

# Back to the Future

## Argentina Unravels

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### ABSTRACT

Under the corrupt populist administration of President Cristina Fernández de Kirchner Argentina is on the road back to ruin

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Venderán Clarín en el Mercado Central

## Overview:

Argentina's flamboyant president, Cristina Fernández de Kirchner, was indignant when, during a U.S. tour last year, a student at Harvard asked her how her personal wealth had grown more than 900 percent in less than a decade. "I don't know where you get those figures, but that is not how it is," the president responded.

But the figures come from Kirchner's own public disclosures of wealth, mandated by law. As a recent analysis showed, her declared personal declared fortune has increased from \$1.6 million in 2003, when her late husband Néstor Kirchner was elected president, to \$18 million by the end of 2012, a year into her second presidential term – more than 1,00 percent.

The vast bulk of the declared growth in assets, using valuations of properties far below market value, came in 2008, shortly after Cristina took office. That year her wealth jumped from \$5.2 million to \$12.7 million, and continued to grow in the ensuing years. The salaries of the president and her late husband Néstor, who preceded her as president, amounted to less than 4 percent of her wealth.<sup>1</sup>

Such is Argentina in the time of Fernández de Kirchner, where official obfuscation and denial of facts are routine, unexplained acquisition of wealth is the norm, official accountability is rapidly disappearing, the rule of law is eroding, and political enemies are publicly attacked as traitors. During her time in office, Fernández de Kirchner has built a massive patronage system, consistently rewarding close political allies with lucrative business opportunities, often at the expense of foreign investors whose properties have been expropriated in violation of international agreements.

As one report noted

*Corruption watchers complain that her government has neutered government oversight, giving auditing posts to cronies compromised by conflicts of interest. The result: corruption cases take an average of 14 years to work through the*

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<sup>1</sup> Maia Jastreblansky, "El Crecimiento de los Kirchner: de 7 a 89 millones de pesos," *La Nación*, December 11, 2012, accessed at: <http://www.lanacion.com.ar/1525583-el-crecimiento-de-los-bien>

*system, according to the non-profit Center for the Study and Prevention of Economic Crimes, and only 15 in 750 cases have led to convictions.<sup>2</sup>*

Although her husband promised a new era of transparency in Argentina, both he and Fernández de Kirchner have fired aggressive prosecutors and gutted the anti-corruption watchdog agency, a trend that the U.S. Embassy regularly commented on as a serious concern.<sup>3</sup>

The Embassy noted that while Manuel Garrido, the top attorney in the national prosecutor's office investigating official corruption, launched more than 100 investigations into official corruption from 2004-2009, he failed to gain even a single conviction. Many of the investigations were aimed at close Kirchner associates, from cabinet ministers to public works administrators.<sup>4</sup>

## **Gathering Clouds**

Having illegally confiscated without compensation the Spanish company's Repsol's 51 percent stake in YPF, Argentina's largest oil group, the government has now frozen the local assets of Chevron in solidarity with a legal suit in Ecuador. The move is forcing the one major oil company still willing to invest in Argentina to consider withdrawing entirely. This would paralyze development of oil and shale oil fields. Argentina, self sufficient in energy until 2010, is expected to spend \$12 billion this year to import fuel. The fuel bill is an important driver of Argentina's current economic crisis.<sup>5</sup>

In an effort to lower foreign debt payments that are tied to the inflation – currently nearing 30% -- Fernández de Kirchner has had the official economic data on inflation doctored in recent years, earning Argentina the first first-ever formal censure by the International Monetary Fund for falsifying economic statistics and costing investors about \$7 billion over the past 5 years.<sup>6</sup> Kirchner has prohibited –

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<sup>2</sup> "Corruption All-Stars," Kleptowatch New York 100Reporters, accessed at: <http://100r.org/corruption-allstars/>

<sup>3</sup> "Wikileaks: Corruption rampant in Argentina says US, German and Spanish diplomats," Mercopress, March 28, 2011, accessed at: <http://en.mercopress.com/2011/03/28/wikileaks-corruption-rampant-in-argentina-says-us-german-spanish-diplomats>

<sup>4</sup> "Wikileaks: Corruption rampant in Argentina says US, German and Spanish diplomats," op cit.

<sup>5</sup> For a more complete overview of the issue see: Jude Webber, "Chevron hit by Argentine legal quagmire," *Financial Times*, February 13, 2013, accessed at: <http://www.ft.com/cms/s/0/364e2f30-751d-11e2-8bc7-00144feabdc0.html#axzz2Kt2c8MUw>

<sup>6</sup> Sandrine Rastrello and Ian Katz, "Argentina is First Nation Censured by IMF on Economic Data," *Bloomberg Business Week*, February 2, 2013, accessed at: <http://www.businessweek.com/news/2013-02-01/argentina-becomes-first-nation-censured-by-imf-on-inflation-data>. See also: Lisa Brandt and Fredrik Erixon, "Pariah in the World Economy: How

and even punished -- the publication of independent economic data, claiming it undermines the nation's sovereignty.<sup>7</sup>

The next step, given Argentina's refusal to remedy the situation, could be expulsion from the IMF and the Group of 20.<sup>8</sup> Now the government faces the real prospect of another major debt default following a recent adverse U.S. appeals court ruling on how it structures repayments to creditors related to the last sovereign debt crisis -- a ruling Kirchner has said she will not honor.<sup>9</sup>

The administration is taking equally self-destructive steps in the realm of foreign relations. When Fernández de Kirchner reached a secretly negotiated Memorandum of Understanding (MOU) with Iran that essentially seeks to nullify years of investigative efforts and indictments against senior Iranian officials for plotting and executing a 1994 terrorist attack against Jewish targets in Buenos Aires, she announced the deal on Twitter, calling it an "historic breakthrough."

The agreement can be seen as akin to the United States holding discussions with al Qaeda on dismissing indictments against those charged with the 9-11 attacks.

Foreign minister Héctor Timerman, who negotiated the deal, promised the Jewish community he would seek to address their concerns with the MOU in a written amendment, only to later recant. When Iran publicly reneged on the core of the agreement -- that Argentine prosecutors could question the current Iranian minister of defense and prime suspect Ahmad Vahidi in Iran -- the deal was still not abrogated and presidential allies praised Vahidi as a "prestigious military leader."<sup>10</sup> "This is not a step forward, it is a step backward," said Guillermo Borger, current

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Should Countries Respond to Argentina's Return to Economic Nationalism," European Centre for International Political Economy, Policy Brief 01/2013, January 2013.

<sup>7</sup> For a good overview of the mounting crisis in Argentina see: Jonathan Gilbert, "Argentina: Oil Nationalization and Currency Controls Divide Nation," *Christian Science Monitor*, October 3, 2012.

<sup>8</sup> In 2012, then-Senator Richard Lugar (R-Indiana) introduced a motion suspend Argentina from the G-20, arguing that Argentina has "failed to respect the property and rights of U.S. and other foreign investors. It has failed to respect judgments against it by U.S. courts and international arbitral tribunals, refused standard IMF inspections and expropriated property from investors. As long as this 'outlaw behavior' continues Argentina does not deserve membership in the G-20." Press release, May 14, 2012, by Sen. Lugar's office, titled "Senator Lugar calls to suspend Argentina from G20."

<sup>9</sup> The court held that Argentina could not service the bonds it issued in its 2005 and 2010 debt restructurings unless it also paid the investors who rejected its offer in those exchanges. See: "Argentina Debt Default: The Noose Tightens," *The Economist*, November 23, 2012, accessed at: <http://www.economist.com/blogs/americasview/2012/11/argentinas-debt-default?zid=305&ah=417bd5664dc76da5d98af4f7a640fd8a>

<sup>10</sup> Irán no permitirá que Argentina interroge a uno de los sospechosos del atentado a la AMIA," BBC World Service/Spanish, February 12, 2013, accessed at: [http://www.bbc.co.uk/mundo/ultimas\\_noticias/2013/02/130212](http://www.bbc.co.uk/mundo/ultimas_noticias/2013/02/130212). See also, "Para D'Elía, Vahidi es 'un militar prestigioso,'" *La Nación*, February 12, 2013, accessed at: <http://www.lanacion.com.ar/1554046-para-delia-vahidi-es-un-militar-muy-prestigioso>

head of the Jewish community in Argentina. "If it is a step forward it is toward a precipice."<sup>11</sup> As will be discussed in detail below, the softening of Argentina's position on Iran and the probe of the so-called AMIA bombing may be linked to the sale, through Venezuela, of missile technology that could aid Iran's nuclear weapons program.

## Déjà vu

In Argentina, a nation of 42 million which muddled through the populist dictatorships of the Peróns, brutal military juntas that made Argentina synonymous with "dirty war," years of hyperinflation and massive corruption scandals over the past half-century, there is a pervading sense of *déjà vu*.

After a decade of solid economic progress, Argentina, South America's second-largest nation, is seeing its economy unravel and is once again losing the hard won ground it had gained through harsh austerity measures and a return to a semblance of the rule of law following the 2001 economic collapse.

This is in part the result of Fernández de Kirchner's decision to pursue the "Argentinization" the economy, a return to the massive state controls that led to economic ruin in the past but remains a hallmark of the similarly failing economic policies of the president's radical populist allies in the region such as Hugo Chávez in Venezuela, Rafael Correa of Ecuador and Evo Morales in Bolivia.

As an unclassified 2008 U.S. Embassy cable correctly noted:

*Focusing on specific sectors, Argentinization takes several forms: 1) the outright re-nationalization of privatized companies; 2) GoA (government of Argentina) or local private groups taking equity stakes in foreign-owned companies; and 3) the GoA creating entirely new state firms. We expect more such "Argentinizations." Whether driven by political opportunism, economic nationalism, cronyism, or all three, the trend appears to be here to stay.*<sup>12</sup>

Not so long ago, Argentina seemed to be climbing out of the disaster brought on by its 2001 default on \$100 billion in sovereign bonds. That was the precipitating event that crashed Argentina's economy and cast the nation into the status of international financial pariah. Successive leaders, including Nestor Kirchner, slowly pulled the economy back from the brink and returned it to one of the more vibrant

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<sup>11</sup> "El titular de AMIA volvió a alertar sobre tercer atentado," *Clarín*, February 14, 2013, accessed at: [http://www.clarin.com/politica/titular-AMIA-volvio-alertar-atentado\\_0\\_865713461.html](http://www.clarin.com/politica/titular-AMIA-volvio-alertar-atentado_0_865713461.html)

<sup>12</sup> Unclassified State Department cable 08BUENOSAIRES836, "Argentinization: Government Promotes Greater Local Control of Key Public Services," June 18, 2008, accessed at: <http://www.cablegatesearch.net/cable.php?id=08BUENOSAIRES836>

in Latin America. Reports of corruption were widespread, but seemed to pale in comparison with the kleptocratic antics that characterized the Carlos Menem years.

In the process, Argentina regained its place as a serious regional power operating under the rule of law, however imperfect.

But the government of Fernández de Kirchner, who won her second presidential term by a landslide in October 2011, has rapidly reversed the trend by moving Argentina back to pariah status.

As one leading European think tank stated in recommending a series of sanctions by the European Union against Argentina:

*[A] series of profound policy mistakes have undermined Argentina's economy and spurred inflation. Irrational policy measures have been implemented in attempts to control inflation or secure foreign currencies. Argentina was once one of the world's richest economies, but decades of bad policy choices in the past century demoted the country in the world league of wealth. President Cristina Fernández, like her husband... has continued that tradition and repeated many of the past mistakes. It is not an exaggeration to say that they have been trying to take the country back to an older era of Peronism. Many of the economic reforms of the 1990s ... have been repealed. It is again a blend of economic populism, heavy-handed state interventionism, corporatism, protectionism and blatant disrespect for private property that make up economic policy.<sup>13</sup>*

Rather than a consolidating economic progress and political freedom, Argentina is:

- Devolving into a rogue state that disdains the rule of law and international rights of foreign and local businesses and investors;
- Building trade and political alliances with Iran, the world's leading state sponsor of terrorism, while entering into negotiations that could absolve Iranian leaders of responsibility in the worst terrorist attack in Argentine history, while also aiding Iran in its missile program;
- Stifling internal dissent and freedom of expression through controversial media divestment laws and constant public attacks, both verbal and physical, on the media;
- Emerging as an important new center for transnational criminal organizations (TCOs) involved in cocaine trafficking, money laundering and

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<sup>13</sup> Brandt and Erixon, op cit.

trafficking in precursor chemicals primarily used for producing methamphetamine. During her presidential campaign in 2007, Fernández de Kirchner received almost a third of her publicly declared campaign contributions from pharmaceutical companies, at the same time Argentina was importing up to 30 times more ephedrine, a key precursor for methamphetamines, than the legitimate pharmaceutical industry needed. Much of the ephedrine was transshipped to Mexico's Sinaloa drug cartel for methamphetamine production, as discussed below;

- Curbing international cooperation in counter-narcotics and money laundering investigations, with its specialized Financial Investigative Unit no longer investigating international requests and alerts for Argentine persons or companies.<sup>14</sup>

Internally, Fernández de Kirchner is facing a host of crises. Inflation is soaring to an estimated 28 percent, the highest in Latin America. Unemployment is climbing; capital flight is accelerating; official corruption is rampant; and restrictive currency exchanges and protectionist measures have undermined business and travel opportunities and driven dozens of international companies to abandon Argentina. Despite these setbacks, the president spends lavishly -- including \$480,000 to refurbish a single bathroom in the presidential residence, and over \$110,000 on 20 pairs of Christian Louboutin shoes -- in a style reminiscent of Imelda Marcos. Her aides dispute the details of the shopping spree, reported in the European press.<sup>15</sup>

As hard currency has become scarce, a parallel market in dollars has arisen. While the official exchange rate is 5 pesos to the US dollar, on the illegal parallel market the dollar fetches about 8 pesos, and the gap is widening daily. In an effort to tame inflation, the government in February declared a two-month price freeze on all products sold in the nation's major supermarkets.<sup>16</sup>

A law rammed through Congress and now being heard by an appeals court could dismantle much of what is left of the independent press; and a growing wave of

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<sup>14</sup> Hugo Alconada Mon, "Dejaron de investigar sospechas de lavado de dinero," *La Nación*, February 18, 2013, accessed at: <http://www.lanacion.com.ar/1555730-dejaron-de-investigar-sospechas-de-lavado-de-dinero>

<sup>15</sup> "Cristina gastará \$2.4 million (pesos) para arreglar uno de los baños de Casa Rosada," *La Nación*, October 26, 2012, accessed at: <http://www.lanacion.com.ar/1520874-cristina-gastara-24-millones-para-arreglar-uno-de-los-banos->; Ian Mount and Philip Sherwell, "The Argentine President and her empire to the south," *The Telegraph*, February 12, 2012, accessed at: <http://www.telegraph.co.uk/news/worldnews/southamerica/argentina/9076133/The-Argentine-president-and-her-empire-in-the-south.html>

<sup>16</sup> Almudena Calatrava, "Argentina freezes prices to break inflation," Associated Press, February 4, 2013, accessed at: <http://www.myfoxny.com/story/20958959/argentina-freezes-prices-to-break-inflation-spiral>



strikes and anti-government protests show how steeply the administration's support has eroded.<sup>17</sup>

On the world stage, Argentina earned widespread condemnation and threats of economic retaliation from the European Union following the nationalization of the Spanish energy firm YPF, Argentina's biggest oil company, drying up enthusiasm among potential foreign investors. During Fernández de Kirchner's previous administration (2007-2011), she nationalized the country's flagship airline and privatized pension funds; her late husband Néstor, who governed the country from 2003-2007, nationalized the post office, shipping yards, trains and other companies. None of these nationalized concerns have been run profitably under the Kirchner administrations.<sup>18</sup>



**Figure 1: Former Argentine President Néstor Kirchner and his wife Cristina, the current president. The couple rose to power together and essentially co-governed until Néstor's death in 2010.**

“It sends off a terrible image of Argentina because the country is once again violating property rights as it did during the debt default or the nationalization of

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<sup>17</sup> Gilbert, op cit.

<sup>18</sup> “Argentina’s State Owned Firms: So far, not so good,” *The Economist*, May 12, 2012.

the state pensions fund,” said Sergio Berensztein, who runs Poliarquia, a Buenos Aires consulting firm. “Argentina’s reputation is going to suffer a lot and many investments will be lost. I don’t think Argentina has a socialist ideology like Chavez’s Venezuela but it is evidently becoming more radicalized and in both cases the state will continue to intervene in companies.”<sup>19</sup>

## The Changing Ties With Iran

Nothing has thrust Fernández de Kirchner into the center of international and domestic turmoil like her latest move – the abrupt signing, in January of this year, of agreement with Iran that could lead to the dismissal of criminal charges against senior Iranian officials indicted for the deadliest Islamist terrorist attack in Latin America. The move has caused national and international shock waves as well as deep consternation in intelligence and law enforcement circles.

The Argentine indictment is the basis for outstanding INTERPOL “red notices” requesting the arrests of the Iranian suspects. They include: Amad Vahidi, the current minister of defense, who at the time of the 1994 bombing was the head of the elite Quds Force; Moshen Rabbani, a senior cleric responsible for handling Iranian affairs in Latin America; and Mohsen Rezai, who at the time of the bombing was the head of the Iranian Revolutionary Guards Corps (IRCG).<sup>20</sup>

Fernández de Kirchner has said the sole purpose of the agreement was to kick-start the investigation, and stated that the INTERPOL red notices against Iranian leaders would not be negotiated away.

But the Iranian leadership, following the first meetings between senior representatives at the United Nations in September 2011 (the first time the Argentine delegation had not walked out during the speech of Iranian President Mahmoud Ahmadinejad), left no doubt about its agenda in the talks.

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<sup>19</sup> Associated Press, “Argentina’s Oil Takeover Ticks Off Spain and Mexico,” April 18, 2012, as reported by Fox News Latino, accessed at:

<http://latino.foxnews.com/latino/news/2012/04/18/argentina-repsol-oil-takeover-scares-investors-ticks-off-spain/>

<sup>20</sup> Interpol Media Release, “INTERPOL Executive Committee Takes Decision on AMIA Red Notice Dispute,” March 15, 2007. The notice ratified the red notices for Iranian officials Ahmad Vahidi, Mohsen Rabbani, Ali Fallahijan, Ahmad Reza Asghari, Mohsen Rezai, and Hezbollah operative Fayez Munghniyah, who was killed in 2008. INTERPOL declined to issue warrants for three other indicted Iranian officials: Ali Rafsanjani, who was president of Iran at the time of the attack; Ali Akbar Velayati, who was foreign minister; and Hadi Soleimanpour, former Iranian ambassador in Buenos Aires.

“We expect this lawsuit to be dropped, and never raised again,” said Hamid Reza Taraghi, who heads the international department of the influential Islamic Coalition Party, referring to the AMIA case. “Such a move will help ease the international pressure on our country.”<sup>21</sup>

Given the recent history of the Argentine government’s backtracking on commitments made publicly, and Iran’s consistent and successful reinterpretation of the agreement without negative repercussions, it is hard to view the Argentine position as credible.

### **A Memorandum Of Understanding and Ensuing Firestorm**

The agreement on the AMIA case was signed January 27, 2013 by the foreign ministers of each country (Timerman for Argentina and Ali Akbar Salehi for Iran) in Ethiopia, far from outside public scrutiny or attention -- the culmination of some 18 months of secret negotiations between the two countries. The signing was announced in 19 tweets from Fernández de Kirchner’s Twitter account.<sup>22</sup>



**Figure 2: Iranian Foreign Minister Ali Akbar Salehi and Argentine Foreign Minister Héctor Timerman exchange signed copies of the Memorandum of Understanding**

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<sup>21</sup> Simon Romero, “Reopening an 18-year-old Wound in Argentina,” New York Times, November 22, 2012.

<sup>22</sup> Mariana Verón, “Acuerdo con Irán para revisar caso AMIA,” La Nación, January 28, 2013, accessed at: <http://www.lanacion.com.ar/1549656-acuerdo-con-iran-para-rev>

The core of the agreement calls for five international jurists (two chosen by each country and one by consensus) to form a “Truth Commission” to review the entire case file developed by Argentine investigators. The Commission members would be able to interview Iranian suspects in Iran and make “recommendations” and “findings.” They otherwise have no real judicial authority. No timetables were set for further action or resolution, meaning the process could be dragged out indefinitely. The parliaments of both countries must ratify the agreement, and both governments already presented the MOU to their congresses for approval.

Argentine jurists and opposition leaders, along with family members of the victims, immediately pointed out that Argentina’s prosecutors have formally accused the government of Iran and its senior leadership of directing the attack and indicted eight of them.<sup>23</sup> The attack is often compared in Argentina to the 9-11 attacks in the United States, and the primary reason for the lack of progress over 19 years has been Iran’s ironclad refusal to cooperate with the investigation in any way.

While Iran has consistently denied any role in the attacks, multiple investigations have tied Iranian officials and Hezbollah, the Lebanese-based terrorist proxy force for Iran, directly to the mass killing.

“This agreement shows that the Argentine government has ceded sovereignty and is placing its trust in Iranian justice,” said opposition Congressman Gerardo Milman. “It is like believing the fox can guard the hen house.”<sup>24</sup>

Timerman and the president both stressed that what made the MOU with Iran “historic” was that it would allow Iranian suspects to be questioned by Argentine prosecutors and the commission. In theory, that would be an important breakthrough since the suspects had never been questioned.

In a nationally televised address to defend the signing of the MOU the president said that members of the commission, along with “judicial authorities from Argentina and Iran, will meet in Tehran to question those persons for whom INTERPOL has issued red notices at the request of Argentina.”<sup>25</sup>

As it has in the past, Iran almost immediately disowned the MOU they had only recently signed, denying that any Argentine judge could question the suspects if the suspects chose not to appear. “The matter of questioning of some of the Iranian

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<sup>23</sup> Alberto Nisman and Marcelo Martinez Burgos, “AMIA Case,” Investigations Office of the Attorney General, October 25, 2006

<sup>24</sup> “Primeras críticas opositoras: piden que siga la investigación en el país,” *Clarín*, January 28, 2013.

<sup>25</sup> Cristina Fernández de Kirchner before the Senate and House of Deputies, in a nationally televised speech, February 6, 2013.

officials is a sheer lie," Iranian foreign ministry spokesman Ramin Mehmanparast said at a press conference.<sup>26</sup>

An official Iranian government publication made it clear that MOU was viewed as a national security priority for Iran as part of its struggle against "Zionism" and efforts to break international sanctions. It is worth reproducing at length because of the constant claims by the Kirchner de Fernández government that Iran has no agenda other than getting to the "truth" in the case (emphasis added by author):

*Contrary to certain conceptions that believe this agreement to be insignificant and basically publicize Argentine's position in relation to the Islamic Republic of Iran's foreign policy as being low-key, **the time of the agreement and the location of the case are not only extremely significant but vital.** Many observers believe that the AMIA explosion was a complicated project on the part of the Zionist lobby to prevent the Islamic Republic's entry into Latin America.*

*The fact that this case was kept open for almost two decades is testament to this claim. The two countries' determination to resolve this issue in a suitable climate and away from foreign interference and influences, can be a great victory for the two countries' nations [sic] in the use of mutual potential.*

*The agreement between Iran and Argentina regarding this case has caused concern for the Zionist lobby, and in view of the fact that Latin America and Argentina in particular is the backyard of Zionist Jews in Latin America, the proximity and even entry by the Islamic Republic into this backyard, is a source of worry for the Zionists.*

*The Argentinian people have always had anti-American tendencies and it may be this very characteristic that has brought Iran and Argentina, and other countries of the region such as Venezuela, Bolivia, Cuba, Nicaragua, and Brazil closer together than ever before. In view of the fact that after the Islamic Revolution, Iran attached a great deal of importance to its relations with Latin America, the establishment of ties with Argentina, as one of the important countries of this region with numerous capacities and potential economic and political advantages, assumes significance. Consequently, the resolution of the AMIA case can brighten the prospect of relations between Iran and Latin America more than ever before.*

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<sup>26</sup> "Iran rejects grilling of officials in Argentina bomb probe", Agence France-Presse, February 12, 2013, accessed at: [www.globalpost.com/dispatch/news/afp/130212/iran-rejects-grilling-officials-argentina-bomb-probe](http://www.globalpost.com/dispatch/news/afp/130212/iran-rejects-grilling-officials-argentina-bomb-probe)

*On the other hand, Latin American countries and Argentina in particular, are facing numerous economic problems and they pay attention to Iran's economic capacities. **Taking into account the fact that Iran is seeking to replace its economic partners, particularly after Western sanctions, it has also prioritized relations with Argentina, both as far as foreign policy and the economy are concerned.***<sup>27</sup>

## **Possible Missile Ties That Bind**

Rapprochement with Iran is viewed by U.S. and European law enforcement officials as perhaps Fernández de Kirchner's most dangerous move so far in the international arena, in part because of the possible ramifications such a warming could have for Iranian efforts to advance its burgeoning nuclear program and parallel program for constructing missiles that could be used to deliver nuclear weapons.

A series of little noticed investigative pieces in the Argentine press help shed light on the possible motives of the warming relationship.

In 2010, an important regional newspaper published a long piece on the reactivation and modernization of Argentina's Condor II mid-range missile project. The project was supposed to have been abandoned in the 1990s under pressure from the United States and other countries. The report said the new missile, the solid fuel Gradicom PXC 2009, was successfully tested in secret in 2009 with a payload of 500 kilograms.

In 2010, the missile program, under the control of the Ministry of Planning, was being upgraded with a new guidance system and other improvements and shared with the Ministry of Defense to be produced on a large scale and sold around the region.<sup>28</sup> The missile was to have a range of at least 300 miles, sufficient to reach the disputed Falkland Islands, known as the Malvinas in Argentina.

In February 2013, one of Argentina's leading newspapers published an investigation saying that, beginning in September 2012, the missile technology was being shared with CAVIM (*Compañía Anónima Venezolana de Industrias Militares*), the industrial

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<sup>27</sup> Commentary by Sadeq Mehdi Shakira'I in the official Qods newspaper on February 3, 2013, titled "AMIA" agreement is the end of the Israeli poisoning." Translated by the BBC Middle East Monitoring, February 20, 2013.

<sup>28</sup> En secreto, Gobierno diseña un misil nacional de mediano alcance," *Contexto*, November 21, 2010, accessed at: <http://www.contexto.com.ar/vernota.php?id=39144> No one disputed the claim at the time and the story includes on the record confirmation of the program.

component of Venezuela's military. The exchanges are part of the new strategic military agreement signed between Argentina and Venezuela.<sup>29</sup>

In turn CAVIM, under sanction by the U.S. State Department for aiding Iran's missile program,<sup>30</sup> is already jointly manufacturing Unmanned Aerial Vehicles (UAVs or drones) with Iran.<sup>31</sup> Iran has many other technological exchanges with Venezuela, many suspected of aiding – or intended to aid -- Iran's nuclear and missile programs. Knowledgeable observers have said for several years that Iran is trying to acquire solid fuel missile technology around the world in order to enhance its delivery systems for a potential nuclear weapon.

“The way it works is that Argentina gives Venezuela the technology, and Venezuela passes it on to Iran,” said one source familiar with the program. “The argument from Cristina's government will be, if caught, that they are not responsible for where the technology ends up once it gets to Venezuela. But they are aware of how it will be shared.” Argentina's planning minister Julio de Vido categorically denied there was any plan to “make missiles with Venezuela, much less with Iran.”<sup>32</sup>

There are other indications that Argentina's warming with Iran could be predicated on aiding the Islamic republic's nuclear program. There is a precedent for such cooperation, but new forms of working together would represent a clear rupture with the international community aligned with the United States and Europe.

While the possibility of nuclear cooperation is viewed as remote by many international analysts, the little-studied precedents make such collaboration feasible, particularly when seen in the light of the possible technology transfer on the missile front described above.

At the time of the 1992 bombing of the Israeli Embassy, Argentina was engaged in discussions about training Iranian scientists at Argentina's nuclear facility, and, through 1993, it delivered promised shipments of low-enriched uranium for Iran's nuclear program. All collaboration was cut off after the AMIA attack, but in 2002 Iran made additional overtures to Argentina on the nuclear front, which were rebuffed. In 2007, Chávez reportedly interceded with Kirchner on behalf of Iran in

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<sup>29</sup> Daniel Gallo, “El proyecto de un misil liga al país con Irán: El plan avanza con acuerdo de una firma venezolana sancionada por EEUU,” *La Nación*, February 17, 2013, accessed at:

<http://www.lanacion.com.ar/1555490-el-proyecto-de-un-misil-liga-al-pais-con-iran>

<sup>30</sup> U.S. Department of State, “Iran, North Korea and Syria Nonproliferation Act: Imposed Sanctions,” February 12, 2013, accessed at: <http://www.state.gov/t/isn/inksna/c28836.htm>

<sup>31</sup> Brian Ellsworth, “Venezuela says building drones with Iran's help,” Reuters, June 14, 2012, accessed at: <http://www.reuters.com/article/2012/06/14/us-venezuela-iran-drone-idUSBRE85D14N20120614>

<sup>32</sup> De Vido negó un pacto con Venezuela para hacer un misil,” *La Nación*, February 18, 2013, accessed at: <http://www.lanacion.com.ar/1555695-de-vido-nego-un-pacto-con-venezuela-para-hacer-un-misil>

order to acquire nuclear technology.<sup>33</sup> In 2009, Iran publicly stated its willingness to buy nuclear fuel from “any supplier, including Argentina.” As Asia Times reported, there are multiple reasons for what on the surface seems an unusual statement:

*The Tehran reactor, though initially built by the US, was redesigned and had its core refitted by Argentina in the 1980s. This means that for all practical purposes, it is an Argentinean-made, and fueled, reactor. In 1988, the IAEA governing board approved Argentina's delivery of highly-enriched uranium (19.75%) to Iran, which was delivered in the autumn of 1993.*

*Second, during 1993-1994, Iran and Argentina engaged in serious negotiations on further nuclear cooperation. Among the issues discussed were the training of Iranian scientists at an Argentinean nuclear institute, and a fuel fabrication plant for Iran. These discussions, as well as the distinct and deepening nuclear relations between Iran and Argentina, came to a sudden halt in July 1994 with the bombing of the Jewish center.*

*Third, despite negative comments such as those by Kirchner that overlook the irrefutable record of the nuclear talks between Tehran and Buenos Aires in early 1994 - talks that raised Iranian hopes that the fuel delivery of 1993 would be followed up with more extensive deals - the idea of replenishing the Tehran reactor with fuel from Argentina has never quite disappeared from Iran's nuclear energy policy. Iran has adamantly rejected allegations that it played any role in the bombing.<sup>34</sup>*

Given this history, in addition to the growing ties between Fernández de Kirchner and Venezuela’s Hugo Chávez, who publicly has stated his desire to help Iran with its nuclear program regardless of international sanctions, the assumption that Iran is pressing its relationship with Argentina for nuclear advantage is plausible. The dangers of such a relationship were already demonstrated in the history of the AMIA bombing.

Regional intelligence officials view Kirchner as a dangerous wildcard, a leader who is unpredictable, erratic in her personal behavior and decision-making, and reckless

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<sup>33</sup> Pepe Eliashev, “Argentina negocia con Irán dejar de lado la investigación de los atentados,” *Perfil* (Argentina), March 26, 2011; Casto Ocando, “Possible Nuclear Cooperation Between Venezuela, Argentina and Iran,” *Univision Noticias*, July 12, 2011, accessed at: <http://univisionnews.tumblr.com/post/7546036783/possible-nuclear-cooperation-between-venezuela>

<sup>34</sup> Kaveh L. Afrasiabi, “Iran Looks to Argentina for nuclear fuel,” *Asia Times*, November 6, 2009, accessed at: [http://www.atimes.com/atimes/Middle\\_East/KK06Ak02.html](http://www.atimes.com/atimes/Middle_East/KK06Ak02.html)



in her actions. Hillary Clinton, in a diplomatic cable which infuriated Kirchner, quizzed American diplomats about Fernández's mental stability in 2010, and asked if she was on medication to deal with stress.<sup>35</sup>

Others in the region agree. "We consider (Venezuela's Hugo) Chávez to be at times destabilizing but operating within an intellectual framework we understand and which is predictable," said one senior intelligence official from an important Argentine neighbor. "But Kirchner is really dangerous, in part because she seems to have no coherent process for making decisions and is entirely unpredictable from one day to the next."

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<sup>35</sup> "Hillary Clinton questions Cristina Kirchner's mental health," *The Guardian*, November 29, 2010, accessed at: <http://www.guardian.co.uk/world/2010/nov/29/hillary-clinton-cristina-kirchner-stress>



Figure 3: Map of Argentina showing its two nuclear power plants. Image taken from [www.icjt.org/npp/drzava.php?drzava=1](http://www.icjt.org/npp/drzava.php?drzava=1) accessed February 26, 2013.

Kirchner has not allayed such concerns when in televised speeches she often says things such as her September 2012 warning to her cabinet officials and voters that they “just have to fear God, and a little bit of me.”<sup>36</sup>

## **The AMIA Bombing and Ties to Iran and the Bolivarian Revolution**

The move to possibly negotiate away judicial charges against five senior Iranian officials comes as the Kirchner administration has steadily moved closer to the “Bolivarian” bloc of nations led by Chávez, which includes Evo Morales in Bolivia, Rafael Correa in Ecuador, and Daniel Ortega in Nicaragua. The group calls itself the Bolivarian Alliance for the Peoples of Our America (*Alianza Bolivariana Para los Pueblos de Nuestro América* – ALBA).

These nations have all opened cordial relations with Iran over the past six years, while espousing a doctrine of asymmetrical warfare that expressly endorses the use of weapons of mass destruction to attack the United States and Israel.<sup>37</sup> The bloc takes its name from Simón Bolívar, the liberator of much of South America from Spanish rule. Chávez and his allies define their objective as building “21<sup>st</sup> Century Socialism.”

The Argentine indictment, handed down in 2006 by prosecutors Alberto Nisman and Marcelo Martínez Burgos, charges six senior Iranian officials and a senior operative of Hezbollah, Iran’s non-state proxy and a U.S. and UN-designated terrorist organization, with directing, planning and executing the July 18, 1994 car bombing of the Argentine Jewish Mutual Association (*Asociación Mutual Israelita Argentina* – AMIA) in Buenos Aires.

The AMIA attack followed the March 17, 1992 bombing of the Israeli embassy in Buenos Aires that left 29 dead. Much like the 9-11 attack by al Qaeda on the United States, the unprecedented strike in the heart of the thriving cosmopolitan capital sent shockwaves around the country and the world.

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<sup>36</sup> “Cristina Kirchner: ‘You just have to fear God and a little bit of me,’” M24Digital.com, September 6, 2012, accessed at: <http://m24digital.com/en/2012/09/06/cristina-kirchner-you-just-have-to-have-fear-of-god-and-a-little-bit-of-me/>

<sup>37</sup> For a more comprehensive view of the relationship of the “Bolivarian” states to transnational organized crime and Iran see: Douglas Farah, “*Transnational Organized Crime, Terrorism, and Criminalized States: An Emerging Tier-One National Security Priority*,” Strategic Studies Institute, U.S. Army War College, Carlisle Barracks, PA, August 2012, accessible at: <http://www.strategicstudiesinstitute.army.mil/pubs/display.cfm?pubID=1117>



Figure 4: Rubble of the AMIA building after the July 1994 Car Bombing

In addition to their close and multi-faceted relationship with Iran, the Bolivarian states have all become highly criminalized, with senior leaders involved in the transnational drug trade and engaged in helping Iran to both bypass international sanctions and establish a significant intelligence and military presence in Latin America.<sup>38</sup>

This bloc has taken strongly anti-U.S. positions while aligning itself with pariah regimes such as Iran, Syria, Zimbabwe and Libya under Moamar Gadhafi. Fernández de Kirchner and her senior ministers have deployed increasingly harsh anti-U.S. rhetoric as they have moved toward the Bolivarian alliance. During a recent speech at Georgetown University, she accused the United States of being partly responsible for Argentina's problems because it has acted as a "hegemonic world power."<sup>39</sup>

Fernández de Kirchner's growing anti-U.S. rhetoric seems in part to be driven by a personal feeling that she has been slighted by the United States, particularly when President Obama chose to skip Argentina on his 2011 swing through Latin America.<sup>40</sup>

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<sup>38</sup> See Farah, op. cit., for comprehensive view of the criminalization of the Bolivarian bloc.

<sup>39</sup> Reuters news agency, "Cristina Fernández critica en Washington a la prensa de Argentina, al FMI y a EU," *La Jornada* (Mexico), September 27, 2012.

<sup>40</sup> Taos Turner, "Argentina Holds Confiscated U.S. Air Force Cargo," *Wall Street Journal*, February 5, 2011, accessed at:

<http://online.wsj.com/article/SB10001424052748703584804576144450144733380.html>

In a move that soured relations with Washington, and appeared to be at least partly driven by these bruised feelings, in February 2011 Kirchner ordered the seizure of the contents of a U.S. military aircraft that landed in Argentina to conduct police training courses with Argentine counterparts.

Argentina's stridently anti-American foreign minister Timerman, who personally oversaw the seizure, then publicly accused the United States of bringing in undeclared firearms, surveillance equipment and morphine. All equipment was to be used in a previously-approved training program. The morphine was part of a first aid kit because the training included live fire from weapons. The equipment was eventually released.<sup>41</sup>

Fernández de Kirchner, who actively cultivates comparisons to her more famous predecessor Evita Perón, and hails from the *Peronista* party, has long-standing ties to Chávez – ties that are growing. Chávez funneled at least \$800,000 to Kirchner's 2007 presidential campaign from the Venezuelan state oil company.



Figure 5: Kirchner and Chávez in Caracas in 2008. Photo by Fernando Llano/AP

When the secret donation, being carried in cash in a suitcase, was discovered it was a major embarrassment for both countries, and demonstrated how close the

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<sup>41</sup> Turner, op cit.

relationship between the two leaders had become.<sup>42</sup> Presumably, the \$800,000 that was exposed reflected a far more extensive level of support that has remained hidden.

Kirchner's populist rhetoric, questionable legal maneuvers to economically destroy the independent media, nationalizations of private industries, imposition of currency controls, and efforts to change the constitution to seek a third term all closely resemble the steps taken by Chávez and his allies in Bolivia, Ecuador and Nicaragua to undermine the democratic process and move toward authoritarian, one-party rule.<sup>43</sup>

When Chávez was reelected in Venezuela in October 2012, Kirchner was among the first to embrace him, saying "Your victory is also ours! And South America's and the Caribbean's! Let's go Hugo! Let's go Venezuela! ...Hugo, today I want to tell you that you have plowed the fields, you have sown them, you have watered them, and today you have harvested your crops."

In February 2012, Fernández de Kirchner signed a commercial treaty with the ALBA nations committing the parties to share technologies, initiate the exchange of students and professionals, and create joint projects.<sup>44</sup>

### **Breaking With the Past and Embracing the Bolivarian Revolution**

One of the striking aspects of Fernández de Kirchner's softening policy on Iran as she moves to embrace Chávez is that it represents a significant break with years of precedent.

In prior years, given the magnitude of the AMIA attack, any discussion of warming relations with Iran, or undercutting the hard fought indictments would have been politically untenable. The Argentine delegation routinely walked out of the U.N. General Assembly when the Iranian delegation spoke, to protest the attack. In 2006, Argentina supported the UN Security Council Resolution 1696 establishing the first serious sanctions on Iran; and, Néstor Kirchner, as president, refused to attend the

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<sup>42</sup> For a good recap of the "Suitcase Affair" as it became known, see: "Caso Maltetín: Abogado Venezolano Afirma que PDVSA Aportó Fondos a la campaña de Kirchner," InfoLatam, September 10, 2008, accessed at: <http://www.infolatam.com/2008/09/10/caso-maletin-abogado-venezolano-afirma-que-pdvsa-afort-o-fondos-a-la-campana-de-kirchner/> ; Rory Carroll, "Suitcase full of cash adds to Chavez corruption claims," The Observer (London), September 20, 2008, accessed at: <http://www.guardian.co.uk/theobserver/2008/sep/21/usa.venezuela>

<sup>43</sup> For a look at some of the similarities between the Kirchner and Chávez style see: Roben Farzad, "Argentina Tries the Chávez Way," *Bloomberg Business Week*, April 17, 2012, accessed at: <http://www.businessweek.com/articles/2012-04-17/argentina-tries-the-chavez-way>

<sup>44</sup> "Acta de Compromiso entre la República de Argentina y los Países que integran la Alianza Bolivariana Para los Pueblos de Nuestra América," February 4, 2012.

inauguration of his Ecuadoran counterpart Rafael Correa when Correa invited Iranian president Mahmud Ahmadinejad.<sup>45</sup>

In addition, the Kirchners had under both administrations, unlike their predecessors, strongly supported the investigations into the AMIA case. Fernández de Kirchner served on the senate committee investigating the attack and her relationship with Nisman was initially viewed as cordial.

The initial investigation into the bombing was marred by charges of corruption and bribery, attempts by the government of Carlos Menem (1989-1999) to meddle in the case, and prosecutorial incompetence. Earlier this year, both Menem, currently a sitting senator, and the initial AMIA prosecutor Juan José Galeano, were ordered to stand trial for obstruction of justice in the case.<sup>46</sup>

After years of incompetence, the far more aggressive Nisman was appointed in 2005. He breathed new life into the badly bungled case with the support of Néstor's government, and, at least in the early phases, Cristina's administration. Nisman worked with Burgos, the district attorney for Buenos Aires, to put together an exhaustive investigation, which, while controversial in some circles, won widespread international praise for professionalism and thoroughness. That investigation, and subsequent findings, unequivocally point to Iran and Hezbollah carrying out the attack, as will be discussed in detail below.

That effort now threatens to come to naught and the president's allies have recently begun trying to publicly discredit Nisman as an agent of Israel and the United States.<sup>47</sup> In her national address on the MOU with Iran, the president virtually disowned the entire Nisman investigation, despite pledging that the parallel process would not disrupt Argentine judicial proceedings.

Several factors seem to be at play as Argentina's position shifts, in addition to the possible exchange of missile technology. Argentina, as one analyst noted, has initiated a "transactional" foreign policy, bartering Argentina's international position in return for economic and political dividends from foreign partners.<sup>48</sup>

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<sup>45</sup> Stephen Johnson, "Iran's Influence in the Americas," Center for Strategic and International Studies, March 2012, p. 62.

<sup>46</sup> "Argentina's Menem faces bombing trial," BBC News, March 30, 2012, accessed at: <http://www.bbc.co.uk/news/world-latin-america-17570484>

<sup>47</sup> See for example the column written by staunch presidential ally Horacio Verbitsky in the pro-government Pagina 12 newspaper accusing Nisman of being a tool of the FBI, CIA and Mossad: Horacio Verbitsky, "Verdad y Consecuencia," Pagina 12, February 10, 2013.

<sup>48</sup> Ilan Berman, "The Dangerous Iran Flirtation," Washington Times, September 27, 2012, accessed at: <http://www.washingtontimes.com/news/2012/sep/27/at-first-blush-argentina-seems-like-an-odd-choice-/>

As Fernández de Kirchner's political fortunes have waned, she has become more reliant on a smaller and more radical group of advisors who are close to both the Bolivarian states and Iran.

Chief among them is Luis D'Elia, a leader of the pro-Kirchner social movements used as shock groups to clash with anti-administration protestors and other similar activities. He has visited Iran on several occasions and has become the leading defender of Argentina's warming ties with that nation. During a 2010 visit as an official guest of the Iranian government to commemorate the anniversary of the 30<sup>th</sup> anniversary of the Iranian revolution, he interviewed Moshen Rabbani, the alleged mastermind of AMIA attack. D'Elia emerged to say that Rabbani was innocent, and that, "in my opinion, Iran had nothing to do with the AMIA bombing."<sup>49</sup>

D'Elia, who runs an unlicensed but government tolerated radio station in Buenos Aires, has also been at the forefront of defending the MOU with Iran and has been dismissive of the importance of the Iranians refusing to let their officials be questioned by Argentine judicial authorities.

D'Elia set the stage for the warming relations with his visits to Iran, which were followed by meetings between Argentina's foreign minister, Timerman, and his Iranian counterpart Salehi in 2011, reportedly in Aleppo, Syria. That meeting in turn was followed by Iran's public announcement that it was interested in knowing "the truth" behind the AMIA bombing and offering to help with the investigations.<sup>50</sup> This half step was followed by the meeting of Timerman and Salehi at the UN General Assembly in September, 2012. A second round of formal talks was initiated in Geneva, Switzerland to explore finding a "legal mechanism" to solve the AMIA impasse. The final round of talks ended with the signing of the MOU in Ethiopia.

Argentina's growing economic crisis has also significantly increased Iran's economic leverage: the Islamic republic is a significant buyer of Argentine wheat, soy, beef and other agricultural products. Since 2006, bilateral trade has increased notably, with Argentina running a significant trade surplus. From 2007 to 2008, Argentinian exports to Iran almost tripled, from \$100 million to \$266 million. By 2009, Argentina's exports to Iran reached \$855.4 million while its imports were just \$9.4 million. Exports for 2011 are estimated to be about \$2 billion.<sup>51</sup> More recent numbers are not available, but as Argentina's economy continues to deteriorate this trade will become more important.

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<sup>49</sup> "D'Elia, más lejos: Irán no tiene nada que ver con el atentado a la AMIA," Perfil.com, July 3, 2010, accessed at: [http://www.perfil.com/contenidos/2010/03/07/noticia\\_0021.html](http://www.perfil.com/contenidos/2010/03/07/noticia_0021.html)

<sup>50</sup> Berman, op cit.

<sup>51</sup> Johnson, op. cit., p. 63.



## The Nisman Investigation and the Rabbani Network

On October 25, 2006, Argentine prosecutor Alberto Nisman and Buenos Aires District Attorney Marcelo Martinez Burgos submitted a 675-page indictment in the AMIA case, the results of years of investigation. The conclusions were unequivocal and documented in great detail. While the finding has remained controversial in some quarters of Argentina, it is by far the most exhaustive record of what transpired, based on witnesses, Iranian defectors, intelligence provided by numerous other countries, bank and telephone records, and other forensic analysis.

The prosecutors believed they had conclusively shown that:

*The decision to carry out the attack was made not by a small splinter group of extremist Islamic officials, but was instead a decision that was extensively discussed and was ultimately adopted by a consensus of the highest representatives of the Iranian government at the time within the context of a foreign policy that was quite willing to resort to violence in order to achieve the goals are inherent to the Islamic republic that was established by the revolution of February 1979.<sup>52</sup>*

The report further found that Iranian officials “instructed Hezbollah – a group that has historically been subordinated to the economic and political interests of the Tehran regime – to carry out the attack.”<sup>53</sup>

The indictment identified the role of various Iranian officials in great detail. All of the officials named have been rewarded, rather than punished or marginalized, because of the allegations.

The indictment outlines a meeting on August 14, 1993 in the Iranian city of Mashad, presided over by Iran’s highest spiritual leader Ali Khamenei. In attendance were: Iranian president Ali Akbar Rafsanjani; foreign minister Ali Akbar Velayati; intelligence minister Ali Fallahijan; Moshen Rabbani, an attaché at the Iranian embassy in Buenos Aires and long-time intelligence agent; and Ahmad Rezai Asghari, the third secretary of the Iranian embassy in Buenos Aires. The plot was allegedly conceived by Fallahijan and Ahmad Vahidi, the commander of the IRGC, the indictment said.<sup>54</sup>

Velayati is now an advisor to Khamenei; Rafsanjani remains a powerful political figure; Rezai is a member of the Expediency Council, which mediates between the

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<sup>52</sup> Alberto Nisman and Marcelo Martinez Burgos, “AMIA Case,” Investigations Office of the Attorney General, October 25, 2006, p. 15.

<sup>53</sup> Nisman and Burgos, op cit., p. 15.

<sup>54</sup> Nisman and Burgos, op cit., pp. 22-23.

parliament and the non-elected Guardian Council led by Ayatollah Khamenei; Vahidi is now minister of defense; and Moshen Rabbani is the director of outreach to Latin America, and he appears to be a significant player in Iran's intelligence structure in Latin America.

The Nisman indictment focuses on Rabbani's role both in setting up a significant intelligence structure within the Argentine national security establishment, as well as his alleged role in directly providing funds, through mosques he controlled, for the attacks and for the purchase of the van that was used in the actual attack. Although he had been living in Argentina for 11 years before the attack, he was given a diplomatic post (and diplomatic immunity) as cultural attaché just 4 months before the AMIA bombing. Rabbani has denied any role in the attack.<sup>55</sup>

## The JFK plot

More recent events highlight both the consequences of Argentina's failure to press Nisman's accusations, and the ongoing threat posed by the network responsible for the AMIA attack.

On June 3, 2007, U.S. authorities arrested Russell Defreitas, a naturalized U.S. citizen and native of Guyana, for conspiring to explode the fuel lines beneath JFK airport in Queens, N.Y., and essentially blow up the airport. Two co-conspirators, Abdul Kadir (a Guyanese), and Kareem Ibrahim (a Trinidadian), were arrested in Trinidad the same day. Another suspect, Abdel Nur, turned himself into the authorities in Trinidad two days later. The three men in custody in Trinidad and Tobago were subsequently extradited to the U.S.. After pleading not guilty, Defreitas and Kadir were convicted in 2010, and later sentenced to life in prison.<sup>56</sup> Ibrahim was convicted in 2011 and also sentenced to life in prison.<sup>57</sup> Abdul Nur pleaded guilty to lesser charges and was sentenced to 15 years in prison.<sup>58</sup>

While this initially seemed to be an isolated and rare case of Caribbean-based Islamic extremism, it later became clear in court that Rabbani was deeply involved in the plot. The trial of Kadir and Defreitas revealed that Iran was the main sponsor of the attack, and that Rabbani was directing the operatives in the Western

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<sup>55</sup> See for example: Samy Adghirni, "O fugitivo iraniano," *Folha de Sao Paulo* (Brazil), accessed at: <http://www1.folha.uol.com.br/fsp/mundo/73239-o-fugitivo-iraniano.shtml>

<sup>56</sup> Colin Monynihan, "15-Year Sentence for Conspirator in Airport Plot," *New York Times*, January 13, 2011, accessed at: <http://www.nytimes.com/2011/01/14/nyregion/14plot.html>; FBI New York Field Office, "Russell Defreitas Sentenced to Life in Prison for Conspiring to Commit Terrorist Attack at JFK Airport, 2011, accessed at: <http://www.fbi.gov/newyork/press-releases/2011/russell-defreitas-sentenced-to-life-in-prison-for-conspiring-to-commit-terrorist-attack-at-jfk-airport>

<sup>57</sup> <http://www.justice.gov/usao/nye/pr/2012/2012jan13.html>

<sup>58</sup> Monynihan, op cit.

Hemisphere. Such a role echoes Rabbani's participation in the AMIA bombing, and it suggests an ongoing capacity to direct attacks against Western nations, including the United States, through proxies based in Latin America.

Kadir, a former member of Guyana's parliament, and an engineer by training, was originally thought to be a junior member of the conspiracy, essentially tagging along with Defreitas.<sup>59</sup> However, during the trial, prosecutors accused Kadir as acting as an Iranian spy, and Kadir admitted to substantial contacts with the Iranian government, and declared himself bound by Iranian *fatwas*, or religious rulings. Kadir, who was on his way to Iran (via Venezuela) when he was arrested, had previously travelled there twice, and sent his children there for religious training.<sup>60</sup>

Rabbani, Iran's most important agent in Latin America, was a natural go-between for the Iranian government and Caribbean plotters. Kadir and Rabbani communicated closely ahead of the former's arrest. Indeed, Rabbani supervised the religious instruction of Kadir's children while they were in Iran, and Kadir discussed studying under Rabbani himself. Kadir also completed an obscure information-collection mission for Rabbani, which was presumably a euphemism for preparing the JFK attack at Rabbani's behest.<sup>61</sup> The fact that Kadir initially denied the relationship with Rabbani is consistent with Rabbani's role as a clandestine operational leader directing a group of terrorist agents.

In addition to his alleged role in the JFK plot, what makes Rabbani of particular interest at this time is that he continues to retain an active network across Latin America, and spends a good part of his time imparting religious and intelligence training to groups of Latin Americans recruited to visit the Iranian holy city of Qom.<sup>62</sup> He writes prolifically in Spanish, edits Spanish-language Shi'ite publications and websites, and meets with visiting Latin American delegations, such as the one led by D'Elia.

Rabbani has also publicly acknowledged his friendship with, and help received from, Chávez in Venezuela. In a May 2011 interview with a Farsi-language website, Rabbani said that Chávez "has played an important role in facilitating our activity throughout the entire region. This is because before Mr. Chávez, our activity was

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<sup>59</sup> <http://www.nytimes.com/2010/07/21/nyregion/21kennedy.html>

<sup>60</sup> A.G. Sulzberger, "Trial Focuses on Iran Ties of Kennedy Plot Suspect," *New York Times*, July 21, 2010, accessed at: <http://www.nytimes.com/2010/07/22/nyregion/22kennedy.html?scp=1&sq=.Trial%20Focuses%20on%20Iran%20Ties%20of&r=0>

<sup>61</sup> Letter in support of sentencing, U.S. Attorney Loretta E. Lynch, *United States v. Abdul Kadir*, December 7, 2010.

<sup>62</sup> Author interviews with students who have attended the training under Rabbani. See also: "La Amenaza Iraní," Univision, December 9, 2011.

banned in many countries in the region. However, Mr. Chávez has helped us a lot, and now we enjoy better conditions.”<sup>63</sup>



Figure 6: Moshen Rabbani

“Rabbani is a serious security threat, including in Brazil. In Argentina, he spread his vision of radical, extremist, and violent Islam, which resulted in dozens of casualties during the Buenos Aires terrorist attacks. Now, based in Iran, he continues to play a significant role in the spread of extremism in Latin America,” Nisman told Brazil’s *Veja* magazine in a 2011 interview.<sup>64</sup>

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<sup>63</sup> “Latin America as an Arena for Iran and Terrorist, Subversive and Criminal Activities,” The Meir Amit Intelligence and Information Center, March 2012, p. 38, accessed at: [http://www.terrorism-info.org.il/Data/articles/Art\\_20318/E\\_061\\_12\\_1444742692.pdf](http://www.terrorism-info.org.il/Data/articles/Art_20318/E_061_12_1444742692.pdf)

<sup>64</sup> “The Terrorist ‘Professor,’” *Veja* magazine (Brazil), April 20, 2011, translated by InterAmerican Security Watch, accessed at: <http://interamericansecuritywatch.com/the-terrorist-%E2%80%9Cprofessor%E2%80%9D/>

Rabbani acolytes are in charge of two mosques in the Buenos Aires area, Al Imam and Al Tauhid, and Rabbani himself once led the latter. Rabbani's associates from his time in Argentina have also branched out, and have continued to expand the reach of his network.

## **Growing Transnational Organized Crime Entanglements**

The growing ties to Iran are not the only issue of international concern in Argentina. While the country does not have the same reputation for lawlessness that many of its neighbors do—its murder rate is less than 4 per 100,000 residents, which is one-sixth of Brazil's rate, and is well beneath that of the United States—but the nation suffers from a significant presence of organized crime. The most common manifestation is foreign drug traffickers setting up shop in Argentina, which serves as both a transit nation and something of a safe haven for fugitives.<sup>65</sup>

### **A Growing Cocaine Hub**

Long a secondary route for cocaine transiting to Europe, drug trafficking activities in Argentina over the past five years have moved it from transit point to a transit hub, and into destination for consumption and synthesis.

In recent years judges have had severed heads delivered to their homes, judicial workers have been assaulted, and illicit drug consumption has skyrocketed. Because neighboring Bolivia under Evo Morales – a staunch Bolivarian ally of Fernández de Kirchner -- is again a significant producer of cocaine, Argentina's lightly populated northern border has become a major entry point for Bolivian cocaine. As one recent report noted, "the country's poor border control, lack of aerial surveillance, more than 1,500 illegal airstrips and a long stretch of Atlantic coast," all contribute to its growing role.<sup>66</sup>

In 2011, reports emerged of Joaquín "El Chapo" Guzmán, the world's most notorious trafficker from Mexico, having temporarily moved to Argentina.<sup>67</sup> That year, Guzmán was also reported to have begun using a series of evangelical churches he financed to build drug-retailing networks in Argentina's northern region, in the provinces of Chaco, Formosa, and Misiones.<sup>68</sup>

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<sup>65</sup> Emily Schmall, "Once Just a Stopover for Drug Traffickers, Argentina has now Become a Destination," *New York Times*, July 7, 2012.

<sup>66</sup> Schmall, op cit.

<sup>67</sup> Patrick Corcoran, "Druglord 'El Chapo' Moves Operations to Argentina: Reports", InSight Crime, May 27, 2011, accessed at: <http://www.insightcrime.org/news-analysis/druglord-el-chapo-moves-operations-to-argentina-reports>

<sup>68</sup> "Llega 'Chapo' a Argentina", *Proceso*, May 22, 2011, accessed at: <http://www.zocalo.com.mx/seccion/articulo/llega-chapo-a-argentina>

One study estimated that 95 percent of the cocaine transiting Argentina passed unimpeded.<sup>69</sup> In 2012, a former governor from Santa Fe province referred to overland cocaine shipments from the Bolivian border to Buenos Aires as an “open secret”.<sup>70</sup> A subsequent investigation by the *Clarín* newspaper confirmed the comments, detailing the cocaine-laden cargo’s path down was dubbed *Ruta 34*.<sup>71</sup> Guzmán’s own operations in northern Argentina indicate a strategic focus on that region in order to take advantage of trafficking routes flowing from the Andes Cordillera.

There is evidence that much of the cocaine arriving in Argentina is subsequently shipped abroad, often to Europe, which means that Argentina is staging ground for one of the world’s largest cocaine markets.

According to the U.S. State Department’s figures from 2010, Argentina exports 70 metric tons of cocaine annually, with Europe serving as the primary destination. Europe’s annual cocaine consumption is pegged at 123 metric tons, which makes Argentina a vital step in the European supply chain.<sup>72</sup>

Many of the most prominent trafficking figures linked to Argentina in recent years are Colombian. In October 2012, for instance, Henry de Jesús López, the leader of the Colombian gang *Los Urabeños*, was arrested in Buenos Aires, where he had taken refuge from authorities from his own country.<sup>73</sup> López, a former paramilitary leader, was later described as the most dangerous drug trafficker in the world.

Other examples of the Colombian presence in Argentina abound. A hitman working for Daniel “El Loco” Barrera, another Colombian former paramilitary who was linked to the FARC and several other prominent groups, was killed in Buenos Aires in April 2012.<sup>74</sup> Barrera’s wife was also arrested in the city earlier that month. Authorities have also detected the presence of the FARC as well; in 2008, the

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<sup>69</sup> Haley Cohen, “The New Narco State: Mexico’s drug war is turning Argentina into the new Wild West of the global narcotics trade,” *Foreign Policy Magazine*, April 19, 2012, accessed at: [http://www.foreignpolicy.com/articles/2012/04/19/argentina\\_drug\\_war](http://www.foreignpolicy.com/articles/2012/04/19/argentina_drug_war)

<sup>70</sup> “Binner dijo que todos saben que 'la marihuana entra por la ruta 11 y la cocaína por la 34'”, *La Capital*, October 30, 2012, accessed at: <http://www.lacapital.com.ar/politica/Binner-dijo-que-todos-saben-que-la-marihuana-entra-por-la-ruta-11-y-la-cocaina-por-la-34-20121030-0048.html>

<sup>71</sup> “La Ruta 34: Un viaje en tres provincias por la ruta de la cocaína”, *Clarín*, November 17, 2012, accessed at: [http://www.clarin.com/policiales/Ruta\\_0\\_812918858.html](http://www.clarin.com/policiales/Ruta_0_812918858.html)

<sup>72</sup> Cohen, op cit.

<sup>73</sup> “‘Mi Sangre’: ¿cómo llegó a ser el narco más peligroso?”, *Terra*, November 1, 2012, accessed at: <http://noticias.terra.com.ar/internacionales/mi-sangre-como-llego-a-ser-el-narco-mas-peligroso,6508106fb5cba310VgnVCM3000009acceb0aRCRD.html>

<sup>74</sup> Elyssa Pachico, “Hitman’s Death Highlights Argentina as R&R Site for Drug Traffickers”, *InSight Crime*, April 26, 2012, accessed at: <http://www.insightcrime.org/news-analysis/hitmans-death-highlights-argentina-as-rr-site-for-drug-traffickers>

Colombian government reported that they had sent four different alerts to their Argentine counterparts of FARC activities inside the nation's territory.<sup>75</sup>

The most worrisome trend internally is the explosion in cocaine use and its easy availability. According to a 2011 United Nations study, Argentina consumes more cocaine per capita than the United States or Brazil (which are usually ranked one and two in consumption), five times more than the global average, and a 117 percent increase since 2000.<sup>76</sup> This stunning increase is a testament to both the importance of Argentina as a transit and consumption point, as well as the effectiveness of the few interdiction efforts that may be underway. As described below, the transnational organized criminal networks have also found new and dangerous ways to operate in Argentina and influence the political structure there.

### **The Ephedrine Road: Argentina's Role in the Global Methamphetamine Trade**

While cocaine has a deeply corrosive and corrupting influence, the trafficking of cocaine across Latin America is not a new development. What is new in Argentina is the lucrative and growing trade in precursor chemicals for the global methamphetamine trade, much of it consumed in the United States.

Corrupt pharmaceutical companies have operated in Argentina for decades, primarily as vendors of knockoff medications and adulterated pharmaceuticals. These vendors operate on the margins of the law — their activity is illegal, but they present themselves as legitimate pharmaceutical businessmen, and often have a professional background in the industry.

For many years, they were small-time scammers who took advantage of the convoluted statist health care system: the Argentine government, when subsidizing drug purchases, relies on middlemen who supply hospitals and union-run medical facilities that are then reimbursed by government agencies. This system is structurally vulnerable to fraud and vendors became expert at exploiting it for profit.

To perpetuate their operations, vendors formed or purchased new pharmaceutical companies with great regularity. A significant businessman could have up to a half-dozen different pharmaceutical firms, often using *testaferros*, or front men, to hold the properties in their names. As a result, it was extremely difficult for an outsider to determine the beneficial ownership of the firms peddling counterfeit drugs and defrauding the Argentine programs. This model is ideally suited to the requirements of transnational drug trafficking organizations.

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<sup>75</sup> Carlos Machado, "Las FARC en la Argentina", *Tribuna*, April 2, 2008, accessed at: <http://periodicotribuna.com.ar/3688-las-farc-en-la-argentina.html>

<sup>76</sup> Cohen, *op cit*, and United Nations Office of Drugs and Crime, "The Transatlantic Cocaine Market," April 2011.

The government drug supply system, with its reliance on superfluous middlemen who operated with little regulation, almost appears as if it was designed to defraud taxpayers and evade scrutiny. Whatever the original intentions of its creators were, the lengthy history of fraud, amply documented in the Argentine media, perpetrated on the system by pharmaceutical vendors, and the industrial scale of such fraud in recent decades, leaves little question that these vendors operated with the knowledge of the government and probably received active support from at least some top officials. (Following a series of politically damaging scandals, many of these drug vendors are now in prison.)<sup>77</sup>

The evolution of this trade into illicit ephedrine trafficking in Argentina stemmed from a confluence of factors. Thanks to crackdowns in the United States, production of methamphetamine increasingly shifted toward the Mexican gangs in the early 2000s, but the Mexicans in turn soon faced their own crackdowns that hampered their ability to import source chemicals.

Argentina became a logical new source. For the Mexican drug organizations, Argentina presented a number of benefits: busy commercial flows with India and China, the world's two primary ephedrine producers; geographical remove from the U.S. government's primary regions of drug trafficking concern; the absence of major local rivals as in Colombia or Bolivia; and, lax law enforcement and an easily corruptible government.

Logistics were also simplified because Argentina's well-established pharmaceutical bootleggers already enjoyed contacts among Asian suppliers: illicit knockoff schemes and fake medicine networks that have emerged in South America have long operated in China and India. Asia's role as the world's leading a bootleg drug supplier is a title it held for over a decade and was first announced in a series of reports beginning around 2002.

The distribution of bogus pharmaceuticals had become widespread in Argentina by 2004, when a 22-year old Argentine named Verónica Díaz (pictured at right) died from injections of a fake iron supplement. The supplement was fraudulently labeled as the AstraZeneca product Yectafer, and her death prompted headlines in Argentina and later internationally.<sup>78</sup>



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<sup>77</sup> For more information, see the sentencing report for Néstor Lorenzo, et al, filed by the Poder Judicial de la Nación, file no. 1787/07/146, November 8, 2011.

<sup>78</sup> Matías Loewy, "Deadly Imitations", Perspectives in Health, Pan American Health Organization, 2007, accessed at: [http://www.paho.org/english/dd/pin/Number23\\_article3.htm](http://www.paho.org/english/dd/pin/Number23_article3.htm)



The fake Yectafer was eventually linked back to the gray-market pharmaceutical network described above. The illicit schemes that ended up killing Díaz (among several others) were carried out by many of the figures who would later shift toward ephedrine trafficking; Sebastián Forza, a major figure in the local ephedrine trade, met with Abbott Labs shortly before his death in 2008 to describe how he and his network took advantage of the holes in their supply chain.

While the sales of knockoffs and fake drugs like the medicine that killed Verónica Díaz was very profitable, it offered nothing close to the margins available in trafficking methamphetamine base chemicals.

In 2004, years of steep increases in ephedrine and pseudoephedrine imports in Mexico hit a peak of 224 tons. But by 2005, Mexico had become notorious for its importation of methamphetamine precursor chemicals, which precipitated a crackdown and a steep decline in ephedrine imports.<sup>79</sup>

### **The Rise of Argentina**

Argentina's many obvious advantages as a methamphetamine chemical source were enhanced by the ties Argentine pharmaceutical bootleggers already had with Asian suppliers, which meant that bulk purchases of drugs would not necessarily alert local law enforcement. In addition, Argentina had no restrictions on the amount of precursor chemicals that could be imported into Argentina, at a time when much of the rest of the world was trying to crack down at least on the most obvious precursors. This made them logical partners of the Mexican gangsters.

As a result, many local pharmaceutical entrepreneurs began working with the Sinaloa Cartel, which is led by Joaquín Guzmán, often described as the world's most powerful trafficking organization. Argentina emerged as a vital stop along the intercontinental Ephedrine Road.

As a consequence, meth chemicals from Argentina began showing up in Mexico in every possible way. In October 2007, five men were arrested with almost 23 kilos of ephedrine after arriving in Mexico City on a flight from Buenos Aires.<sup>80</sup> In April of 2008, two Argentines attempted to sneak 26 kilos of ephedrine into Mexico on a

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<sup>79</sup> "Mexican meth a mounting maelstrom", Associated Press, November 24, 2005, accessed at: <http://www.uiowa.edu/~c030070/warstories04/cnnworld051125/src/cnn.com/2005/WORLD/americas/11/24/mexican.meth.ap/>

Will Weissert, "To fight meth, Mexico cracks down on cold-pill ingredient", Associated Press, November 27, 2005, accessed at: [http://www.utsandiego.com/uniontrib/20051127/news\\_1n27mexmeth.html](http://www.utsandiego.com/uniontrib/20051127/news_1n27mexmeth.html)

<sup>80</sup> "Con más 22 kilos de efedrina detienen a cinco personas en el AICM y quedaron a disposición de la PGR", Procuraduría General de la República, October 24, 2007, accessed at: <http://www.pgr.gob.mx/prensa/2007/bol07/Oct/b54607.shtm>

flight from Buenos Aires to Mexico City.<sup>81</sup> They were arrested following a subsequent flight to Puerto Vallarta, Jalisco, a state then controlled by Sinaloa trafficker Ignacio Coronel, known as the “King of Ice” for his dominance of the meth trade.<sup>82</sup>

By 2008 Argentina was awash in ephedrine. While its legal pharmaceutical industry needed between 0.8 tons to 1.2 tons of ephedrine for its production, imports in 2008 were 22.5 metric tons of precursors arriving in 57 different shipments, almost all from India and China, according to trade data.

According to information from DataMyne, which uses customs receipts from Latin American nations to compile comprehensive import and export databases from the same countries, Argentina has not experienced a permanent decline in the commerce related to precursor chemicals. In 2008, the year the ephedrine restrictions were passed, DataMyne measured 22.5 metric tons of ephedrine and pseudo-ephedrine imports. The next year, amid the lingering outcry over the General Rodríguez murders, the discover of the Ingeniero Maschwitz lab, and the arrest of knockoff drug vendor Néstor Lorezno, such flows plummeted to less than 14 metric tons, arriving in 39 shipments. This is at least 14 times more than could be used by the legitimate industry. In 2010, imports dropped even further, to 11.8 metric tons.

However, in 2011, the flows reversed, and bounced back to 18.6 metric tons. In 2012, the figure of 17.3 metric tons was comparable to the previous year. This is 17 times more ephedrine than could be absorbed by the legal industries.

In February 2008, a woman named Diana González Reyna was given a prison term for bringing ephedrine into Mexico from Buenos Aires via two messenger services.<sup>83</sup> González Reyna’s organization was based in the Mexico City suburb of Toluca, where a top alleged Sinaloa Cartel meth chemical supplier named Zhenli Ye Gon headquartered his operations.<sup>84</sup>

Sinaloa-linked traffickers were also involved in methamphetamine processing and trafficking from within Argentina. The signal case demonstrating the growing role of

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<sup>81</sup> "A disposición del AMPF 26 kilos de efedrina localizados en el aeropuerto de Puerto Vallarta", Procuraduría General de la República, April 9, 2008, accessed at: <http://pgr.gob.mx/prensa/2007/delega08/jal090408DPE169208.shtm>

<sup>82</sup> "Dictan sentencia de 10 años a dos personas que ingresaron a México", Procuraduría General de la República, June 6, 2009, accessed at: <http://www.pgr.gob.mx/prensa/2007/bol09/Jun/b60709.shtm>

<sup>83</sup> "Como resultado del trabajo jurídico penal del AMPF", Procuraduría General de la República, Febrero 20, 2008, accessed at: <http://www.pgr.gob.mx/prensa/2007/bol08/Feb/b11708.shtm>

<sup>84</sup> Hector Tobar and Carlos Martinez, "Mexico meth raid yields \$205 million in U.S. cash", *Los Angeles Times*, March 17, 2007, accessed at: <http://www.latimes.com/la-fg-meth17mar17,0,1451833,full.story>

the Mexicans inside of Argentina is a clandestine lab discovered in 2008 in the Ingeniero Maschwitz neighborhood of Escobar, Buenos Aires province. Ten people, nine Mexicans and one Argentine, were arrested in the lab, which was used to produce ecstasy and crystal methamphetamine.<sup>85</sup>

According to a driver linked to the group arrested, different Mexican visitors, typically in groups of two, were trucked in to work at the lab on a daily basis.<sup>86</sup> They produced massive amounts of synthetic drugs, which they sealed in wine bottles from the label Viñas de Alvear, which were presumably then used for clandestine export. At the time of its discovery, the lab had enough precursor chemicals to produce 200,000 pills of meth.<sup>87</sup>

The ten people arrested on the site of the lab were sentenced to prison later that year. Subsequent investigations led authorities to Mario Segovia, an Argentine subsequently nicknamed the King of Ephedrine, and a native of León Guanajuato, Mexico, who was believed to be the Sinaloa Cartel's principal point man for Argentina. In 2012, both men were sentenced to 14 years in prison on charges in connection with the lab.<sup>88</sup>

“What I can say is that in the case of the ephedrine murders, the entire system broke down, not one part worked,” said a former senior investigator of the case, in an interview in his office in Buenos Aires. “It wasn’t just Argentina. We had ephedrine flowing to Brazil, Chile, Peru, from the hub of Argentina. Mexico had taken measures to restrict the flow without telling us why, so our whole system went into collapse. There were several rings operating simultaneously. The triple homicide was not of the big fish, but the fact that we never really solved the case and no one will talk about the big fish shows you how serious the whole case is.”

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<sup>85</sup> "Hallan un laboratorio que producía éxtasis", *La Nación*, July 18, 2008, accessed at:

<http://www.lanacion.com.ar/1031428-hallan-un-laboratorio-que-producia-extasis>

<sup>86</sup> Sentencing report for Luis Marcelo Tarzia, et al, for the Ingeniero Maschwitz meth lab, Poder Judicial de la Nación, October 21, 2008. <http://www.pjn.gov.ar/Publicaciones/00006/00024957.Pdf>

<sup>87</sup> "Hallan un laboratorio que producía éxtasis", *La Nación*, July 18, 2008, accessed at:

<http://www.lanacion.com.ar/1031428-hallan-un-laboratorio-que-producia-extasis>

<sup>88</sup> Sentencing report for Juan Jesús Martínez Espinoza, et al, for the Ingeniero Maschwitz meth lab, Poder Judicial de la Nación, September 28,

2012. [www.infojus.gob.ar/archivo.php?archivo=efedrina.pdf](http://www.infojus.gob.ar/archivo.php?archivo=efedrina.pdf)

## The Response of the United States

DEA administrator Michele Leonhart addressed the growing role of Argentina in illicit meth trade in a July 8, 2008 speech:

*We see new chemical networks forming, with the smuggling of bulk ephedrine from Argentina to Mexico and the trafficking of ephedrine within Argentina and neighboring countries. The Argentine drug czar's office reported that, during 2007, importations of ephedrine had risen from 5 metric tons to 26 metric tons.<sup>89</sup>*

The DEA had become aware of Argentina's growing importance to transnational drug-trafficking years earlier, and ramped up its operations accordingly. This included a number of transnational operations and border task forces, some of which have been detailed in U.S. government budget documents.

The DEA, for instance, funded a Northern Border Task Force, which operated along the Argentina-Bolivia border and comprised elements of both local police departments and federal forces. It also sponsored an Eastern Border Task Force that had a similar mandate and structure along in the Tri-Border Area, the notoriously lawless region where Argentina, Brazil, and Paraguay intersect.<sup>90</sup> The DEA also reports having supported Argentine operations called Project Cohesion, Project Prism, and Operation Seis Fronteras (Six Borders).<sup>91</sup>

Indeed, Argentina's role was so well known inside the State Department that the U.S. Embassy in Buenos Aires in 2009 referred to it in a *Wikileaks* cable as "Argentina's Ephedrine Bubble."<sup>92</sup>

Later that year the State Department highlighted the same trend: "Precursor chemicals produced by Argentina's advanced chemical industry are subject to

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<sup>89</sup> Michele Leonhart, address to the International Drug Enforcement Conference XXVI, Istanbul, Turkey, July 8, 2008, accessed at: [www.justice.gov/dea/divisions/hq/.../pr070708\\_admin\\_remarks.doc](http://www.justice.gov/dea/divisions/hq/.../pr070708_admin_remarks.doc)

<sup>90</sup> *International Narcotics Control Strategy Report*, Volume 1, US Department of State, Bureau of International Narcotics and Law Enforcement Affairs, March 2010, accessed at: [www.state.gov/documents/organization/137411.pdf](http://www.state.gov/documents/organization/137411.pdf)  
<http://www.ieee.es/Galerias/fichero/Varios/EstrategiaInternacionalNarcoticos.pdf>

<sup>91</sup> *International Narcotics Control Strategy Report*, Volume 1, US Department of State, Bureau of International Narcotics and Law Enforcement Affairs, March 2012, accessed at: [www.ieee.es/Galerias/fichero/Varios/EstrategiaInternacionalNarcoticos.pdf](http://www.ieee.es/Galerias/fichero/Varios/EstrategiaInternacionalNarcoticos.pdf)  
<http://www.state.gov/documents/organization/137411.pdf>

*International Narcotics Control Strategy Report*, Volume 1, US Department of State, Bureau of International Narcotics and Law Enforcement Affairs, March 2009, accessed at: <http://www.state.gov/documents/organization/120054.pdf>

<sup>92</sup> "Argentina's 2008 Ephedrine Bubble May Be Popped, But Cocaine Still Moving", *WikiLeaks* cable, January 9, 2009, accessed at: <http://www.cablegatesearch.net/cable.php?id=09BUENOSAIRE35>

diversion. The Government of Argentina (GOA) in 2008 closed a loophole that had permitted Argentina's pharmacies to import large quantities ephedrine that were subsequently shipped to Mexico."<sup>93</sup>

Indeed, Argentina's role was so well known inside the State Department that the US Embassy in Buenos Aires in 2009 referred to it in a Wikileaks cable as "Argentina's Ephedrine Bubble."<sup>94</sup>

A former Argentine intelligence agent named Julio César Pose (who is also frequently referred to as Julio César Posse) appears to have been a central figure in the DEA's operations in Argentina. In 2003, according to Argentine court records, Pose participated in a sting operation in Buenos Aires that resulted in the arrests and convictions of three individuals for possession of 50 kilos of cocaine. In an appeal filed in 2006, one of the defendants accused Pose of working with the DEA to set him up.<sup>95</sup>

Pose initially told journalists that he was hired by Forza as a sort of bodyguard. But his subsequent description of his job functions does not square with such a role. Pose has claimed in more recent interviews with two Argentine journalists, the authors of a book called *La Ejecución (The Execution)*, that he set up meetings between Forza and foreign drug manufacturers, who were eager to learn how he and others were scamming them; arranged sit-downs between Forza and his associates (Mexican traffickers among them), so as to smooth over disputes; and, generally tried to keep Forza on his feet and keep his business productive.<sup>96</sup>

Pose also claims he tipped off the Argentine police about a meeting that Forza was to hold with Juan Jesús Martínez Espinoza, the local representative of the Sinaloa Cartel, to negotiate an ephedrine deal.<sup>97</sup> Pose eventually claimed he was working for the DEA, for whom he eventually also recruited Sebastián Forza.<sup>98</sup>

As noted above, Martínez Espinoza is best known for his ties to the Ingeniero Maschwitz methamphetamine lab, which was discovered in 2008; he was sentenced to 14 years in prison in 2012 for his management of the facility, which Argentine magistrates determined to be supplying the Sinaloa Cartel. The decision that

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<sup>93</sup> Counternarcotics and Law Enforcement Country Program: Argentina, Bureau of International Narcotics and Law Enforcement Affairs, December 15, 2008, accessed at: <http://2001-2009.state.gov/p/inl/rls/fs/113703.htm>

<sup>94</sup> "Argentina's 2008 Ephedrine Bubble May Be Popped, But Cocaine Still Moving", *WikiLeaks* cable, January 9, 2009, accessed at: <http://www.cablegatesearch.net/cable.php?id=09BUENOSAIRE35>

<sup>95</sup> Appeal ruling for Carlos Alberto Cogno, Consejo de la Magistratura, accessed at: <http://www.pjn.gov.ar/Publicaciones/00008/00003383.Pdf>

<sup>96</sup> Emilio Delfino and Rodrigo Alegre, *La Ejecución: La Historia Secreta del Triple Crimen que Desnudó la Conexión con la Mafia de los Medicamentos y la Campaña K*, Sudamericana, 2011, pp. 45, 90, 168.

<sup>97</sup> Delfino and Alegre, 169.

<sup>98</sup> Cristian Alarcón, Forza le pasaba informes a la DEA, *Crítica Digital*, September 7, 2008, accessed at: <http://criticadigital.com/imprensa/index.php?secc=nota&nid=11359>

accompanied Martínez Espinoza's sentencing referred repeatedly to Forza (among other knockoff drug figures) as a partner in the methamphetamine operation.<sup>99</sup>

### **Ephedrine Ties to Fernández de Kirchner's 2007 Campaign**

The Sinaloa Cartel was likely eager to see the Kirchner family remain in office. Néstor Kirchner's administration had coincided with the creation of an Argentine toehold in the international methamphetamine trade, and the election of an opposition candidate could mean uncertainty. The election of Néstor's wife Cristina, in contrast, likely meant business as usual.

The local pharmaceutical-vendors-turned-meth-suppliers—that is, the Sinaloa Cartel's local partners—turned into a major source of Cristina's campaign financing. This group was responsible for roughly 4.5 million pesos, then worth some US\$1.5 million, of donations to the 2007 campaign. This was out of a total of less than 15 million pesos in reported contributions, meaning that the local pharmaceutical industry, allied with the Sinaloa Cartel, played an essential role in bankrolling Fernández de Kirchner's victory.<sup>100</sup>

This included many of the industry's most infamous figures. Through two different companies, Forza donated roughly \$120,000.<sup>101</sup> According to Argentine media accounts, Pose was among the largest donors to Cristina's campaign, giving approximately \$110,000.<sup>102</sup>

The two largest importers of ephedrine at the time were Libertad and Unifarma, run by Forza through an alleged front man, Ariel Vilán. Vilán, who committed suicide by throwing himself off of a ninth story after the triple murder, also gave thousands of dollars to Cristina.<sup>103</sup> Néstor Osvaldo Lorenzo, who had conducted a

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<sup>99</sup> Sentencing report for Juan José Martínez Espinoza, et al, filed by the Poder Judicial de la Nación, September 28, 2012.

<sup>100</sup>

<http://www.cinquerrui.com.ar/Archivo/documentos/Listado%20de%20Aportes%20desagregado%20por%20Nombre%20FPV.pdf>

<sup>101</sup> "Lorenzo recibió \$22 millones del Estado y recaudó para la campaña de Cristina", *Perfil*, September 26, 2009, accessed at: [www.perfil.com/contenidos/2009/09/26/noticia\\_0014.html](http://www.perfil.com/contenidos/2009/09/26/noticia_0014.html)

<sup>102</sup> Sebastián Cinquerri and Fernando Sánchez, Denuncia Penal, accessed at:

<http://criticadigital.com/imprensa/index.php?secc=nota&nid=446>

<sup>103</sup> The role of Vilan, who attended school with Forza, is subject to debate. Multiple press reports identify him as a front man, and the sentencing report for the triple murder describes his role in a way that is not inconsistent with acting as a front man. Forza's widow, however, has denied that. Vilan is listed as a partner of Unifarma, which in multiple accounts is described as a pharmacy belonging to Forza. Boletín Oficial, January 29, 2004, accessed at:

[http://pjn.gov.ar/Boletines/2004/2Da\\_Edi/0129.Pdf](http://pjn.gov.ar/Boletines/2004/2Da_Edi/0129.Pdf) ; Sentencing report for Martín Eduardo Lanatta, et al, for the murder of Sebastián Forza, et al, Poder Judicial de la Provincia de Buenos Aires.

series of pharmaceutical deals with Forza, was the largest documented pharmaceutical donor, contributing in excess of \$200,000 of dollars to the campaign through three different pharmaceutical firms.<sup>104</sup>

Many of these companies would run afoul of the law. Forza had been investigated by local law enforcement since 2004, and was killed as a result of rivalries stemming from his collaboration with the Sinaloa Cartel. Argentine investigators subsequently leaked that both Unifarma and Libertad diverted portions of their shipments to Mexican gangsters.<sup>105</sup> Subsequent legal documents and news reports largely confirmed that the shipment of ephedrine that was discovered at the Ingeniero Maschwitz lab had been imported by Unifarma.<sup>106</sup> Lorenzo, in turn, was jailed in 2009 for marketing adulterated medicines.<sup>107</sup>

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Loreley Gaffoglio, "Ariel Vilán no era ni socio ni testaferro de Sebastián", *La Nación*, August 26, 2008, accessed at: <http://www.lanacion.com.ar/1043463-ariel-vilan-no-era-ni-socio-ni-testaferro-de-sebastian>

[http://www.perfil.com/contenidos/2008/08/25/noticia\\_0030.html](http://www.perfil.com/contenidos/2008/08/25/noticia_0030.html)

<sup>104</sup> "Lorenzo recibió \$22 millones del Estado y recaudó para la campaña de Cristina", *Perfil*, September 26, 2009, accessed at: [www.perfil.com/contenidos/2009/09/26/noticia\\_0014.html](http://www.perfil.com/contenidos/2009/09/26/noticia_0014.html)

<sup>105</sup> Loreley Gaffoglio, "No se controla el 80% de la efedrina que se importa", *La Nación*, August 31, 2008, accessed at: [www.lanacion.com.ar/1045048-no-se-controla-el-80-de-la-efedrina-que-se-importa](http://www.lanacion.com.ar/1045048-no-se-controla-el-80-de-la-efedrina-que-se-importa)

<sup>106</sup> "Capturan a cómplices de narcotraficantes mexicanos en Argentina", *Crónica*, September 10, 2008, accessed at: [www.cronica.com.mx/notas/2008/384224.html](http://www.cronica.com.mx/notas/2008/384224.html)

[http://www.cronica.com.mx/nota.php?id\\_notas=384224](http://www.cronica.com.mx/nota.php?id_notas=384224)

Sentencing report for Martín Eduardo Lanatta, et al, for the murder of Sebastián Forza, et al, Poder Judicial de la Provincia de Buenos Aires.

<sup>107</sup> "Cayó el 'Yabrán de los medicamentos'", *Perfil*, September 4, 2009, accessed at: [www.perfil.com/contenidos/2009/09/04/noticia\\_0031.html](http://www.perfil.com/contenidos/2009/09/04/noticia_0031.html)

## Mexican Cartel Ties to an Argentine Shipping Company

Figure 8: Part of the more than \$200 million in cash found in Zhenli Ye Gon's home



Evidence of the growing nexus between Mexican groups, such as the Sinaloa Cartel, and Argentine locals connected to the Kirchners has emerged at regular intervals in recent years.

One of the most important cases involves Zhenli Ye Gon, a Chinese-Mexican businessman whose Mexico City mansion was raided by

police in 2007 and found to be storing more than US\$200 million in cash – a new world record in drug money seizures, according to then-DEA administrator Leonhart.<sup>108109</sup>

Zhenli was the target of a major DEA investigation into methamphetamine production and trafficking to the U.S. that is detailed in thousands of pages of US court records. He is accused of being a partner of the Sinaloa Cartel and is currently in a Virginia jail fighting extradition to Mexico.

Zhenli had access to industrial quantities of meth precursor chemicals from producers in China. Justice Department filings and Mexican law enforcement documents introduced in Zhenli's U.S. extradition case show that in December of 2005, his company Unimed Pharm Chem took delivery of 953 drums of a substance labeled as N-Methyl-Acetylamine (35,000 kilograms, or roughly 38 tons) from a company in Hong Kong.

In Manzanillo, scientific tests by customs officials determined that the substance in the drums was actually N-Acetyl Pseudoephedrine. Further investigation

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<sup>108</sup> Michele Leonhart, address to the International Drug Enforcement Conference XXVI, Istanbul, Turkey, July 8, 2008.

<sup>109</sup> [http://www.justice.gov/dea/divisions/hq/2008/pr070708\\_admin\\_remarks.doc](http://www.justice.gov/dea/divisions/hq/2008/pr070708_admin_remarks.doc)



determined that the Hong Kong company that purportedly sent the chemicals, Emerald Import & Export, is not a registered company in Hong Kong.<sup>110</sup>

The shipment was delivered to the Mexican port of Manzanillo by an Argentine shipping company called Empresa de Navegación Maruba SA.<sup>111</sup>

Maruba, which has long been financially troubled, has lengthy ties to the Argentine government and its closely allied maritime union SOMU.

After Cristina Fernandez won the 2007 election, allies of Hugo Moyano, a trade union boss and major ally of the government at the time, took control of Maruba, which then proceeded to ship additional tons of meth chemicals directly to Mexico.<sup>112</sup>

At the time of this transaction, the deal was interpreted as the government attempting to build a national merchant marine. The unions used a government bank to finance the deal, and Planning Minister Julio de Vido was reported to be the driving force behind the sale.<sup>113</sup> In effect, this made Maruba a quasi-governmental entity.

Moyano, who is currently the subject of several different criminal investigations both in Argentina and abroad, has a long history in the counterfeit drug market.

**Emerald** EMERALD IMPORT & EXPORT CORP.  
51 Dong Nei Chung Road, Wanchi, Hong Kong

EXHIBIT

**COMMERCIAL INVOICE**

TO: UNIMED PHARM CHEM MEXICO SA DE CV. MORELOS NO.24-A COL. CENTRO DEL CUAUHTEMOC MEXICO D.F. 06040 NUMBER: 05/05AK0088/087 DATE: November, 28, 2005 S/C No: 05AK0088

SHIPPING MARKS: N/M PAYMENT: BY DELIVERY TERMS: CIF MEXICO CITY

QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	AMOUNT
25,400.05	KG	N-METHY-ACETYLAMINO	USD5.06/KG	USD147,000.25
TOTAL: 541				USD147,000.25

SAY U.S.DOLLARS ONE HUNDRED FORTY SEVEN THOUSAN AND 25/100 ONLY.

PACKED BY TWO CONTAINER  
CONTAINER # CAXU8820377/2629521/20' (348) DRUMS G.W. 12,784.50 KG  
JOLU4059992/2629601/40' (695) DRUMS G.W. 22,228.00 KG  
(953) DRUMS 35,010.50 KG

TOTAL: (953) NINE HUNDRED FIFTY THREE DRUMS ONLY

GROSS WEIGHT: 35,010.50KG  
NET WEIGHT: 28,400.05KG  
MEASUREMENT: 88.015M3

FOB VALUE: USD136,080.25 TAX CODE: 4680069098  
INSURANCE: USD2,940.00 ORIGINAL: HONG KONG  
FREIGHT: USD8,000.00  
CIF VALUE: USD147,000.25

For and on behalf of  
EMERALD IMPORT & EXPORT CORP.  
*[Signature]*  
Authorized Signatory

<sup>110</sup> Extradition document, Zhenli Ye Gon, US District Court for the District of Columbia, accessed at: <http://docs.justia.com/cases/federal/district-courts/district-of-columbia/dcdce/1:2008mc00596/133089/177/0.pdf>

<sup>111</sup> Extradition document submitted by Mexico's Procuraduría General de la República (their equivalent of the Justice Department), April 19, 2012, page 304. The document refers to the company as "Maruja", but this is a typo, as the address given for the company is that of Maruba.

<sup>112</sup> "Avanza el proyecto para contar con una marina mercante nacional", *Cronista*, October 27, 2010, accessed at: [www.cronista.com/impresageneral/Avanza-el-proyecto-para-contar-con-una-marina-mercante-nacional-20101027-0001.html](http://www.cronista.com/impresageneral/Avanza-el-proyecto-para-contar-con-una-marina-mercante-nacional-20101027-0001.html)

<sup>113</sup> Antonio Rossi, "Gremios aliados a Moyano comprarán una empresa naviera con ayuda estatal", *Clarín*, May 9, 2010, accessed at: <http://edant.clarin.com/diario/2010/05/09/elpais/p-02193162.htm>

According to the book *The Execution*, the largely autonomous health care systems managed by the unions for their members were commonly involved in the drug scams described above.<sup>114</sup> The supply of subsidized drugs set aside for the bus-drivers union, which is nominally managed by Moyano's wife Liliana Zulet, was allegedly the site of a systematic fraud relying on nonexistent patients and falsified invoices, which was denounced in 2010.<sup>115</sup>

Moyano has also drew the attention of international authorities. In 2011, Swiss authorities filed formal requests for information from the Argentine government regarding suspicious accounts linked to Moyano. The request for assistance document submitted to Argentina's Ministry of Foreign Affairs alleges that in an account belonging to a chemical firm controlled by Moyano, Covelia SA, the union boss and his cronies were storing the proceeds of illegal activities. The same document accused Moyano of engaging in money laundering, fraud, and the adulteration of medications.<sup>116</sup> (In 2010, Covelia was also the recipient of a contract from Aníbal Fernández's agency, worth more than \$500,000, in exchange for building a wall on government property.)<sup>117</sup>

It is unlikely that Moyano, likely experienced in the knockoff drug trade, was excluded from the broader group's shift to the more lucrative business of drug trafficking. In June of 2011, the Mexican government seized 60 tons of precursor chemicals from Shanghai hidden aboard a Maruba freighter called the *Maruba Simmons* and another vessel.<sup>118</sup> The chemicals were being delivered to the Pacific coast port of Manzanillo – which is used by both the Sinaloa Cartel and the Zetas drug gang. Importation of methamphetamine precursor chemicals was banned in Mexico in 2008, so there is no possibility that the cargo was legitimate.



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<sup>114</sup> Delfino and Alegre, 63-64, 228-230.

<sup>115</sup> Luciana Geuna, "Allanaron la obra social de Moyano para buscar más troqueles truchos", Clarín, November 17, 2010, accessed at: [http://www.clarin.com/politica/Allanaron-Moyano-buscar-troqueles-truchos\\_0\\_373762639.html](http://www.clarin.com/politica/Allanaron-Moyano-buscar-troqueles-truchos_0_373762639.html)

<sup>114</sup> Mutual Legal Assistance Treaty request, filed by the Swiss Embassy in Buenos Aires with the Argentine Ministry of Foreign Relations, March 9, 2011.

<sup>117</sup> Boletín Oficial, June 7, 2010, accessed at: [http://pjn.gov.ar/Boletines/2010/3Ra\\_Con/0607.Pdf](http://pjn.gov.ar/Boletines/2010/3Ra_Con/0607.Pdf)

<sup>118</sup> "Otro gran decomiso en Manzanillo: aseguran 60.2 toneladas de químicos para drogas", Notimex, June 3, 2011, accessed at: [www.excelsior.com.mx/node/742283](http://www.excelsior.com.mx/node/742283)  
[http://www.excelsior.com.mx/index.php?m=nota&seccion=&cat=1&id\\_nota=742283](http://www.excelsior.com.mx/index.php?m=nota&seccion=&cat=1&id_nota=742283)

In another case, a substantial amount of cocaine was also found stashed aboard the *Maruba Europa* in Valencia Spain in 2009.<sup>119</sup> The same year, Peruvian authorities seized more than 14 tons of counterfeit cigarettes shipped from China to Lima aboard the *Maruba Victory*.<sup>120</sup>

Maruba's patterns of shipping to North America is also unusual. Maruba ships regularly pass through Manzanillo, a major Mexican port that has been the site of many of the world's largest seizures of ephedrine during the past five years.<sup>121</sup>

Of the 200 Maruba shipments whose bills of lading are available online, 31 are shipments of alcohol, virtually all of them wine. This is significant because multiple open source judicial records state that the Mexicans operating in Argentina use resealed bottles of wine to hide methamphetamine chemicals. A driver working from the Maschwitz group, who testified over the course of the investigation told authorities that the Mexicans used Viña de Albear bottles to hide their product.<sup>122</sup>

The book *La Ejecucion* describes a similar ruse, in which Mexicans working for Martínez Espinoza and posing as tourists to carry meth back to Mexico in 1.5-liter bottles of wine.<sup>123</sup>

### Key Figures



**Hugo Moyano** is the subject of a formal request for evidence by Swiss prosecutors in 2011 in which he is accused of laundering the proceeds of knockoff pharmaceutical sales through a Swiss bank account. The notorious union boss was a crucial political ally of the Kirchners for many years, but has now fallen out with Cristina. Moyano's unions are under investigation for supplying the pharma firms with bootleg drugs. He is also under scrutiny for ties to a pharma firm called Urbana. Argentina's maritime unions work closely with the Argentine shipping company Maruba, whose ships have been involved in multiple drug trafficking cases, and its shipping to US ports has unusual aspects.

<sup>119</sup> Sentencing report, filed by Argentina's Poder Judicial de la Nación, September 12, 2012.

<sup>120</sup> "Peruvian authorities seize more than 14 tons of contraband cigarettes in Lima's largest port, Callao", Peruvian Times, January 7, 2009, accessed at: [www.peruviantimes.com/07/peruvian-authorities-seize-more-than-14-tons-of-contraband-cigarette-in-lima-s-largest-port-callao/1256/](http://www.peruviantimes.com/07/peruvian-authorities-seize-more-than-14-tons-of-contraband-cigarette-in-lima-s-largest-port-callao/1256/) <http://www.peruviantimes.com/07/peruvian-authorities-seize-more-than-14-tons-of-contraband-cigarette-in-lima%E2%80%99s-largest-port-callao/1256/>

<sup>121</sup> "Incautan 80 toneladas de precursores en Manzanillo", Notimex, May 6, 2010, accessed at: <http://www.elsiglodetorreon.com.mx/noticia/521896.incautan-80-toneladas-de-precursores-en-manza.html> <http://www.eluniversal.com.mx/notas/678415.html>

"Decomisan 38 ton. de precursor químico en Colima", *El Universal*, April 7, 2011, accessed at: <http://www.eluniversal.com.mx/notas/757589.html>

"Aseguran 60 ton de precursores químicos en Manzanillo", Notimex, June 3, 2011, accessed at: <http://www.eluniversal.com.mx/notas/770346.html>

<sup>122</sup> Sentencing report for Luis Marcelo Tarzia, et al, for the Ingeniero Maschwitz meth lab, Poder Judicial de la Nación, October 21, 2008. <http://www.pjn.gov.ar/Publicaciones/00006/00024957.Pdf>

<sup>123</sup> Delfino and Alegre, page 177.

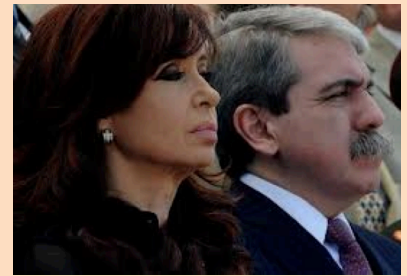
Much of this “wine” is delivered to US and Canadian ports on the West Coast, shipping records state – after a stopover in Manzanillo. The proportion of wine shipments to the U.S. from Manzanillo—15%—is also greater than what the broader export patterns show. From 2007 to 2012, on average just 5.11% of all Argentine exports to the US were labeled “wine of fresh grapes”. However, with Maruba shipments through Manzanillo—and it’s worth noting that Mexico is not a significant exporter of wine—the figure is tripled.

### The Triple Murder

One of the most prominent criminal cases involving international drug trafficking in Argentina and the Kirchner government is the 2008 abduction and execution-style murder of three pharmaceutical businessmen who had turned into important ephedrine suppliers: Sebastián Forza, Damián Ferrón, and Leopoldo Bina.

The men charged by Argentine authorities as the authors of the crime include Ibar Esteban Pérez Corradi, a rival and business associate of Forza in the knockoff pharmaceutical trade and the accused intellectual author of the crime. Well before the murders occurred, Corradi was no stranger to the DEA, according to a criminal case against him in U.S. District Court in Maine. Pérez Corradi was arrested in March 2012 and is awaiting trial and possible extradition to the US.<sup>124</sup>

The triggermen for the hit include Martín Eduardo Lanatta, a former Peronist activist turned shooting instructor and private security agent who was convicted (along with three others) in December 2012 of carrying out the murder. Lanatta and his co-conspirators are now serving life sentences.<sup>125</sup>



**Aníbal Fernández** was a key Kirchner cabinet member, serving as interior minister, justice minister, and chief of the cabinet under Cristina Fernández de Kirchner and her husband. Fernández suffered persistent criticism for his passive stance toward ephedrine trafficking prior to his 2011 election to the Senate. The “intellectual author” of a brutal triple murder linked to the ephedrine trade came out of Fernández’s political operation in his native Quilmes, Buenos Aires province.



<sup>124</sup> Emilia Delfino and Rodrigo Alegre, “Quién es Pérez Corradi, el principal sospechoso”, Perfil, March 25, 2012, accessed at:

[www.perfil.com/ediciones/2012/3/edicion\\_662/contenidos/noticia\\_0058.html](http://www.perfil.com/ediciones/2012/3/edicion_662/contenidos/noticia_0058.html)

<sup>125</sup> “Triple crimen con cuatro condenas”, Página 12, accessed at:

[www.pagina12.com.ar/diario/sociedad/3-210350-2012-12-21.html](http://www.pagina12.com.ar/diario/sociedad/3-210350-2012-12-21.html)

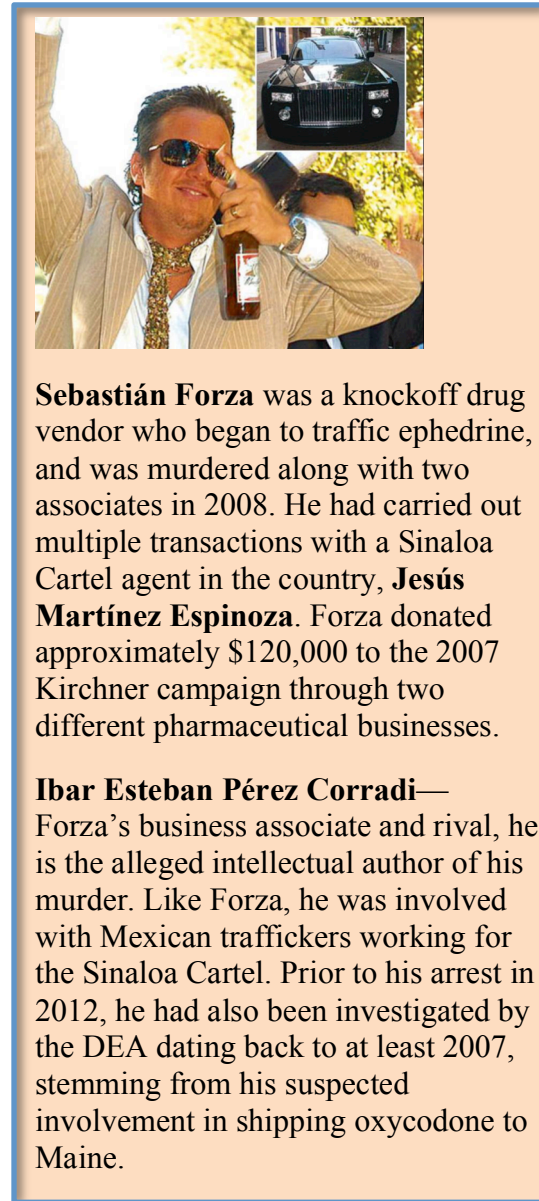
These men were part of the larger network of pharmaceutical importers and suppliers working with the Mexicans, according to a 305-page judicial investigative dossier by the authorities in Buenos Aires Province. Perez Corradi and Forza were partners until late 2007 and Forza accumulated large debts to Corradi, the dossier states.<sup>126</sup>

At the time of his death, Forza was in competition with Pérez Corradi and others for the right to supply the Mexicans; Pérez Corradi was reportedly the Mexicans' principal ephedrine supplier. Forza had also earned the ill will of his associates by running up massive debts, and shortly before his death, he began to cooperate with Argentine authorities. He also met with American drug manufacturers who were the frequent victims of the group's machinations, and disclosed the holes in their operations that Forza and co. exploited.<sup>127</sup>

Many of those involved in the triple murder were also linked to the Ingeniero Maschwitz clandestine lab, which was discovered several weeks before the murder.

Delfino and Alegre have reported that Forza bragged shortly before his death that the Ingeniero Maschwitz lab was his, and that he blamed Pérez Corradi for alerting authorities of its existence.<sup>128</sup>

Forza also sold ephedrine to Jesús Martínez Espinoza, convicted as the leader of the group utilizing the lab.<sup>129</sup> Forza, Bina, and Ferrón -- the three murder victims -- had been negotiating the purchase of an ephedrine shipment from Rodrigo Pozas Iturbe, another Mexican charged in the Ingeniero Maschwitz case, days before the lab's discovery.<sup>130</sup>



**Sebastián Forza** was a knockoff drug vendor who began to traffic ephedrine, and was murdered along with two associates in 2008. He had carried out multiple transactions with a Sinaloa Cartel agent in the country, **Jesús Martínez Espinoza**. Forza donated approximately \$120,000 to the 2007 Kirchner campaign through two different pharmaceutical businesses.

**Ibar Esteban Pérez Corradi**—Forza's business associate and rival, he is the alleged intellectual author of his murder. Like Forza, he was involved with Mexican traffickers working for the Sinaloa Cartel. Prior to his arrest in 2012, he had also been investigated by the DEA dating back to at least 2007, stemming from his suspected involvement in shipping oxycodone to Maine.

<sup>126</sup> Sentencing report for Martín Eduardo Lanatta, et al, for the murder of Sebastián Forza, et al, Poder Judicial de la Provincia de Buenos Aires.

<sup>127</sup> Delfino and Alegre, 45.

<sup>128</sup> Delfino and Alegre, 141.

<sup>129</sup> Sentencing report for Martín Eduardo Lanatta, et al, for the murder of Sebastián Forza, et al, Poder Judicial de la Provincia de Buenos Aires.

<sup>130</sup> Delfino and Alegre, 17, 171-173. Pozas Iturbe was eventually acquitted.

Both Pérez Corradi and Forza, it is worth noting, had made frequent trips to Mexico prior to the murders, and Pérez Corradi was in Cancún when Forza and his associates were abducted and shot to death.

There are also some links of the crime to Argentina's federal government under Néstor Kirchner and Cristina Fernández de Kirchner. As noted above, Forza was a substantial donor to the Kirchner campaign in 2007, with two businesses contributing a total of approximately \$120,000. He was also working closely with high-ranking former law-enforcement officials including Julio César Pose and Jorge Palacios, a former Federal Police officer who led an antiterrorism unit.<sup>131</sup> Palacios, like Pose, has also enjoyed close relations with U.S. security agencies, among them the FBI and the DEA.<sup>132</sup>

Lanatta, the material author of the murder, acted as an informal facilitator of solicitations with RENAR, the nation's arms registry and the legal supplier of weapons for personal use. Forza, for instance, obtained a collection of handguns via Lanatta's services, as did Pérez Corradi.<sup>133</sup>

Lanatta's ability to expedite weapons purchases from the government stemmed from his political connections. Lanatta had served as a Peronist activist in his hometown of Quilmes, in Buenos Aires province. There he had worked with two Quilmes *peronistas* who, at the time of Forza's murder, were serving as functionaries at RENAR: Andrés Meiszner, the agency's director at the time of Forza's murder, and Alejandro Giancristóforo, Meiszner's secretary.<sup>134</sup>

The three men all emerged from the local political operation of Aníbal Fernández, a Quilmes native and machine boss who served the Kirchners in multiple key cabinet posts as the ephedrine trafficking network took root. (Fernández is currently a senator, and remains a key ally of the president.) Lanatta worked for Fernández's Labor Ministry in Buenos



**Néstor Lorenzo**—A pharmaceutical entrepreneur, Lorenzo was jailed in 2009 for marketing adulterated medicines. He and his businesses donated at least \$200,000 to Cristina's presidential campaign in 2007.<sup>1</sup> He also had extensive business dealings with many of the Argentines fingered in court documents and official investigations as ephedrine traffickers, and was the partner of **Ibar Esteban Pérez Corradi** in a pharmaceutical firm.

**Juan José Zanola**—A banking sector union boss and Fernández de Kirchner ally, Zanola was implicated in a pharma fraud scheme along with a major political donor. A former health minister has said that Cristina Fernández de Kirchner tried to obstruct the investigation into Zanola, any ally of Hugo Moyano's, because of her gratitude for Zanola's electoral help.

<sup>131</sup> Delfino and Alegre, 45.

<sup>132</sup> Nora Veiras, "Una policía finísima", *Página 12*, March 16, 2008, accessed at: <http://www.pagina12.com.ar/diario/elpais/1-100791-2008-03-16.html>

<sup>133</sup> Carrió, et al.

<sup>134</sup> *Ibid.*

Aires province in 2001, and he enjoyed a reputation among his business associates as a Fernández disciple.<sup>135</sup>

Beyond the individuals involved in the murder, there is the fact that trafficking ephedrine inevitably requires some measure of government awareness, if not support.

While ephedrine importation is legal in Argentina, it is regulated and closely monitored. Any person or business who seeks to import ephedrine, or other possible precursor chemicals, must report with the *Registro Nacional de Precursores Químicos*, which is run by the Argentine government. The growth of the illicit industry, at orders of magnitude far beyond the scale of legitimate pharmaceutical industry demand, suggests that individuals involved in the murder, like all of the newly emerging ephedrine traffickers, operated with the government's implicit blessing.

### **Obstructing Investigations**

As shown, the Kirchner era has coincided with a sharp increase in precursor trafficking within Argentina, in addition to the corresponding intensification of activity of groups like the Sinaloa Cartel within the country.

These activities generated a series of scandals, concentrated in 2007 and 2008: the execution-style murder of the ephedrine traffickers in 2008; the Ingeniero Maschwitz meth lab discovery that same year; and, the ephedrine traffickers and knockoff drug vendors financing of the presidential campaign in 2007. These incidents, in turn, sparked a series of investigations, which have led to a number of convictions for figures friendly to the government.

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<sup>135</sup> Delfino and Alegre, 185, 189, 197.

Christian Sanz, "Triple crimen: Lanatta confesó sus vínculos con Aníbal Fernández", January 17, 2010, accessed at: <http://periodicotribuna.com.ar/6009-triple-crimen-lanatta-confeso-sus-vinculos-con-anibal-fernandez.html> <http://www.taringa.net/posts/info/4471372/Anibal-Fernandez-y-su-vinculo-con-el-Triple-Crimen.html>

Gabriel Martín, "¿Mintió Aníbal Fernández nuevamente? Las pistas refieren que conoce a Martín Lanatta, comprometido con el homicidio de Sebastián Forza y sus asociados", *El Ojo Digital*, December 12, 2009, accessed at: <http://www.elojodigital.com/contenido/9067-¿mintio-anibal-fernandez-nuevamente-las-pistas-refieren-que-conoce-martin-lanatta-com>

**Julio César Pose**—A former Argentine intelligence official, Pose worked with several of the ephedrine traffickers in the 2000s. He has been identified by multiple judicial documents as a DEA collaborator.

Known as Gypsy, Pose was jailed in 2004 for trafficking 80 kilos of cocaine but released after the court confirmed his DEA relationship. Pose donated roughly \$110,000 to Cristina's campaign in 2007, and was jailed in the same case in which Lorenzo was convicted. Pose allegedly recruited Sebastian Forza to work for the DEA. After Forza was murdered, Pose allegedly called the U.S. Embassy in Buenos Aires and asked for the DEA to provide him with a residence in Miami.

**Martín Eduardo Lanatta**—Convicted of Forza's murder, he relied on political contacts made as a low-level activist in Aníbal Fernández political network to obtain weapons for ephedrine traffickers.

Some within the government who worked on the issues claim that high-ranking officials from the Fernández de Kirchner administration have attempted to limit the scope of the investigations.

The most prominent figure to receive such an accusation is the president herself. Much of the investigative work to uncover the illegal activities by the knockoff pharmaceutical group was conducted by the Ministry of Health, during the tenure of Graciela Ocaña, who served as health minister from 2007 to 2009.

Ocaña told reporters that the president pressed her to ease up on an inquiry into Juan José Zanola, a union leader in the banking sector who was investigated for participating in a drug scam with Néstor Lorenzo, who was one of the biggest players in ephedrine imports. “Be very careful because Zanola is a fellow *peronista* that helped Néstor and me a great deal”, the president reportedly told Ocaña.<sup>136</sup>

Zanola was jailed for two years during the investigation before being released. Ocaña was removed from her post in 2009.<sup>137</sup>

Several judicial documents say that a senior government official identified only as The Walrus (*La Morsa*) received hundreds of thousands of dollars to block the investigation. In January 2013, Ocaña publicly said that “there are suspicions that The Walrus es Aníbal Fernández,” who sports a walrus-like mustache.<sup>138</sup>

Some law enforcement officials within the government say that the president’s inattention to figures linked to the illegal medicine trade has carried over to other cabinet officials, namely Fernández, who served as interior minister, justice minister, and chief of the cabinet from 2003 to 2011.

His posts in the executive branch gave Fernández enormous authority over law and order policies. A Congressional investigation released in 2009 noted that José Ramón Granero, the former director of Sedronar, a cabinet agency dedicated to combatting drug use and trafficking, testified before the Argentine Senate that, “since 2005 Fernández prevents the chiefs of the security agencies from holding joint meetings so as to coordinate tasks in the struggle against drug trafficking”. Granero also noted that the legal system was not turning drug arrests into

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<sup>136</sup> "Graciela Ocaña reveló cómo Cristina le pidió protección para Juan José Zanola", Perfil, August 5, 2011, accessed at: [http://www.perfil.com/contenidos/2011/08/05/noticia\\_0009.html](http://www.perfil.com/contenidos/2011/08/05/noticia_0009.html)

<sup>137</sup> Delfino and Alegre, 102-103, 128-130.

"Tras dos años presos sin condena, ordenan liberar a Zanola y a su mujer", La Nación, December 15, 2011, accessed at: <http://www.lanacion.com.ar/1432904-la-camara-federal-ordeno-liberar-a-zanola-y-a-su-esposa>

<sup>138</sup> Daniel Santoro, “Triple Crimen: Ocaña lanzó una sospecha sobre Aníbal Fernández,” Clarín, January 31, 2013.



convictions, which he blamed on Fernández.<sup>139</sup> Congressional hearings and complaints from Federal Police officers echo the charges.<sup>140</sup>

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<sup>139</sup> Carrió, et al.

<sup>140</sup> Congressional statements, Cámara de Diputados de la Nación, September 8, 2010, accessed at: <http://www.diputados.gov.ar/diputados/cheller/discursos/debate.jsp?p=128,20,8,HELLER,CARLOS%20SALOMON>  
Carrió, et al.



## Other Tentacles of Corruption

In addition to the growing disdain for the rule of law internationally, the Kirchner and Fernández de Kirchner governments have a long and publicly documented history of non-transparent dealing, political favoritism and close allies tied to serious cases of corruption. None have been tried and few have been removed from their positions of influence and power.

The independent media has documented multiple cases of high level corruption and numerous books have been written on how the power couple amassed their fortune and rose to political power. As discussed below, this is one of the reasons the Fernández de Kirchner government has a long-standing animus toward the non-government media and has worked hard to limit their ability to publish.

The corruption issue is not new in Argentina, which has a long and rich history of malfeasance by government leaders. Former president Carlos Menem (1989-1999), currently a senator, is standing trial for obstructing justice in the AMIA case.<sup>141</sup>

During his presidency, Menem was enmeshed in numerous scandals although he was never convicted in Argentina's troubled justice system. In 2001, he was placed under house arrest for five months and charged with illegal arms shipments to Croatia and Ecuador.<sup>142</sup> As a consequence, bank accounts in the names of Menem's family members, suspected to hold the proceeds of the illegal arms deals, were frozen.<sup>143</sup>

Menem's holdings in Swiss financial institutions would continue to present legal difficulties; Argentine officials sought Swiss help in tracking alleged payments of \$10 million to Menem from the Iranian government, though the search came to nothing.<sup>144</sup> Menem (along with 17 codefendants) was acquitted in 2011, having faced charges of arms trafficking and money laundering stemming from the case.<sup>145</sup> As with the AMIA charges, he was accused of leading a grand conspiracy that

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<sup>141</sup> "Menem, a juicio oral por la causa AMIA", La Nación, March 30, 2012, accessed at:

[www.lanacion.com.ar/1460986-menem-a-juicio-oral-por-la-causa-amia](http://www.lanacion.com.ar/1460986-menem-a-juicio-oral-por-la-causa-amia)

<sup>142</sup> "Menem will try to regain presidency", The Guardian, November 22, 2001, accessed at:

[www.guardian.co.uk/world/2001/nov/23/4](http://www.guardian.co.uk/world/2001/nov/23/4)

<sup>143</sup> Elizabeth Olson, "World Briefing | The Americas: Argentina, Switzerland: Menem's Accounts Frozen", *New York Times*, October 5, 2001, accessed at:

[www.nytimes.com/2001/10/05/world/world-briefing-the-americas-argentina-switzerland-menem-s-accounts-frozen.html](http://www.nytimes.com/2001/10/05/world/world-briefing-the-americas-argentina-switzerland-menem-s-accounts-frozen.html)

<sup>144</sup> "Swiss drop 'Menem millions' case", BBC, July 13, 2005, accessed at:

<http://news.bbc.co.uk/2/hi/americas/3891745.stm>

<sup>145</sup> Debora Rey, "Former Argentine President, Carlos Menem, Acquitted In Arms Trafficking Case", Associated Press, September 13, 2011, accessed at:

[www.huffingtonpost.com/2011/09/13/argentina-carlos-menem-arms-trafficking\\_n\\_960828.html](http://www.huffingtonpost.com/2011/09/13/argentina-carlos-menem-arms-trafficking_n_960828.html)

included both family members and political collaborators: among those standing trial with Menem were his brother-in-law Emir Yoma.

Fernández de Kirchner's administration has had similar brushes with scandal but has not been caught up in such high profile cases, in part, say political insiders and investigators, because the Kirchner administrations have developed a different model to spread the wealth.

Rather than demanding large bribes (although there are documented cases of that as well) the new model centers on a type of crony capitalism where senior government officials or their proxies demand shares in foreign or national companies, and often end up controlling a majority of the businesses. As will be described in some detail below, this has led to certain sectors, such as hydrocarbons, ending up in the hands of Kirchner cronies and insiders, often through opaque and possibly illegal bidding processes.

There have been some major cases that have received significant national and international attention.

Perhaps the case of more traditional corruption that garnered the most international attention was the so-called *maletinazo* (suitcase affair), in which the Venezuelan operative Guido Alejandro Antonini Wilson was arrested in 2007 carrying \$800,000 in undeclared cash on a private flight from Venezuela to Argentina. The flight was chartered by the state enterprise Energía Argentina SA, or Enarsa, and had aboard the Enarsa chief Exequiel Espinoza and Kirchner aide Claudio Uberti, the latter of whom was later deemed "politically responsible" for the flight and forced to resign.

Antonini Wilson and others linked to the case later said that the money was a clandestine contribution from Venezuela's state oil company to Fernández de Kirchner presidential campaign.<sup>146</sup> One person, Franklin Durán, a Venezuelan businessman, was convicted in Miami for conspiring to cover up the origin and destination of the money that was destined to the campaign.<sup>147</sup>

Another famous incident reaching the top of the *Kirchnerista* circle is that of Southern Winds, a small airline that received government backing in 2003 and was linked to Transportation Minister Ricardo Jaime. At the same time, several Southern Winds flights a week bounced between different South American drug producers

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<sup>146</sup> "Caso Maletín: abogado venezolano afirma que PDVSA aportó fondos a la campaña de Kirchner" Info Latam, September 10, 2008, accessed at: [www.infolatam.com/2008/09/10/caso-maletin-abogado-venezolano-afirma-que-pdvsa-aport-o-fondos-a-la-campana-de-kirchner/](http://www.infolatam.com/2008/09/10/caso-maletin-abogado-venezolano-afirma-que-pdvsa-aport-o-fondos-a-la-campana-de-kirchner/)

<sup>147</sup> Alexei Barrionuevo and Carmen Gentile, "Conviction in Spy Case Over Cash-Filled Suitcase," *New York Times*, November 3, 2008.

and Los Angeles. In 2005, Spanish police seized suitcases loaded with 60 kilos of cocaine on a Southern Winds flight to Madrid, causing a major scandal and leading to the demise of Southern Winds.<sup>148</sup> Jaime, however, remained in his post for an additional four years.

## **Crony Capitalism in the Energy Sector**

One example, of the many that have been documented, where the contours of the distinct Kirchner model can be traced is in the energy sector. In that sector a small coterie of well-connected businessmen have parlayed their close ties to the Kirchner and Fernández de Kirchner administrations into a dominant position atop Argentina's energy industry.

This Hydrocarbons Group, whose members have all faced numerous corruption allegations, are transferring former Argentine state assets into the possession of companies registered abroad, including in the United States and the United Kingdom. Collectively, these transactions appear to represent a sophisticated project by a small group of *Peronist* businessmen to strip assets from the Argentine state and migrate them to public foreign holding companies – where they can attract hard-currency capital and where the assets are better protected in the event that a new government in Argentina could seek to recover these valuable properties.

The Hydrocarbons Group began acquiring energy concessions from the Argentine government in 2005 in a series of complicated and opaque transactions. Some of these concessions were auctioned off by *kirchnerista* state governments in tenders that were denounced for their lack of transparency. In some instances, the hydrocarbon assets were merged with utility companies that the businessmen obtained at bargain prices after foreign investors such as Gaz de France sold out in frustration due to government-mandated rates.

All of these businessmen are subjects of extensive corruption investigations. Some of the allegations are current, while others stretch back to the government of Carlos Menem. One businessman is a disgraced football executive working in concert with a former Central Bank official who fled the country amid a criminal inquiry. Another is a former interior minister run out of office on corruption charges. They have longstanding business interests in many different areas, from gambling to real estate to mining. Their entry into the energy realm is a more recent development.

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<sup>148</sup> "Argentine Airline Company Southern Winds (SW) Implicated In 60 Kilograms Cocaine Seizure In Madrid In September 2004; Three SW Employees Arrested.", WikiLeaks Cable, February 18, 2005, accessed at: [www.cablegatesearch.net/cable.php?id=05BUENOSAIRE392](http://www.cablegatesearch.net/cable.php?id=05BUENOSAIRE392)  
"Argentina Political Roundup For March 14", WikiLeaks Cable, March 14, 2006, accessed at: [www.cablegatesearch.net/cable.php?id=06BUENOSAIRE596](http://www.cablegatesearch.net/cable.php?id=06BUENOSAIRE596)

In the course of building their hydrocarbon empires, four of the businessmen appear to have acquired publicly traded companies in the United States and United Kingdom via buyouts that minimize transparency, most notably in a controversial practice known as a reverse merger (in which a private company purchases an already existing public entity so as to avoid the lengthy process required to take a company public).

Despite the government's stated goal of boosting investment and strengthening home grown industry, it is striking how little capital these businessmen actually put into their concessions, many of which are simply flipped to foreign investors.

Corruption allegations surrounding the hydrocarbon industry first erupted in 2007 with media and opposition denunciation of the "*kirchnerization*" of Argentine oil. Observers alleged that the process was abetted by Repsol in a series of opaque deals with Kirchner cronies. The assets involved include privatized utility companies that hold government-granted monopolies, oil and gas concessions granted by Peronist-controlled state governments, joint ventures with Repsol requiring the Spanish oil giant to put up most of the cash or drilling funds, and stakes in existing YPF oil fields.

### **Stripping Argentina's Energy Assets**

Since 1994, the legal ownership of hydrocarbons and the authority to award hydrocarbon concessions in Argentina are held by provincial governments, a policy that President Nestor Kirchner strengthened when he took office in 2003.

But the following year, amid a major energy crisis caused by price controls on fuel, Kirchner, in May 2004, announced the creation of Energía Argentina SA (ENARSA), to be 53% owned by the government, 12% by the provinces, and 35% by private shareholders. While ENARSA is best known for its total authority in the awarding of offshore oil concessions, it also enhanced the national government's influence over both provincial governments and private energy producers.

As the Center for Strategic and International Studies has noted, "ENARSA provides a convenient vehicle for establishing joint venture agreements with private firms that gives the federal government greater control over exploration and development decisions."<sup>149</sup>

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<sup>149</sup> Thomas Andrew O'Keefe, "Argentina", Energy Cooperation in the Western Hemisphere: Benefits and Impediments, Center for Strategic and International Studies, March 2007, accessed at: [http://www.mercosurconsulting.net/images/Chap08\\_Argentina2007.pdf](http://www.mercosurconsulting.net/images/Chap08_Argentina2007.pdf)

In June 2005, Repsol of Spain became ENARSA's first joint venture partner, a strong indication of its appreciation for the new political reality, agreeing to invest \$129 million in offshore exploration. The relationship deepened in following years as the government tightened its grip. In 2006, the government created a "special regime" offering tax benefits for both onshore and offshore concessions to companies that cooperate. "Interested parties must go into partnership with [ENARSA](#) in order to avail themselves of the numerous benefits of this regime," Repsol noted in its 2009 financial statement.<sup>150</sup>

The main architect of ENARSA was Julio De Vido, who has served as Minister of Planning since 2003. De Vido was Nestor Kirchner's top advisor and Economy Minister when Kirchner was governor of the province of Santa Cruz. For the last nine years, De Vido has functioned as the Kirchner government's primary agent in dealing with the energy industry. In addition to ENARSA, De Vido has legal authority to approve oil deals. He has been the subject of numerous corruption allegations and investigations, including the 2006 Skanska payoff scandal involving ENARSA, and the 2007 scandal involving campaign cash from Venezuela.

In 2012 De Vido led the government's expropriation without compensation of YPF from Repsol.

Since 2003, De Vido has pressured Repsol and provincial governments to award concessions or joint ventures to favored supporters of the Kirchner government. Many of these deals involved little-known companies with unknown owners. In recent years, it has become known that most of these small companies are either owned by, or closely affiliated with, a handful of businessmen with close ties to the Kirchners and long records of corruption allegations.

In April, former YPF chief of exploration Gualter Chebli told a conference that approximately one-half of all new exploration areas in recent years (87 out of 190) have gone to just a half-dozen Kirchner cronies. Chebli also testified before an unofficial panel of the Argentine Senate on April 5, 2012:

*The Manzano-Vila group controls businesses of the following names: Kilwer, Ketsal, Integra, Cliveden, Petróleos de la Patagonia, and Andes Argentina. Cristóbal López's group controls Oil M&S, Clear SRL, and Grupo Indalo. Eduardo Eurnekian is the owner of Unitec Bio and Unitec Energy. Lalín and his group of Chinese investors are the owners of Oxipetrol, which has some areas in the North. Raúl Moneta is the owner of Raiser SA... In the case of Santa Cruz province, the 14 areas have been handed out along the following lines: seven*

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<sup>150</sup> Consolidated Financial Statements 2009, Repsol, accessed at: [http://www.repsol.com/imagenes/es\\_en/Consolidated-financial-statements-2009\\_tcm11-564453.pdf](http://www.repsol.com/imagenes/es_en/Consolidated-financial-statements-2009_tcm11-564453.pdf)

*for the group belonging to Lázaro Báez and seven for the Cristóbal López's group. You will then see what they have done in each of these areas.<sup>151</sup>*

Three years earlier, in a little-publicized PowerPoint slide for the Argentina Energy Institute, Chebli offered his “personal opinion” about how the crony concessions were stacking up:

**Última reflexión (a título personal..)**

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Inversiones comprometidas por los “nuevos actores de la industria petrolera”:

→ Grupo Manzano - Vila	U\$S	393.848.000.-
→ Grupo Cristóbal López	U\$S	130.175.000.-
→ Grupo Lázaro Báez	U\$S	81.177.000.-
→ Grupo Daniel Lalín	U\$S	49.000.000.-
→ Grupo Eduardo Eurnekían	U\$S	13.960.000.-
→ Grupo Raúl Monetta	U\$S	13.960.000.-
<b>TOTAL:</b>	<b>U\$S</b>	<b>5.830.000.-</b>
	U\$S	673.990.000.-

Corresponde casi al 30% de toda la inversión comprometida para el Primer Período Exploratorio de cada contrato que, en general, se extiende por 3 años.

<sup>151</sup> "Reunión de la Comisión de Economía Nacional e Inversión", Senado de la Nación, April 10, 2012, accessed at: [http://iae.org.ar/especiales/VT\\_YPF\\_10\\_04\\_2012.pdf](http://iae.org.ar/especiales/VT_YPF_10_04_2012.pdf) (El grupo Manzano y Vila controla las empresas que figuran con los siguientes nombres: Kilwer, Ketsal, Integra, Cliveden, Petróleos de la Patagonia y Andes Argentina. El grupo de Cristóbal López controla Oil M&S, Clear y el Grupo Indalo. El grupo Eduardo Eurnekian es propietario de Unitec Bio y Unitec Energy. Lalín y un grupo de inversores chinos son titulares de Oxipetrol, que tiene algunas áreas en el norte. Raúl Moneta es propietario de Raiser SA... En el caso de la provincia de Santa Cruz, las catorce áreas se reparten de la siguiente manera: siete para el grupo de Lázaro Báez y siete para el grupo de Cristobal López. Después veremos qué han hecho en cada una de las áreas.)



## Freedom of the Media

One of the constant battles Fernández de Kirchner has waged has been against the independent media, particularly the Clarín Group and *La Nación*. *Clarín* and *La Nación* are among the oldest and most prestigious newspapers in the hemisphere.

Argentina had been at the forefront of free speech in the decade prior to the Kirchner era, after suffering harsh repression during the dictatorships of the 1970s-1980s. With the return to civilian rule in the 1990s, it enacted some of the more advanced libel and slander laws in the hemisphere, designed to avoid the chilling effects that a criminal process could have on dissenting journalists and media groups.

But since 2008, the Fernández de Kirchner government has waged an unrelenting battle to dismantle the Clarín Group and reign in freedom of expression on many fronts, drawing repeated condemnation and expressions of concern by the Inter-American Press Association and other free speech watchdogs. The ongoing campaign against *Clarín* and *La Nación*, which are at the eye of the storm because of their national reach and dissenting political position, began after *Clarín* covered the anti-government farming protest against a sliding-scale taxation system on agricultural exports. The system was widely unpopular, but the government took special dislike to the media's role in reporting the crisis.

A new media law proposed and enacted by Kirchner in October 2009 significantly altered the landscape. It redefined the objectives of media in the country to include education on human rights and guaranteed social inclusion, among others, and created a new controlling authority,<sup>152</sup> while restricting the concentration of media ownership.<sup>153</sup>

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<sup>152</sup> Law 26522, Boletín Oficial, October 10 2009, available at <http://www.boletinoficial.gov.ar/Inicio/Index.castle>: the new controlling authority, the *Consejo Federal de Comunicación Audiovisual*, will have a representative from each province and the City of Buenos Aires, as well as representatives from commercial and non-profit media owners; national universities, unions, indigenous entities and public media outlets.

<sup>153</sup> Law 26522, Boletín Oficial, October 10 2009. Available at <http://www.boletinoficial.gov.ar/Inicio/Index.castle>.

While initially drawing cautious praise from the UN Special Rapporteur for Freedom of Expression, Frank La Rue, during his 2009 visit to Argentina,<sup>154</sup> there were immediately raised some serious concerns about how it would be implemented.

Chief among the concerns were the regulation of content that the law intends to implement -- assigning time to education, diversity, promotion of culture, and the like, as part of every channel programming; the concession of a license to the Catholic church, without bidding or prior process, and to the detriment of other religious organizations which have not been granted the same privilege; and, the disinvestment clause contained in article 161 ordering the companies which own more frequencies or licenses than those allowed by the new law to sell them within one year.<sup>155</sup>

The disinvestment clause was among the first articles of the law to be challenged judicially. The Grupo Clarín, the most affected by the law that would be forced to sell a significant part of its assets, asked for an injunction while questioning the constitutionality of the law. The injunction was granted in 2009, and upheld recently by a Supreme Court decision, which however, established December 7<sup>th</sup>, 2012, as an expiration date subject to the resolution of the underlying issue of the constitutionality of article 161.<sup>156</sup> In December the final ruling was further delayed.

Issues arising out of the implementation process for article 161 are potentially more dangerous than the actual disinvestment clause itself. Among the main issues are:

- Companies which are forced to sell within a year will be forced to do it at very low prices because there is no time for a rational bidding process;
- Who will buy said companies, frequencies or concessions? There are well-founded concerns that private groups associated with the current government will get authorization to buy a bigger share of the market than the law permits.
- Even if no single group is able to concentrate all the divested media power, if all sold frequencies and concessions are bought by government-friendly and/or sponsored holdings, the current administration with a demonstrated history of cronyism, political favoritism and disregard for the rule of law,

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<sup>154</sup> “Es lo más avanzado que he visto en el Continente”, Página 12, July 15, 2012, available at <http://www.pagina12.com.ar/diario/elpais/1-128260-2009-07-15.html>; Mr. La Rue stated that the project was one of the most democratic reforms in media regulation world-wide.

<sup>155</sup> Ley 26522, Boletín Oficial, Available at: <http://www.boletinoficial.gov.ar/Inicio/Index.castle>

<sup>156</sup> <http://www.cij.gov.ar/nota-9152-Ley-de-medios--la-Corte-preciso-el-plazo-de-vigencia-de-la-medida-que-suspendio-el-articulo-161.html>.

would have fought an independent private conglomerate only to create one that is beholden to the current administration.<sup>157</sup>

- If one believes that dissent, diversity and criticism are at the basis of an accountable and transparent government, such concentration in the hands of the government would almost certainly come at the detriment of diversity, transparency, free speech and debate. The potential repercussions of creating a new state-owned media monopoly are dramatic and threatening to the democratic form of government itself.

The government and its union allies have already initiated attempts to cripple the two main newspapers. According to the OAS Annual Report of the Special Rapporteur for Freedom of Expression, between November 4-6 members of the transportation union allied with the government blocked the Buenos Aires printing facilities of daily newspapers *Clarín* and *La Nación* for several hours, preventing the papers' distribution to the rest of the country. According to the information received by the Office of the Special Rapporteur, the transportation union took the measure in order to compel the drivers in charge of delivering newspapers and magazines in Buenos Aires – who currently form a cooperative – to join the union. Media organizations and local media indicated, however, that the union was looking particularly to affect media outlets critical of the government.

### **Stigmatizing the Media and Journalists**

Fernández de Kirchner is also waging a furious campaign of stigmatization of media groups and journalists. Former President Nestor Kirchner opened the field for this behavior that has escalated and is becoming both aggressive and creative.

The OAS Special Rapporteur for Freedom of Expression, in her Annual Report for 2009, identified three particularly concerning events: the spray painting of *Clarín*'s offices with the legend “Clarín lies” (“Clarín Miente”) in August 2009;<sup>158</sup> a raid that the Federal Administration of Public Revenue (AFIP) ordered on *Clarín*

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<sup>157</sup>,”Otro Grupo de medios en manos oficialistas,” *La Nación*, April 27, 2012, available at <http://www.lanacion.com.ar/1468628-otro-grupo-de-medios-en-manos-oficialistas>.

<sup>158</sup> OAS, *Annual Report of the Special Rapporteur for Freedom of Expression, Evaluation of the state of Freedom of Expression in the Hemisphere, Argentina*, 18-26, pg. 21: “The Office of the Special Rapporteur also received information indicating that on May 14, 2009, 11 of the Buenos Aires advertising offices of daily newspaper *Clarín* were spray-painted with the message, “*Clarín* lies,” an allusion to public officials’ statements to that effect. The Office of the Special Rapporteur also received information indicating that in August of 2009, the home of one of *Clarín*’s directors was attacked by unknown individuals who threw eggs and paint citing *Clarín*. May 15, 2009. *En una noche, atacaron 11 oficinas de avisos de Clarín en Capital y GBA*; *Clarín*, August 25, 2009. *Intimidaciones y ataques a directivos del grupo Clarín*; Information submitted in October of 2009 to the Office of the Special Rapporteur by representatives of *Clarín*.

headquarters in Buenos Aires on September 10, 2009;<sup>159</sup> and, the transportation union's protest that blocked the distribution of newspapers *La Nación* and *Clarín* on Nov. 4 and 6, 2009.<sup>160</sup>

Numerous other examples appeared after the Rapporteur's Report of 2009. On December 20, 2011, members of the National Guard (*Gendarmeria Nacional*) took control of and searched the offices of Fibertel, a cable company belonging to Grupo Clarín.<sup>161</sup> Apparently, a judge in the province of Mendoza had ordered the search and judicial intervention of the company based on an accusation from a local cable company close to the Kirchner administration. Fibertel has no offices or operation in the province of Mendoza, and claimed the search was an illegal abuse of authority.

On July 7, 2011, the Authorities of the Central Market (*Mercado Central*), directly dependent of the Secretary of Commerce Guillermo Moreno, prohibited the sale of the newspaper *Clarín* on its premises.<sup>162</sup> The measure was shortly afterwards lifted by a judge and the authorities were forced to accept the sale of said newspaper on its premises again.

In February 2012, Vice-President Boudou participated in a music festival where he wore a T-shirt with the slogan: "*Clarín* lies".<sup>163</sup> And more recently in May 2012,

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<sup>159</sup>OAS, *Annual Report of the Special Rapporteur for Freedom of Expression, Evaluation of the state of Freedom of Expression in the Hemisphere, Argentina*, 18-26, Pg. 21 "On a different topic, on September 10, 2009, dozens of agents with the Federal Administration of Public Revenue (Administración Federal de Ingresos Públicos, AFIP) appeared at Grupo Clarín headquarters in the Autonomous City of Buenos Aires to collect tax and welfare information in an inspection. Later, Ricardo Echegaray, head of the AFIP, said that he had not ordered the measure, and that it had happened as the result of a "procedural error." The Office of the Special Rapporteur received information indicating that two AFIP officials had been fired for having carried out the inspection without authorization Citing *Clarín*. September 11, 2009. *Insólito operativo: el Gobierno envió a Clarín 200 inspectores de la AFIP*. Available at: <http://www.clarin.com/diario/2009/09/11/elpais/p-01996758.htm>; Committee for the Protection of Journalists. September 11, 2009. *CPJ seeks comprehensive inquiry on Clarín tax raid*. Available at: <http://cpj.org/2009/09/cpj-seeks-comprehensive-inquiry-in-clarin-tax-raid.php>.

<sup>160</sup> Citing: Asociación de Entidades Periodísticas Argentinas. November 4, 2009. *ADEPA condena nuevo bloqueo a la distribución de diarios y revistas*. Available at: <http://www.adepa.org.ar/secciones/ldp/nota.php?id=285>; *Clarín*. November 4, 2009. *Fuerte repudio de la oposición al bloqueo de Camioneros contra diarios y revistas*. Available at: <http://www.clarin.com/diario/2009/11/04/um/m-02033817.htm>; *Clarín*. November 4, 2009. *Levantaron el bloqueo camionero sobre las distribuidoras de diarios*, available at: <http://www.clarin.com/diario/2009/11/04/um/m-02033600.htm>; Inter-American Press Association. *65th General Assembly, November 6-10, 2009, Buenos Aires, Argentina. Country reports: Argentina*. Available at: [http://www.sipiapa.com/v4/index.php?page=det\\_informe&asamblea=24&infoid=363&idioma=us](http://www.sipiapa.com/v4/index.php?page=det_informe&asamblea=24&infoid=363&idioma=us).

<sup>161</sup> "Allanaron Cablevision y un juez ordenó su intervención," *Clarín*, December 20, 2011, , available at: [http://www.clarin.com/politica/Sorpresivamente-Gendarmeria-ocupo-sede-Cablevision\\_0\\_612538916.html](http://www.clarin.com/politica/Sorpresivamente-Gendarmeria-ocupo-sede-Cablevision_0_612538916.html).

<sup>162</sup> "Venderán Clarín en el Mercado Central," *La Nación*, July 29, 2011, , available at: <http://www.lanacion.com.ar/1393213-venderan-clarin-en-el-mercado-central>.

<sup>163</sup> "Boudou llevó la campaña "Clarín miente" hasta El Calafate," *La Nación*, February 25, 2012, , available at <http://www.lanacion.com.ar/1448903-boudou-llevo-la-campana-clarin-miente-hasta-el-calafate>.

during a government-organized trip to Angola to promote Argentinian products and economic exchange, a delegation member gave out socks to underprivileged Angolan children with a legend that read: “*Clarín* lies.”<sup>164</sup>

These were not the first instances where public officials or buildings had sponsored the legend “*Clarín* lies”. On prior occasions, gigantic posters with the same legend appeared on the facades of the building where the INDEC operates (the national center of statistics and census, which is intervened by the government), and that of the Central Market.

*Clarín* and *La Nación* are alleging persecution from the government and its related offices. And although the different incidents are under judicial review, the impact that they’ve had on free speech is already highly damaging. Argentina’s civil society is already highly polarized over the issue. As the OAS Special Rapporteur for Freedom of Expression stated in her 2010 Annual Report, “The existence of a context of extreme confrontation in which defamatory and stigmatizing remarks are constant generates a climate that prevents reasonable and pluralistic deliberation, especially with regard to political matters.”<sup>165</sup>

In 2010, in the midst of intense polarization between the government and the media outlets *Clarín* and *La Nación*, there were a number of disturbing episodes. Later that year, Mr. Boudou, former Minister of Economy and current vice president, issued statements saying that two journalists with the newspapers *La Nación* and *Clarín* were “like the ones who helped the Nazis clean out the gas chambers.” Although Boudou apologized to the Argentinean Delegation of Israeli Associations, he refused to apologize to the journalists because they have “anti-Argentine attitudes” by “constantly publishing lies” in the newspapers where they work.”<sup>166</sup> Similarly, in March 2012, President Fernandez de Kirchner criticized by name two journalists representing *Clarín* and *La Nación* stating that their publications were “Nazi”.<sup>167</sup>

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<sup>164</sup> “Reparten medias con la leyenda “Clarín Miente” a niños descalzos de Angola,” *Clarín*, May 18, 2009, , available at: [http://www.clarin.com/politica/Reparten-Clarín-Miente-descalzos-Angola\\_0\\_702529934.html](http://www.clarin.com/politica/Reparten-Clarín-Miente-descalzos-Angola_0_702529934.html).

<sup>165</sup> OAS, Special Rapporteur for Freedom of Expression, *Annual Report 2010*, OASOEA/Ser.L/V/II. Doc. 5, 4 March 2011, Argentina, p. 28-37, at 32.

<sup>166</sup> OAS, Special Rapporteur for Freedom of Expression, *Annual Report 2010*, OASOEA/Ser.L/V/II. Doc. 5, 4 March 2011, Argentina, p. 28-37, at 32

<sup>167</sup> “Cristina Kirchner tildó de “nazi” a un columnista del diario Clarín,” *La Nación*, Mach 12, 2012, available at: <http://www.lanacion.com.ar/1456025-cristina-kirchner-tildo-de-nazi-a-un-columnista-de-clarin>. “La Presidenta se refirió a dos columnas publicadas hoy: *Los ‘imberbes’ de Aerolíneas* , escrita por el secretario de redacción de Clarín Osvaldo Pepe y a *Axel Kicillof, el marxista que desplazó a Boudou* , de Carlos Pagni en LA NACION. “Me pareció muy nazi”, dijo la Presidenta luego de referirse durante minutos a [al artículo de Pepe](#) en Clarín.”

## The Use of Official Publicity

Perhaps nowhere is the Fernández de Kirchner government in more flagrant violation of its own laws than in its spending of hundreds of millions of dollars per year on government publicity. This flow of money is the lifeblood of most media, and two judicial decisions prohibit the government from discriminating among the media in its expenditures.

Despite these legally binding rulings, the executive and the legislature, controlled by Fernández de Kirchner loyalists, have been unable or unwilling to ensure compliance regarding; to date, how the money is spent remains at the discretion of the presidency. Thus, media favorable to the government gets an enormously disproportionate share of the official publicity revenue stream in a striking disregard for the law.

According to the most recent analysis of government spending in 2012, the Fernández de Kirchner government spent \$432.8 million for publicity on a national level, in addition to the hundreds of millions more the provincial governments spend. This is a significant rise over the previous year. While pro-government media received some 65 percent more in government payments in 2012 than in 2011, *Clarín*, the largest newspaper in the country, suffered a 70 percent drop and *La Nación*, the second largest newspaper had an 88 percent drop.<sup>168</sup>

The pro-government *Tiempo Argentino* newspaper, with little national readership, received some \$80 million in government funds, and *Página 12*, another government stalwart, received \$50.4 million. *Clarín* received less than \$1 million – a total of \$712,842. This is down from some \$4 million received the year before. *La Nación*, the other paper critical of the government, received only \$814,000.<sup>169</sup>

Although the national Executive's practice is more evident nation-wide, the issue affects provincial and other smaller media as much as it does other bigger and more noticeable newspapers and media holdings. There is a clear pattern in recent years of the government using its funds to punish and attempt to economically bankrupt unfriendly media while lavishing spending on media that is pro-government. This, despite the fact the pro-government media has none of the national reach, prestige or international stature of the independent media.<sup>170</sup>

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<sup>168</sup> "CFK usa la pauta oficial para premia y castigar," *Diario Hoy* (Ecuador), February 5, 2013, accessed at: <http://www.hoy.com.ec/noticias-ecuador/cfk-usa-la-pauta-oficial-para-premiar-y-castigar-573404.html>

<sup>169</sup> Ibid

<sup>170</sup> ADC, October 29, 2010, Abuso de publicidad oficial y Censura Indirecta en America Latina, Report submitted to the IACHR on its 140th Ordinary Sessions, available at: [www.adc.org.ar/download.php?fileId=580](http://www.adc.org.ar/download.php?fileId=580).

## The Case of Papel Prensa

Papel Prensa is a newsprint company owned by the State, Grupo Clarín and *La Nación*. Although the company has not been yet expropriated, it has been declared of public interest, which allows for further government regulation and participation in its everyday operations.<sup>171</sup>

Newsprint is an especially fundamental resource for guaranteeing free speech and media freedom. Any monopoly over the production, sale, or transport of newsprint potentially affects freedom of the press. The situation until 2011 was deficient at best. However, the new scenario that gives absolute discretion to the government to regulate the sale of newsprint as it wishes will almost certainly prove far worse.<sup>172</sup>

Furthermore, the existent judicial accusations that the State launched against Papel Prensa's partners *La Nación* and *Clarín* for the manner in which they acquired the company back during the military dictatorship, also creates uncertainty about the future distribution of shares, undermines value, and therefore negatively affects property rights, furthering the State's control over the fundamental resource of newsprint.<sup>173</sup>

## Conclusions

The government of Cristina Kirchner, facing multiple internal political and economic crises, has moved to ally itself ever more closely with the two forces most antagonistic to U.S. interests and democracy in the hemisphere: the Bolivarian bloc of nations led by Hugo Chávez, and Iran. This shift, coupled with Kirchner's growing authoritarianism at home and increasing disdain for the rule of law on a national and international level, puts Argentina on the path to international default and isolation from its most important traditional democratic partners, including the United States, Brazil, Chile and Colombia.

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<sup>171</sup> "Nuevo avance sobre la prensa: fijan cupos para importar papel," *La Nación*, January 18, 2012, available at <http://www.lanacion.com.ar/1441434-nuevo-avance-sobre-la-prensa-fijan-cupos-para-importar-papel>.

<sup>172</sup> OAS, Special Rapporteur for freedom of Expression, *Annual Report 2010*, "(...) it is important that existing anti-monopoly rules be applied to newsprint production in such a way as to foment its uninhibited production. This regime must be defined by the legislative branch, with special attention given to the obligation to prevent the existence of abusive government or private sector controls. In particular, it is important to take into account that the pretext of regulating monopolies cannot end up creating a form of intervention that allows the State to affect this sector in any way other than to prevent the concentration of property and control of production and distribution of this input and to facilitate free and competitive paper production."

<sup>173</sup> *La Voz Política*, August 24, 2010, *La Cronología*, available at: <http://www.lavoz.com.ar/noticias/politica/la-cronologia>.

Argentina has seen this movie before. The cycle of economic and political crisis has played out through populist authoritarian regimes, brutal military dictatorships, and corrupt kleptocracies.

However, the current crisis has new and dangerous elements.

The warming relations with Iran, likely to come at the expense of dropping indictments against senior Iranian officials implicated in a major terrorist attack, is particularly troubling. The movement is further complicated by the fact that many of those indicted, particularly Mohsen Rabbani, retain active and dangerous networks across Latin America, including in Argentina. The dropping of the charges would represent a tremendous political victory for Iran, where most of those indicted occupy very senior government positions, while it would also remove one of the main brakes on Iranian expansion in the region.

Argentina's willingness to revive its missile program, and its long-standing ties to Iran's nuclear program, also raise serious concerns about Fernández de Kirchner's willingness to contravene international sanctions and to aid the Islamic republic in its internationally condemned quest for nuclear weapons and delivery systems.

The growing alliance with the populist authoritarian governments of the Bolivarian bloc is also worrisome. This path, in every case, has led to overtly anti-U.S. policies, and to the stifling of the rule of law, a dismantling of the independent media, the abolishment of independent judiciaries, a lack of transparency and accountability, and the outlawing of almost all political opposition.

Most troubling, this movement is also characterized by a deep stain of corruption and official involvement, at the highest levels, in transnational criminal activities and support of armed terrorist groups -- particularly the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia-FARC*) and Hezbollah.

As Argentina moves away from the democratic forces in the region, and into the Bolivarian orbit, the destructive combination of transnational organized criminal groups, their sponsors, and terrorist organizations also involved in drug trafficking, will follow, as they have elsewhere. This presents a tremendous challenge not only to Argentina, but also to the rule of law and democracy in the hemisphere.

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