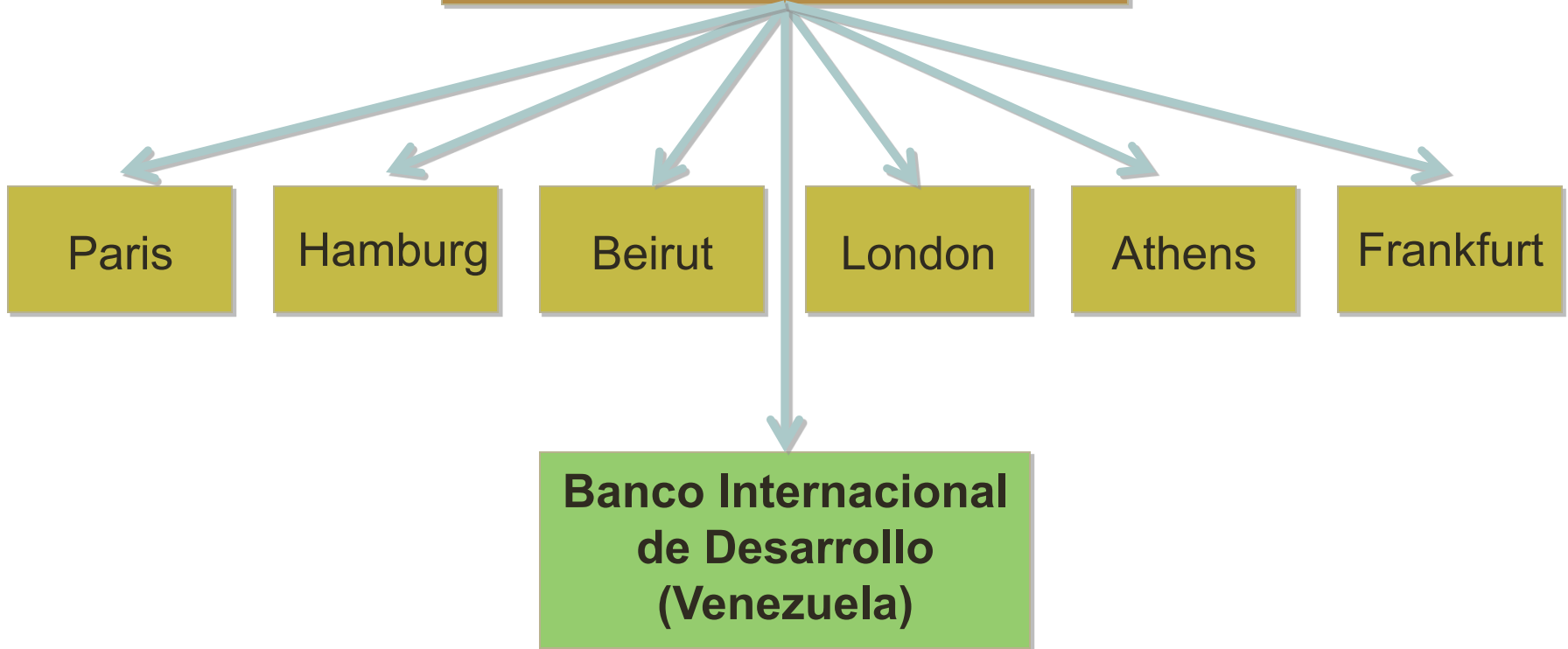




# Financial Structure Chart

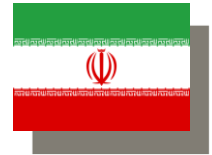


**Export Development Bank  
of Iran  
(Bank Saderat)**





## Venezuela Supports Iran's Evasion 2008 U.N. Resolution "that makes most trade and financial sanctions"



Iran and Venezuela created a bi-national development bank: Banco Internacional de Desarrollo. Subsidiary of the Export Development Bank of Iran, based on Chacao county at Miranda State Venezuela



### Board of Directors

#### *President:*

•Tahmasb Mazaheri

#### *Directors:*

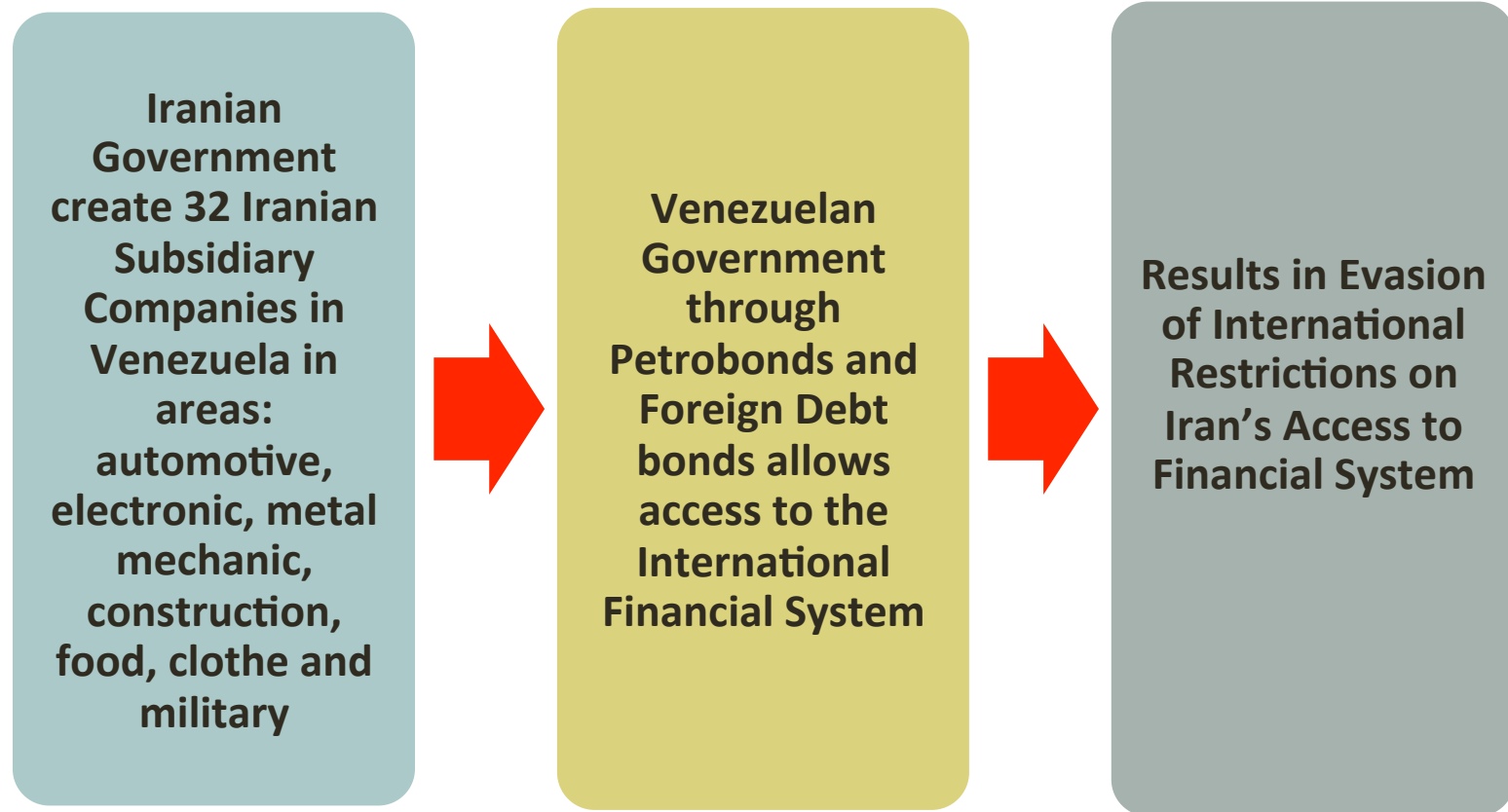
- Mohammad Seif,
- Reza Raoi,
- Pervin Tavallaozaden,
- Rahim Faramarki,
- Samad Vafaei,
- Mohsen Alavi,
- Hoseim Ghazzavee,
- Corteza Akbari,
- Mohammad Sadegh Ghodamhssan Zaferani



Use of currency exchange trading houses and active use of local Brokerage Houses until 2010



## Venezuela Supports Iran's Evasion 2008 U.N. Resolution "that makes most trade and financial sanctions"



**Sources:** 1) Washington Post, <http://www.washingtonpost.com/wp-dyn/content/article/2008/03/03/AR2008030300315.html>

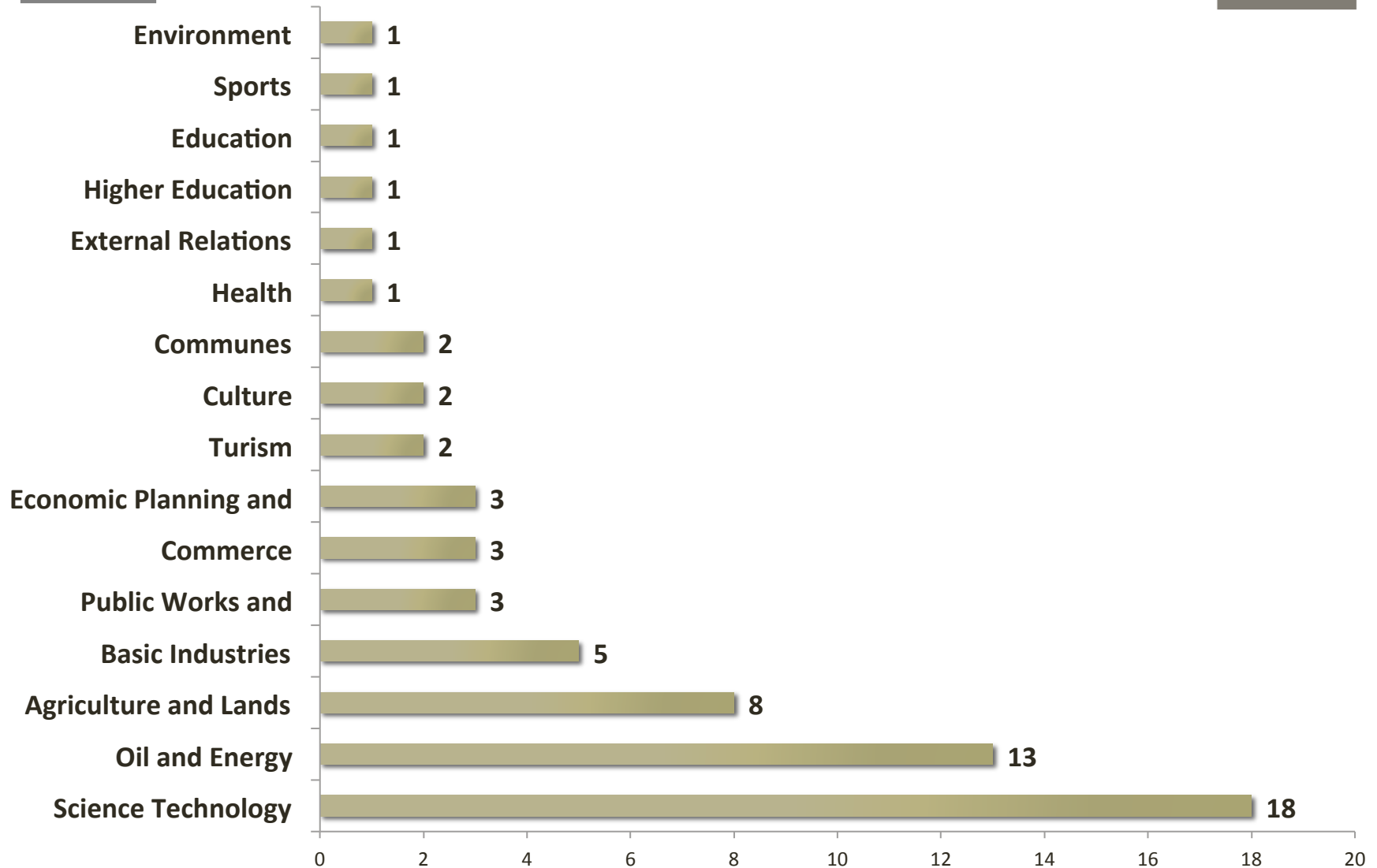
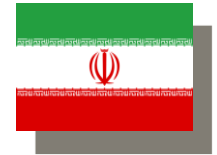
2) National Assembly,

[http://www.asambleanacional.gob.ve/index.php?option=com\\_content&view=article&id=26713%3Aferia-industrial-iran-venezuela-muestra-alcances-de-empresas-mixtas&catid=333%3Agenerales&Itemid=248&lang=es](http://www.asambleanacional.gob.ve/index.php?option=com_content&view=article&id=26713%3Aferia-industrial-iran-venezuela-muestra-alcances-de-empresas-mixtas&catid=333%3Agenerales&Itemid=248&lang=es)



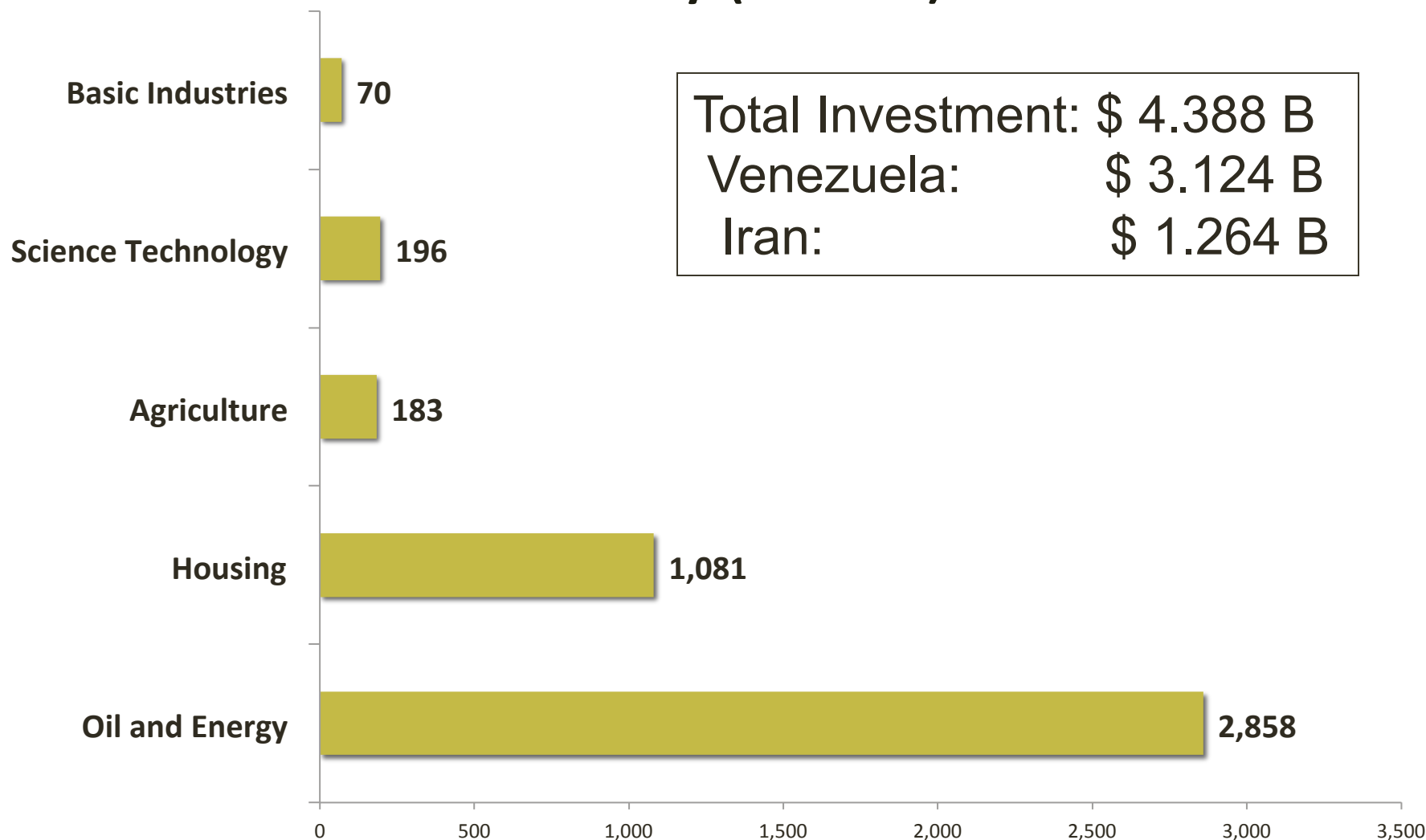


## The 65 projects finished and in execution between Venezuela and Iran by Ministry





## Financial resources used or in progress in projects between Venezuela and Iran by Ministry (MMUSD)





# Iranian Sanctioned Companies Working in Venezuela's military projects



	Project	Name of the Company	Venezuelan Partner	Location
1	Unmanned Aerial Vehicles (UAV) (2008)	<b>Kimia Sanaat CO</b>	CAVIM	Maracay
2	BAHAM (Ball Powder) (2008)	<b>Parchin Chemical Industries</b>	CAVIM	Moron
3	Nitrocellulose Plant (2009)	<b>Parchin Chemical Industries</b>	CAVIM	Moron
4	Centro de Capacitación Petroquímica (CAPET) (2006)	<b>National Petrochemical Company (NPC)</b>	PEQUIVEN	Moron
5	Ship Yard (2008)	<b>Iranian Offshore Engineering and Construction Company (IOEC)</b>	<b>PDVSA</b>	Paraguana
6	CAVIM Finance (2007)	<b>Banco Internacional de Desarrollo / Banco Toseyeh Saderat Iran CA</b>	CAVIM-BANDES	Caracas

 USA and/or UN sanctioned company



# Locations of Iran – Venezuela Military Cooperation





# Hezbollah-Venezuela Asymmetric warfare



**Hugo Chávez**

Chávez has referred publicly to the Jackal, as "a revolutionary fighter", with whom he shared "a deep faith in the cause and mission" and said that "the FARC is a political Bolivarian movement"

Source: <http://www.retricerodigital.com/2010/11/terrorismo-en-venezuela/>

"...Iran is developing a terrorist infrastructure in Latin America that lies dormant for a time and at any moment can attack U.S. interests or the United States"

Source::

<http://latino.foxnews.com/latino/politics/2012/02/18/joseph-humire-irans-informal-ambassadors-to-latin-america/>



**Moshe Yaalon**  
Israeli Deputy Prime Minister



# Venezuela's Strategic Support for Hezbollah



In recent years the Iranian government in collaboration with the terrorist group Hezbollah, have developed a program to expand its influence in Latin America.

This effort has consisted of three main elements:

## 1) Political and Diplomatic Support (with Iran)

## 2) Promotion and Coordination of Regional Terror Network (Islamic Centers)

- Logistical Support (Documents, Travel)
- Recruitment
- Training

## 3) Commercial (Financial Support)

- Fundraising
- Banking Network





# Recruitment Process

- Engage low income people at the Islamic Cultural Center (ICC) in Latin America to convert them into radical Islam “unconditional followers”



- Instruct by invitation, via an application form, the most advance students from ICC in additional political and asymmetric warfare courses in the facility at Margarita Island in Venezuela

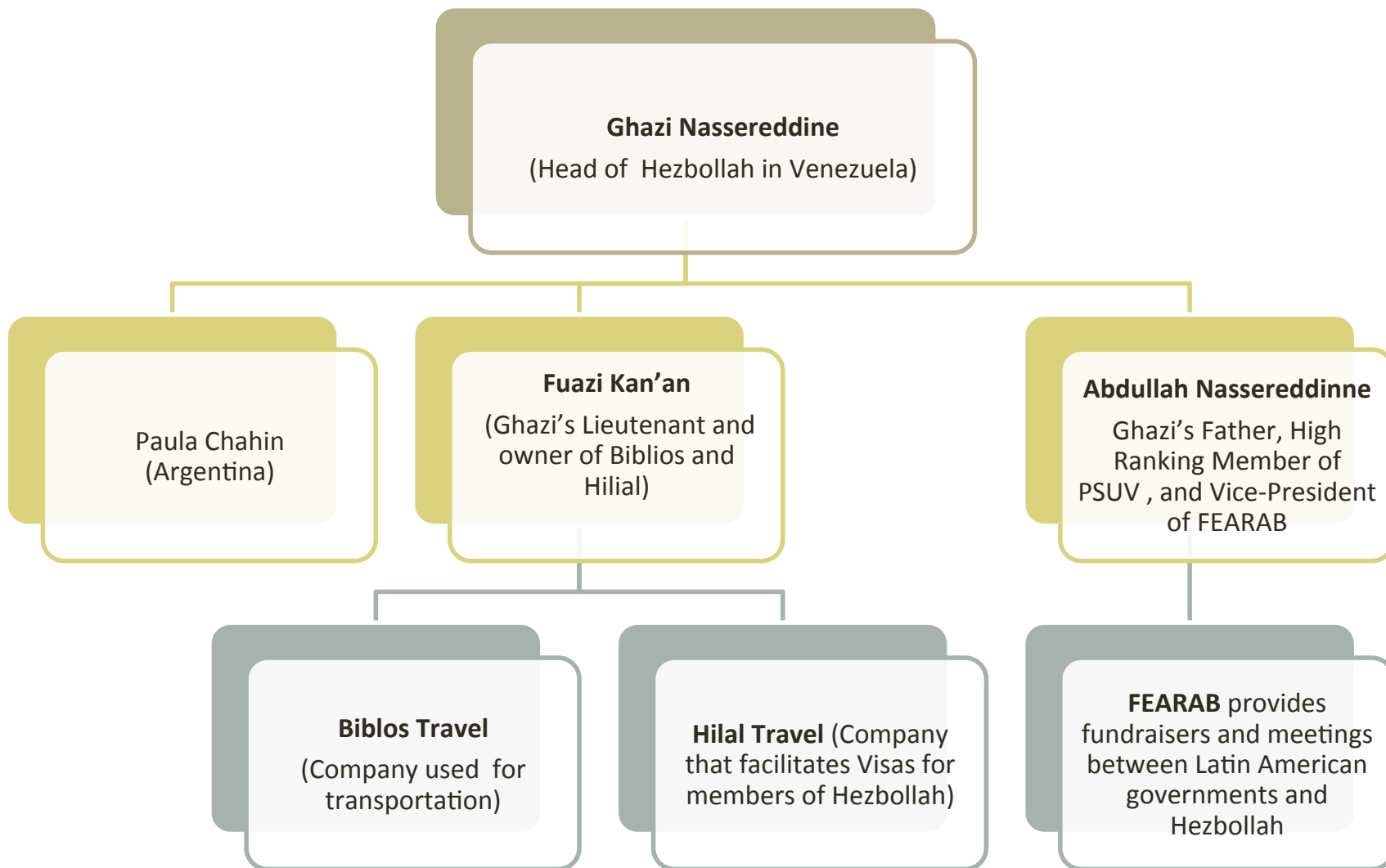


- Train on terrorist tactics the elite group graduated from Margarita training Center, in Iran and others parts throughout the Middle East

- Return elite graduated students to their home country as a dormant fighter integrating Hezbollah terror cells



# Hezbollah's Network Structure





# Flow of People for Training



Iran

Venezuela  
Margarita  
Island

Argentina  
ICC

Chile  
ICC

Costa  
Rica

México

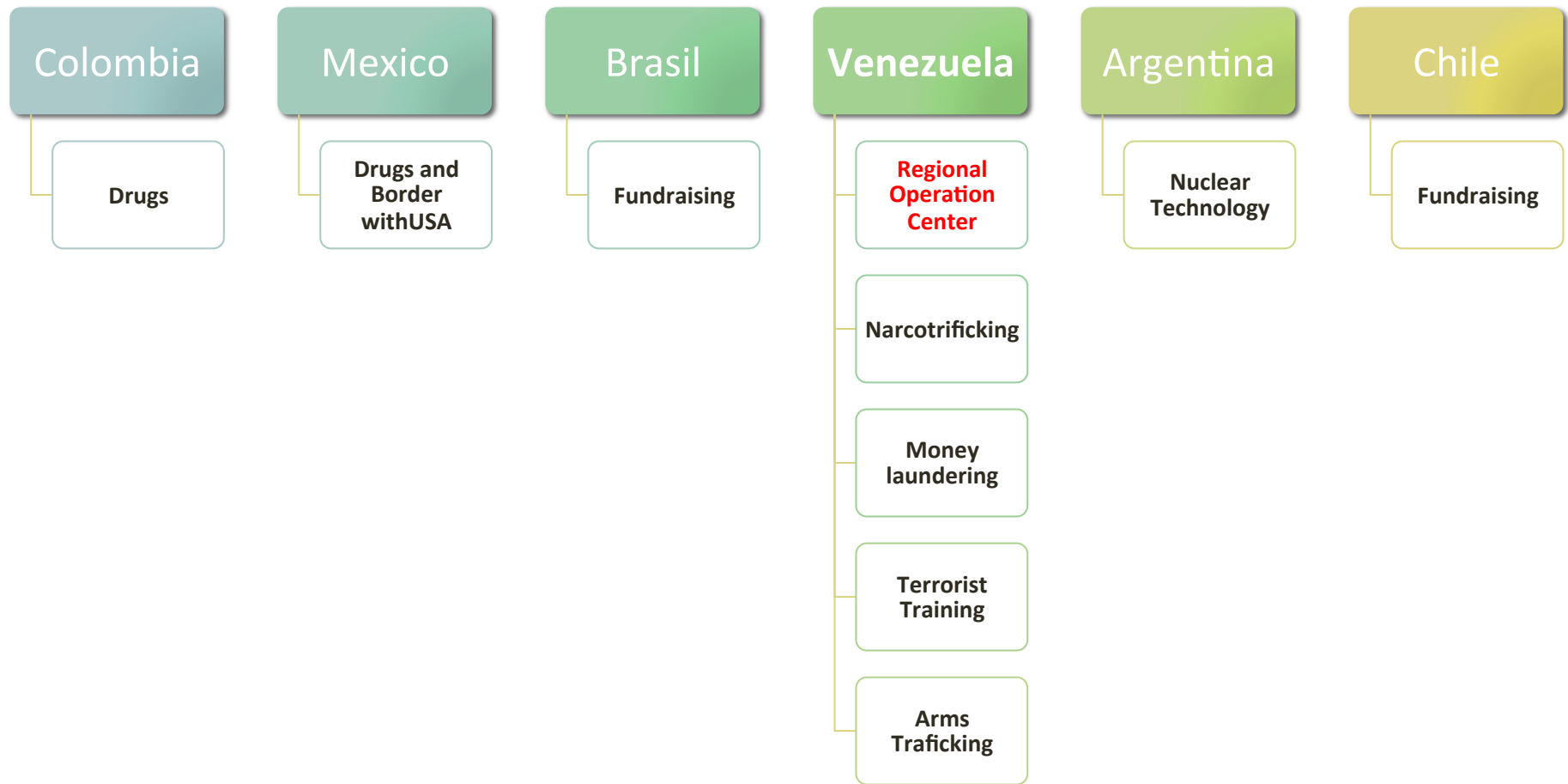
Colombia  
ICC

Brasil  
ICC





# Country Activities





# Iran's Connections in the Region



**Venezuela**

Main operating base in the region

**Panama**

Financial Sector

**Brazil**

Financial Sector and Uranium

**Ecuador**

Minerals Trade

**Honduras**

Maintenance facility for the Iranian tractors

**Bolivia**

Cement plant

**Argentina**

Financing of a Joint Projects in Venezuela

**Latin America**

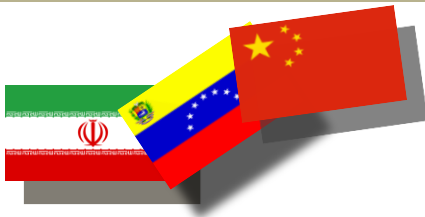




## Conclusions

- China has seen Latin American as a secure provider of raw materials for its “socialist market economy”
- China’s intention is to gain long term economic benefits, including strengthening the trade relationship
- For Venezuela China has been an easy door to get cash without fulfilling the international financial regulations (IMF, WB, IADB, etc.)
- Venezuela has used the mechanism to pay Chinese loans through future production of oil and products.





## Conclusions

- Chavez in his asymmetric strategies against the United States of America found in Iran support for his cause.
- Chavez Oil Diplomacy (Petrocaribe, Alba, Petrosur) is an enabler to Iran strategy in Latin American.
- Iran uses Venezuela's active presence in Latin America and "oil diplomacy" to secure and expand its terrorist activities through Hezbollah.
- In the asymmetric warfare context Hezbollah plays a key role recruiting and training people in the region.



## Conclusions

- It is very clear that Iran's active presence in our hemisphere in recent years, has other purposes beyond the commercial and diplomatic.
- Chávez government has reinforced Hezbollah/Iranian presence in Latin America, constituting a clear threat to the Region's security.
- Chavez in search for implementing the 21<sup>st</sup> Century Socialism has found in China his financial arm and in Iran his asymmetry warfare best ally.
- This threat has been developed silently and invisibly before the eyes of most governments in the Hemisphere.