



**GLOBAL
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IRAN'S CRIMINAL STATECRAFT

HOW TEHRAN WEAPONIZES
ILLICIT MARKETS

J. R. Mailey

OCTOBER 2024

ACKNOWLEDGEMENTS

The author would like to thank Tuesday Reitano, Mark Shaw and Mark Ronan for their comments on the manuscript of this report, Alex Goodwin for insights on criminal markets in Iraq, Fatjona Mejdini for insights on the state-crime nexus in the Balkans and Sarah Fares for extensive research and analytical support.

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EXECUTIVE SUMMARY

Over the past decade, Iran's regime has been involved in collaborations with criminal actors across the world, seeking to assassinate critics and adversaries, procure materials to advance its nuclear programme, circumvent international sanctions and money-laundering controls, and fund armed groups and terrorist organizations that have carried out horrific attacks.

The severity of the threat and the impact on human life have led many observers to attribute Iran's criminal conduct to malicious intent. But identifying the logic and rationale for Tehran's reliance on criminal tactics and proxies is crucial for developing an effective strategy to disrupt and dismantle Iran-backed illicit networks. Ultimately, Iran weaponizes illicit markets to advance some of its most important strategic objectives, within the Middle East and globally. Below are some key findings from this scoping study.

- Iran's criminal proxies have plotted – with some success – operations to assassinate or abduct critics to prevent and contain opposition and dissent. On one hand, these plots have a chilling effect – which is inherently difficult to measure – that may mute criticism of Iran's regime.¹ On the other hand, the threats and attacks have galvanized Iran's civilian critics and activated various governments to dig deeper into Iran's networks and the threat they may pose to domestic and international security.²
- Since proxies provide a modicum of plausible deniability, Iran has used criminal markets as a means of weakening adversaries while avoiding a direct military confrontation. Examples of these operations include Houthi militants' sabotage of ships passing through the Gulf of Aden,³ Syrian and Iraqi militias' attacks on US military assets in the Middle East⁴ and relentless cyber-attacks on NATO allies with significant digital vulnerability, such as Albania.⁵
- Criminal partnerships have been crucial for Iran's efforts to strengthen allies in the region while retaining influence over them. Iran has provided numerous militias across the Middle East – especially in Iraq, Lebanon, Syria and Yemen – with extensive training, funds, weapons, equipment and logistical support.⁶
- With widespread sanctions constraining Iran's finances and access to the global economy, criminal partnerships have been a key component in the regime's attempts to regain access to money and markets. Objectives include getting Iran's oil to market; finding ways to accumulate foreign currency and transfer funds; and cultivating relationships with fixers and middlemen who can help Tehran procure defence items and 'dual-use' materials with civil applications but also terrorism and military-related applications.



Waving in support. Portraits of the former commander of the Islamic Revolutionary Corps' Quds Force, General Qassem Soleimani, and a commander of IRGC's Quds Force, General Abbas Nilforoushan, during a gathering in Tehran, 2 October 2024. © Morteza Nikoubazl/NurPhoto via Getty Images

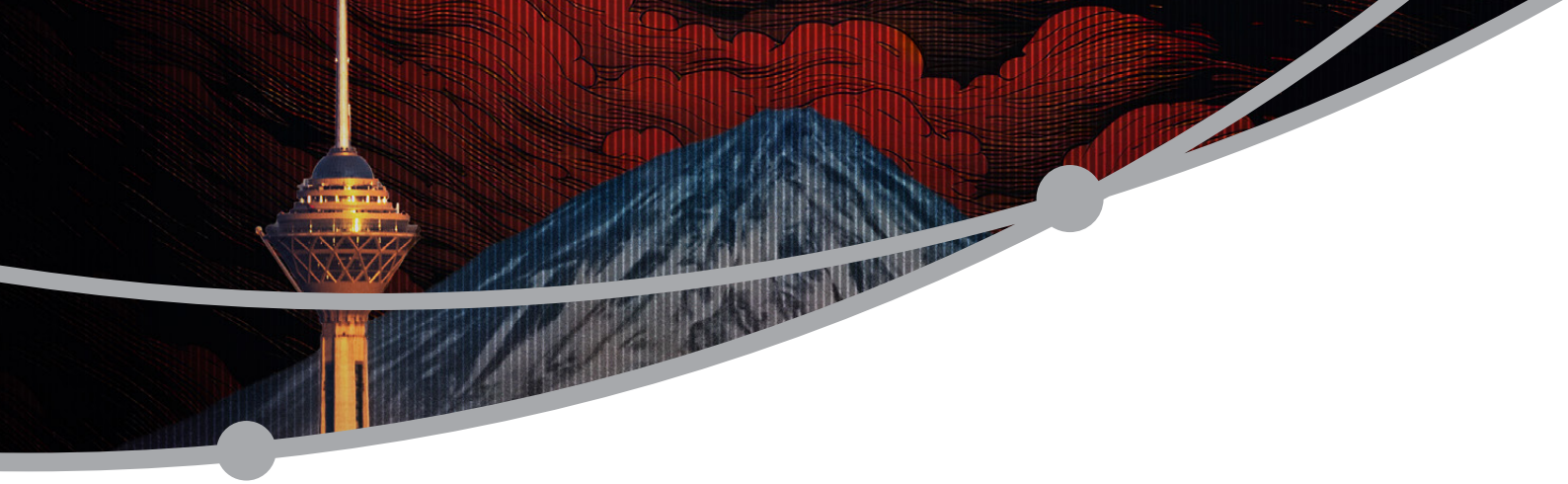
- Iran has employed criminal enterprises to carry out a range of attacks – assassinations, terror strikes, sabotage and cyber-attacks – to improve power projection and asymmetric warfare capabilities. For example, drug cartels have been involved in Iran's assassinations, abductions and terror plots in Albania, Azerbaijan, Cyprus, Denmark, France, Georgia, Germany, Iraq, the Netherlands, Romania, Turkey, the UK, the US and more.⁷
- Iran has cultivated illicit partners that span the globe, including ideologically aligned armed groups, organized criminal enterprises based in Iran, cybercriminals and hacktivists, and transnational criminal enterprises.

Recommendations

A detailed picture of the threat landscape will yield a more nuanced understanding of the pressure points and vulnerabilities of the threat actors, thereby enabling options for disruption. It also could help identify Iran's potential criminal collaborators before their next plot. Options for threat disruption include increasing awareness and exposure, targeted investigations and prosecutions, economic sanctions, travel restrictions, export controls, anti-money laundering measures, and even military operations in some cases. With finite resources, intelligence and law enforcement agencies are unlikely to gain a clear picture of criminals' or malign state actors' penetration of any given territory, public sector institution, economic sector or criminal market. Accordingly, efforts should focus on identifying the major chokepoints in the illicit value chains exploited by these actors.

- Identifying Iran's illicit liaisons. The sensitivity of relationships in illicit markets means connections between Iranian government officials and criminal enterprises may represent a chokepoint for their operations and collaborations. Accordingly, researchers and governments should focus on identifying Iranian personnel acting as intermediaries, including units, individuals, companies,

- physical locations of the Islamic Revolutionary Guard Corps (especially the Quds Force), departments within the Ministry of Intelligence and Security, and the range of Iran-backed cyber threat actors.
- Understanding and disrupting Hezbollah's role. Because of Hezbollah's elevated role in Iran's engagement with global criminal markets, it merits special attention. An updated picture of the financial and logistical networks that underpin Hezbollah's role in illicit economies would enhance the efforts of law enforcement officials, sanctions authorities and compliance professionals to prevent the group from accessing markets and financial institutions.
 - Taking stock of Iran's criminal networks. This scoping study identified some of Iran's criminal connections, but significantly more information is available about networks outside the scope of this study. For researchers and analysts, a high priority should be assigned to efforts to comprehensively map the networks of criminals who have worked on Iran's behalf.
 - Spotlighting vulnerable jurisdictions. Two sets of countries stand out in the analysis of Iran's use of criminal markets to access the formal economy: weakly regulated states that provide a gateway to the global economy (such as Turkey, Dubai and Cyprus); and so-called 'axis of resistance' countries (especially China, Russia and Venezuela) linked to sanctions-busting for Iran. Focused efforts should be made to identify enablers and facilitators in each of these jurisdictions and understand their pressure points or vulnerabilities.
 - Building an incident response framework. The asymmetric nature of the threat from Iran's weaponization of criminal markets means there is a high likelihood that at least some of the identified risks will manifest. The mapping of threat actors and key vulnerabilities in various industries, demographics and jurisdictions will provide a rough framework for developing incident and crisis response protocols. This is a key step towards building resilience within policymaking structures.
 - Engaging the private sector. If properly calibrated, mapping can generate a curated picture of threat actors – complete with any red flags for money laundering, sanctions violations, fraud or other financial crimes – that can be provided directly to financial institutions (such as shipping and insurance companies). These institutions will then be in a position to act well before being instructed by governments to close or free accounts.
 - Sharing information across governments and law enforcement agencies. Mapping threat actors and vulnerabilities will provide a boost to policymakers, law enforcement bodies and intelligence agencies seeking to keep pace with the challenge. This can assist efforts to develop and enforce sanctions programmes, launch police investigations and disrupt attacks being planned by Iran-backed criminals.
 - Bridging the gap between policy and technical specialists. Cyber firms and analysts typically track only the tradecraft and other identifying signatures of certain threat actors. Outside intelligence agencies, little effort has been put into identifying the true identities, economic interests and physical locations of these threat actors. Similar collaboration could occur between entities tracking transnational crime and those working on specific commercial sectors or territories targeted by Iran or another malign state actor.
 - Telling the story. In-depth mapping of the threat should support efforts to tell the story of Iran's weaponization of criminal markets. This could be done through the media, public diplomacy, government statements, diplomatic engagements and more. Governments and law enforcement agencies, in particular, can expand their role in this effort. Publishing data about the threat that is relevant to the public – and especially to vulnerable populations – will also bolster resilience, public diplomacy efforts and pressure on Iran.



ILLICIT PROXIES, EXISTENTIAL PRIORITIES

Isolated from mainstream international markets due to sanctions and its nuclear ambitions, Iran relies on engagement with illicit actors to carry out several key sets of priority operations, including conducting assassinations, abductions and terror attacks against dissidents and perceived adversaries (and often adjacent communities); oil trafficking and money laundering operations aimed at busting sanctions and generating revenue; and smuggling and procurement operations designed to bolster the military strength of Iran and its proxies.

While the severity of the threat and the impact on human life have led many observers to attribute Iran's criminal conduct to purely malicious intent, identifying the logic and rationale for Tehran's reliance on criminal tactics and proxies is crucial for developing an effective strategy to disrupt and dismantle Iran-backed illicit networks. Ultimately, Iran's regime has strong incentives – and sometimes finds it absolutely necessary – to operate outside the formal economy to evade scrutiny and regulations.

The cases examined in this report indicate that Iran's weaponization of illicit markets advances five strategic objectives: preventing and containing opposition and dissent; weakening adversaries while avoiding a direct military confrontation; strengthening allies in the region while retaining influence over them; regaining access to money and markets; and improving power projection and asymmetric warfare capabilities.

Prevent and contain opposition and dissent

For Tehran, domestic political challenges tend to globalize quickly or have significant international dimensions. Its primary rival after the 1979 revolution, the People's Mujahadeen (known by its Farsi acronym, MEK), initially found refuge in Iraq before relocating to Albania after the fall of Saddam Hussein's government. The Green Movement protests after Iran's 2009 election were facilitated and amplified by social media applications from abroad, which allowed protesters to coordinate with one another and communicate their experience to a global audience. The most popular Iranian news outlets that criticize the regime are based abroad.

For each group of critics, the regime has turned – at least in part – to criminal markets for some component of its response. Iran's digital surveillance and cyberwarfare capabilities, for example, were developed in response to the Green Movement protests. Those digital espionage capabilities have

since been used to spy on critics around the world and retaliate against governments that Tehran believes support its opponents.

Iran's regime has been involved in external abductions, assassinations and terror plots since shortly after the founding of the Islamic Republic in 1979, including brazen plans for attacks and abductions from Europe, North America, Asia and Latin America. While some of Tehran's targeted attacks abroad are carried out by state agents, criminal proxies have increasingly become involved in the regime's attempted terror attacks, assassinations and abductions. Many targets of abduction and assassination plots are of Iranian descent, including dissidents and opposition groups – especially the MEK – journalists, human rights activists, defectors and whistle-blowers; or political rivals of Iran's Ministry of Intelligence and Security (MOIS) or the Islamic Revolutionary Guard Corps (IRGC).

While Iran's violent attacks on foreign soil have become remarkably brazen, the use of criminal proxies has often provided a fig leaf for the puppeteers in Tehran. 'While Iran is known to exploit less advanced security services in places like eastern Europe, central Asia and Africa, it has continued to plot attacks and enhance its surveillance capabilities in Europe and the US where the operating environment is more difficult,' Matthew Levitt wrote in a 2022 report by the Combating Terrorism Center (CTC) at West Point. 'One theme that stands out is Iran's willingness to carry out such operations, typically in a manner the regime believes will grant it some measure of deniability, even against the backdrop of sensitive negotiations with Western powers such as negotiations over Iran's nuclear programme and removal of international sanctions.'⁸

Weaken adversaries, avoid direct military confrontation

Iran contends with a dynamic constellation of geopolitical adversaries whose interests, capabilities and relationships with one another shift and vary greatly. These adversaries have formed alliances with Iran's neighbours, enabling the deployment of air, missile and offensive cyber capabilities in countries along Iran's periphery, as well as special operations forces that have proven capable of conducting operations inside Iran and along its periphery. Due in part to this military imbalance, Iran has largely sought to avoid a direct armed confrontation with Israel, the US, NATO countries or the Sunni monarchies on the Arabian Peninsula.

Assassinations and abductions also contribute towards this objective, as Iran's targets have included government personnel or facilities from the US, Europe or Gulf monarchies, as well as prominent Israeli and Jewish people and institutions, including businesspeople, diplomats, community organizations, schools and businesses. Many, but not all, of Iran's external operations pursue targets in third countries where Tehran maintains strong networks of proxies or has proven capable of evading scrutiny.

Strengthen allies while retaining influence

Iran has significantly expanded the military power of its partners and proxies throughout the world – especially in the Middle East. The Houthis in Yemen are a case in point. 'The level of support and types of systems Iran has provided for non-state actors is really unprecedented in terms of drones, ballistic missiles and cruise missiles,' Fabian Hinz of the International Institute for Strategic Studies, told *The New York Times* in April 2024. 'They could be viewed as part of Iran's military capability, especially Hezbollah, which has the closest strategic relationship with Iran.'⁹

Ensuring a steady supply of weapons and equipment to client militias throughout the Middle East is not only important for achieving Tehran's economic, political and security objectives in the near term but also for retaining the loyalty and dependence of the proxies and their leaders. A component of the IRGC Quds Force (a unit of the corps, or IRGC-QF), Unit 190, plays a leading role in achieving this objective. Unit 190 showcases the range of partners within IRGC-QF's network as well as the diversity of its illicit operations. In 2011, when the US Department of the Treasury initially placed sanctions on Behnam Shahriyari, a senior official who has been affiliated with Unit 190, it highlighted his role in smuggling weapons to Hezbollah. When authorities in Turkey seized a consignment of mortar shells and explosives intended for Hezbollah, Shahriyari's name appeared on the bill of lading. Having reportedly overseen IRGC-QF's operations in Turkey for an extended period, Shahriyari has continued to operate throughout the region, accumulating criminal allegations and aliases.¹⁰

Unit 190 has remained on the radar of policymakers around the world focused on Iran and international security. 'IRGC-Quds Force Unit 190, a 20-man unit headed by Hassan Moezzi, is handing out guns, rockets, fuel and missile engines to the Houthis like Halloween candy,' former Secretary of State Mike Pompeo quipped in 2018.¹¹ However, while numerous analysts have described Unit 190 as 'specializing in smuggling', public reporting about various other Quds Force units describes them as also having that responsibility. This underscores the centrality of illicit activity to the mission and mandate of the entire organization.¹²

Working with Unit 190 and other elements of IRGC-QF, criminal agents operating on behalf of Iran have routinely sought access to key inputs and technology the regime is blocked from acquiring due to Western sanctions. In recent years, this has involved attempts to acquire radioactive materials, weapons systems, bomb components and replacement aircraft parts.

Regain access to money and markets

Iran is one of the world's largest oil producers but sanctions have limited revenue, depleted foreign currency holdings, cut off formal access to most global banks, restricted access to commodities, goods and technology, reduced options for business partners and investors, and effectively isolated it from the global economy. When its presence in an international transaction is inherently criminal, Iran often relies on illicit markets out of necessity.

With three major oil producers subject to international sanctions –Iran, Venezuela and Russia – a subset of companies in the crude oil trading sector have begun to specialize in facilitating the transport and sale of sanctioned crude (charging a hefty premium in the process). Numerous civil society organizations and news outlets have conducted extensive research into the vessels, shipping firms and insurers involved. They are involved in what United Against Nuclear Iran calls 'subterfuge shipping', the practice of obfuscating the ownership or contents of a vessel. Tactics used by shipping agencies to conceal the trade in Iranian crude have included using flags of convenience, swapping flags while on the high seas, ship-to-ship transfers of oil, document forgery, labyrinths of shell companies, bribery and fraud.

The US Department of the Treasury has identified numerous oil smuggling networks (some involving Iran's criminal proxies) that facilitate the illegal crude trade. These networks often involve companies and citizens from many jurisdictions. For example, a network placed under US sanctions in 2022 involved the following entities: the former Afghan chargé d'affaires in Moscow, Kamaluddin Gulam Nabizada; a Russian oil trading firm; United Arab Emirates (UAE) shipping firm Zamanoil DMCC;

Turning off the revenue pipeline.
Sanctions have curtailed income
from Iran's substantial oil sector.
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via Reuters



Turkish import/export firms engaging in money laundering; Hezbollah front companies in Lebanon; and purchasers in China using shell companies in Hong Kong.¹³ The complexity of the networks involved – which is typical of sanctions evasion schemes involving Iran's oil – and the technical specialization needed to monitor the tactics used to obfuscate crude shipments underscore the need for a networked response to Iran's state-crime nexus.

Criminalized proxies and transnational criminal organizations have become important money launderers for Iran. Largely cut off from the international financial system, Tehran has leaned heavily on Hezbollah and other criminal enterprises that operate money exchanges and hawala networks to clean their cash. In some places, however, Iran-backed groups' direct involvement in illicit trades – such as the flow of methamphetamine through Iraq – has become a source of dollars and a means of circumventing foreign exchange restrictions imposed by the US government.

Hezbollah plays a particularly important role in laundering funds for Iran due to its global network of money changing and foreign exchange houses; embedment in the illicit trade in diamonds; control over cash-intensive businesses across the Middle East, Africa and Latin America; and connections to the operatives and financiers of criminal enterprises in Europe and North America. As part of this system, Hezbollah and Iran rely on clusters of foreign currency exchange brokers in numerous countries to launder funds and finance terrorist proxies, including nodes in the UAE, Canada (especially Toronto and Vancouver), Turkey and Russia. In Iraq, where there have been numerous attempts to clamp down on foreign currency smuggling by corrupt banks linked to Tehran and its proxies, Iran has relied on its proxies' involvement in the trade in crystal meth to gain access to foreign currency.

Improve power projection and asymmetric warfare capabilities

While Iran has one of the largest and most capable militaries in its region, significant financial sanctions and prohibitions on its defence sector impede access to key inputs and commodities needed to build and maintain its military arsenal through formal channels. Developing more advanced, long-range weapons systems is crucial to Iran, as it prioritizes deterrence and offensive capabilities to stave off a

full-scale conflict with its foreign foes, particularly Israel or the US. With nuclear deterrence seemingly its ultimate objective, Iran's ambition to develop weapons of mass destruction is a primary reason the regime has achieved pariah status and isolation from international commerce. The scrutiny applied to the trade in commodities, equipment or technology that could contribute to its weapons programmes significantly reduces its options for importing these items. For most inputs, Iran can attempt to source or develop materials domestically, obtain them from a sympathetic foreign government or tap into illicit markets. In 2023, for example, leaked correspondence between the office of Iran's vice president and the head of the country's Atomic Energy Organization outlined plans to acquire 800 000 tonnes of phosphate from mines controlled by Syria's regime.

Immense resources have been devoted to stemming the flow of inputs for weapons of mass destruction, but recent cases show there are criminal organizations willing to help Iran acquire even the most heavily regulated commodities and materials. On 21 February 2024, for example, the US Department of Justice indicted a Japanese crime boss and a Thai co-conspirator for attempting to sell uranium and plutonium sourced from Myanmar that Iran would use to develop nuclear weapons.¹⁴

As part of the same sting operation, the defendants – alleged Yakuza leader Takeshi Ebisawa and his Thai co-conspirator, Somphop Singhasiri – had previously been charged with trying to traffic large quantities of heroin and methamphetamine into the US while also agreeing to broker a deal that would send weapons (including surface-to-air missiles) looted from US troops in Afghanistan to armed groups in Myanmar. While the supposed buyers of the nuclear materials were working undercover for the US Drug Enforcement Administration, the deal was not merely theoretical. An analysis by a US nuclear forensic laboratory found that the samples peddled to the undercover agents were indeed uranium and weapons-grade plutonium.

Historically, several aspects of Iran's military doctrine have made the use of criminal proxies attractive. First, practising 'forward deterrence', Iran has sought to prevent adversaries from attacking by keeping them on the defensive or focused on territory outside Iran. In other words, it seeks to safeguard security interests at home by extending the battle theatre beyond its borders. Second, Iran has sought to challenge rivals through asymmetric warfare capabilities rather than mounting conventional attacks against what would be formidable opponents. Assassinations, terror plots, sabotage and cyber-attacks are areas where Iran can rely on criminal proxies to carry out asymmetric attacks. Third, Iran has sought to avoid a direct conflict with Israel, an aversion Tel Aviv has reciprocated. However, the two powers have engaged in a protracted 'shadow war' across the region and beyond, and illicit markets have helped facilitate Iran's operations during that conflict.

Outsourcing options

The types of non-state actors Iran has leveraged as partners in criminal operations fall into roughly four categories: ideologically aligned armed groups, homegrown organized criminal enterprises based in Iran, cybercriminals and hackers, and purely transactional partnerships with transnational criminal enterprises based outside Iran.

Not every Tehran proxy fits neatly into one of these categories. As they evolve, many proxy groups that begin as ideological affiliates take on characteristics of a purely profit-driven criminal organization. Similarly, criminal organizations and ideology-driven allies of Tehran have leveraged high-tech partnerships with hackers or developed cyber capabilities themselves. These dynamics are consistent with one overarching trend: Iran is a major catalyst for threat convergence.

Ideologically aligned armed proxies

Iran's collaborators of first resort in illicit operations abroad are the proxies it has funded, trained and equipped. These include well-established militias such as the Lebanese Hezbollah, Ketaib Hezbollah in Iraq, Hamas, the Houthi rebels in Yemen, and upstart movements or splintered factions of established groups. Iran secures the loyalty and collaboration of these groups through a mix of ideological, financial and coercive appeal.

Many of its proxies are composed of or led by predominantly Shi'a Muslims, including many who were educated at a seminary in Qom, Iran. For most groups, Iran provides the capacity to transform dissent into significant disruption. Through the IRGC-QF, Tehran provides training, weapons, intelligence and operational support. These collaborators have been important partners for Tehran in carrying out assassinations, laundering funds, smuggling oil, trafficking weapons, and penetrating or capturing critical infrastructure, strategic industries and state institutions, especially along Iran's periphery.¹⁵

Iran-based criminal organizations

The IRGC's dominant role in domestic politics, economics and security gives it significant influence over the conduct of illicit networks based in Iran or seeking to operate within and along Iran's borders. The combination of the IRGC's political might, the imperative for regime survival, and control over key sectors of the economy (including ports, airports and border crossings) creates incentive and opportunity to tap into illicit markets. As a result, the IRGC has significant leverage over drug lords and can induce their cooperation in external operations.

Heroin kingpin Naji Sharifi Zindashti is one of Iran's primary collaborators in external security operations. He and his close associates have been linked to several abductions and assassinations in Turkey, some carried out at the behest of the MOIS, others the result of conflict with rival heroin traffickers. Zindashti has also been accused of involvement in the murder in Romania – officially ruled a suicide – of an Iranian judge who had gone there for a medical procedure. Zindashti reportedly passed on guidance for the hit to his cousin, Hossein Karimi-Rigabadi, a Bucharest-based Iranian heroin trafficker who once served a prison term in the US.

Zindashti's reach has extended as far as London, where another member of the Rigabadi clan, Fardin Ebrahimi Rigabadi, was running a kebab shop before being extradited to Greece in 2020 in relation to the seizure of several tonnes of heroin from the *Noor One*, a shipment that implicated Zindashti and Karimi-Rigabadi.¹⁶

Cybercriminals and hacktivists

Iran can also leverage connections with a range of domestic hackers who have been given free rein to conduct financially motivated cyber-attacks against Western targets. As with its financial, commercial and security operations abroad, Iran's cyber operations are carried out by a mix of state-embedded entities and non-state proxies that often have strong links to the MOIS and IRGC. According to a report by the Carnegie Endowment for International Peace, Iranian state actors outsource digital operations to 'various universities, which possess more knowledge and talent when it comes to cyber operations'.¹⁷

The US government has called Iran a safe haven for cybercriminals and there are indications that Tehran has outsourced some of its digital operations to criminal hackers. This practice has the added

dividend for Iran of blurring the lines between state-sponsored special operations and criminality. In other cases, hackers strongly believed to be employed by Iran's government have portrayed themselves as cybercriminals or hacktivists.

Transnational criminal organizations

As Iran has begun to rely increasingly on underworld partners, it has cultivated relationships with criminal enterprises that have networks in various countries, including some where it previously had little coverage or access. The most prominent example is the relationship Iran has cultivated with a multinational consortium of criminal enterprises known as the so-called Dubai super-cartel, which at its peak controlled about a third of Europe's cocaine market. This group consists of the Kinahan clan (an Irish drug cartel), Peruvian traffickers, the so-called Mocco Mafia (Moroccan gangs based in the Netherlands) and Italian organized criminal groups.¹⁸ A number of these groups' leaders resided in Dubai for several years before a crackdown by authorities.

While the partnerships among members of the Dubai super cartel and between groups in Tehran were changeable, the basic premise remained constant: members of the cartel could access the money exchanges and hawala networks that allowed Hezbollah and Iran to evade sanctions and launder money, and in return Iran could use the criminals' networks to conduct overseas operations. The criminal enterprises cleaned tens of millions of dollars through Hezbollah-linked money exchange houses, while Tehran could tap into their ranks to recruit assassins or procure commodities and equipment beyond the regime's reach.¹⁹

At home and abroad, Iran has sought to cultivate the image of a government at war against the drug trade. 'There are official statistics that 90% of the world's drug discoveries are made by the Islamic Republic of Iran,' an Iranian official claimed in 2021. 'The Islamic Republic of Iran has so far spent more than 3 000 martyrs, 12 000 veterans and billions and billions of dollars in counternarcotics.'²⁰ Tehran has even been criticized for its harsh penalties for drug offences, having executed 481 people in 2023 alone for narcotics-related crimes. Amnesty International has decried Iran's drug war as a tool of repression. Functionally, however, Iran's drug crackdown may merely result in the consolidation of control over the trade by networks the regime can exploit.²¹

While there are likely to be people within Iran's state structures who work in good faith to curb the drug trade, there is overwhelming evidence that Iran's most powerful people and institutions proactively instrumentalize relationships with drug cartels in Iran and abroad. Forthcoming briefings and articles will examine more closely these transnational groups, including the Zindashti cartel, the Kinahan–Dubai super-cartel and a European network with Islamic extremist connections.

Captured commerce: IRGC's penetration of strategic industries

The objectives and experience of Iran's government over the past half century provide a strong rationale for engaging in criminal conduct and collaborating with established transnational criminal enterprises. The IRGC's penetration and capture of strategic industries provides a road map for understanding the regime's external operations aimed at penetrating certain commercial sectors or institutions. The IRGC, technically a paramilitary force that operates outside the formal structures of Iran's military, is one of the Middle East's most lethal security and intelligence services. With a broad and nebulous mandate, limited oversight and the strongest military capability in Iran, the corps is enormously influential in Iran's politics and economy.

Petroleum: The IRGC exerts significant control over Iran's natural resources. Petroleum accounts for roughly two-thirds of government revenue and 90% of foreign currency earnings, so the ability to produce and sell oil is an existential priority for Tehran. The influence of the IRGC over Iran's petroleum sector became increasingly apparent during the 2005–2013 administration of Mahmoud Ahmadinejad.

Commercial aviation: As well as maintaining a significant fleet of military aircraft, Iran's regime has amassed interests in commercial aviation. The IRGC's willingness to use a heavy hand was on full display during its spectacular intervention to wrest control of Imam Khomeini International Airport from a Turkish–Austrian consortium in 2004.²² Claiming the foreign companies' link to Israel posed a national security threat, the IRGC stormed the airport, blocked the runways and took over operations by force on the foreign consortium's first day in charge.²³ Khatam al-Anbiya Construction Headquarters, the IRGC's flagship commercial enterprise, remains responsible for the development of the airport.

Shipping and ports: Maritime transportation and logistics are among the most sensitive and important

industries for Iran's rulers and the IRGC, while also representing a crucial stage in many illicit supply chains as conventionally conceived. The IRGC has extensive interests in the shipping and sea freight sector in Iran and beyond. In addition to its formal border control responsibilities, the IRGC controls a series of jetties, has stakes in port management companies and, most importantly, owns shipping firms and vessels. This presence and control empower the IRGC to transport oil and weapons but also make it a crucial gatekeeper for illicit flows, giving it significant leverage over criminal enterprises.

Telecommunications and media: Controlling the infrastructure and service provision in the country's media and telecommunications sectors effectively provides Iran's rulers with the ability to conduct surveillance and control the flow of information. In one high-profile deal, the IRGC's Cooperative Foundation acquired a controlling stake in Iran's major telecom entity almost immediately after its privatization in September 2010. Just before the US\$5 billion acquisition was handed to the IRGC-linked conglomerate, its primary competitor was disqualified for nebulous (and dubious) 'security' concerns.²⁴

Banking and finance: Since economic sanctions have a pronounced impact on Iran's ability to conduct international transactions and amass hard currency, powerful elements of the government have become deeply involved in the country's currency reserves and banking sector. As a result, the Central Bank of Iran and dozens of commercial banks linked to the regime have been designated under sanctions by the US Department of the Treasury. The capture of Iran's banking system is so extensive that the US Financial Crimes Enforcement Network took the extraordinary step of declaring Iran a primary money laundering concern, a move that severed Iranian banks' ties with the mainstream global financial system.²⁵ ■



PERIPHERY PREDATION: IRAN'S PARTNERS AND PROXIES IN THE MIDDLE EAST

Along its periphery, Iran has developed extensive experience building relationships with armed groups and even cultivating militias from scratch. While this strategy has resulted in protracted insecurity in many of the countries bordering Iran, it has also provided Tehran with political influence, dominance over strategic industries, control over critical infrastructure, the ability to shape smuggling routes and the opportunity to project power and inflict harm on its major adversaries, all while maintaining a fig leaf of abstention from the conflicts. This section profiles Iran's relationships with partners and proxies in Lebanon, Iraq, Syria, Yemen and Palestine.

Hezbollah: 'All the corridors they need'

With early support from the IRGC, Hezbollah came to prominence in Lebanon in the 1980s after emerging from a group of former members of Amal, a comparatively moderate Shi'a militant group. In the decades since, it has become a major political and military force in the region and beyond.

Hezbollah has evolved from a 'shadowy militia in the early 1980s to become a political powerbroker and the world's most heavily armed non-state actor by four decades later', according to a report by the Wilson Center.²⁶ With battlefield capabilities in support of the regime of Bashar al-Assad, a political wing with seats in Lebanon's parliament, a legacy of involvement in terror attacks and long-standing receipt of direct support from Tehran, Hezbollah is a quintessential hybrid threat actor. Besides its political and military operations, Hezbollah cells around the world operate elaborate transnational criminal enterprises. Their involvement in a range of licit businesses, use of front companies and connections to powerful political figures in the countries where their operations are based complicate efforts to identify, track and disrupt them.

First among Iran's proxies, Hezbollah has the highest degree of institutionalized strategic and operational coordination with Tehran, and this collaboration extends to operations in criminal markets. Tehran is intimately involved in Hezbollah's illicit operations and has connections with the officials responsible for managing the group's finances.

First among proxies. Hezbollah, a long-standing ally of the Islamic Revolutionary Guard Corps, has received direct support from Tehran for decades. © Ali Khamenei/Wiki



The links between Iran and senior Hezbollah officials and units responsible for engaging and instrumentalizing criminal markets are particularly noteworthy. Senior officials leading Hezbollah's Business Affairs Component (BAC), which is responsible for the organization's licit and illicit commercial engagements, have particularly strong links to Iran's government, especially the IRGC. For example, the head of the BAC, Abdallah Safieddine, is Hezbollah's long-time liaison to the government in Iran. Another example is the late Hassan Shateri, a veteran IRGC-QF commander who was deployed to Lebanon in the early 2000s to run the Iranian Committee for the Reconstruction of Lebanon with another Iranian operative.²⁷ In addition to being the custodian of US\$200 million annually from Iran to strengthen Hezbollah's military component, Shateri worked closely with senior Lebanese financiers of Hezbollah until his death in Syria in 2013.²⁸

Thanks in part to their recruitment from and integration into Lebanese diaspora communities around the world, the business networks these groups can tap into are extensive, including nodes across Africa, Latin America, South East Asia, Europe and North America. These networks are involved in a range of licit and illicit industries. This has led to the criminalization of key cash-intensive business sectors of certain countries – including the banking sector in the Democratic Republic of Congo, used car imports in Benin, and the trade in precious stones in Antwerp and Dubai – and to Hezbollah's involvement in outright criminal activity.

Operatives from the movement have been implicated in the trade in heroin, cocaine, cannabis and captagon. This extensive network is among several reasons Hezbollah is the proxy force Iran relies upon the most when instrumentalizing illicit markets. According to a former FBI official, 'Hezbollah has an infrastructure that's second to none when it comes to moving counterfeit goods, stolen merchandise, or [marketing] in drugs. They've got all the corridors they need.'²⁹

The resilience of these networks means that partnering with and investing in Hezbollah has an arguably higher return on investment for Tehran than enlisting unfamiliar proxies motivated only by profit. Members of disrupted Hezbollah cells have proven to be resilient and nimble in the face of scrutiny, deploying similar business models in new territories after being displaced from a stronghold targeted by law enforcement.

When Paraguayan authorities raided the offices of Ali Khalil Merhi, they found evidence of an intellectual property theft and digital piracy empire but also indications of his links to terrorist groups. While he was imprisoned in Paraguay, Merhi was wanted for questioning by authorities in Argentina in relation to the 1996 bombing of a Jewish community institution that killed 85 people. With connections to senior politicians in Paraguay's ruling party, including the country's vice president at the time, Merhi persuaded a judge (who was later found to be corrupt) to release him on bail. He promptly fled the country and kept a low profile for several years before reportedly re-emerging in South Sudan with a new spelling of his name. In the world's newest nation, 'Aly Myree' runs the most popular hotel in the capital, Juba, has received contracts from the UN, won a tender to build facilities for the army and defence ministry, scored mining concessions, and set up businesses with members of the president's immediate family. He is South Sudan's honorary consul in Beirut.³⁰

Hezbollah financiers have proven adept at establishing relationships with high-level political figures, including heads of state, in numerous countries. This has been a feature of the network's operations since the 1980s. In several cases, financiers linked to Hezbollah have even secured diplomatic posts on behalf of their country of residence. These connections have enabled Hezbollah financiers to penetrate and capture strategic industries around the world, including numerous commercial sectors that are a priority for Iran, as well as establish a presence in various illicit trades.

Hezbollah's BAC consists of multiple latent networks around the world which operate both independently and collaboratively. Financial operatives often follow a pattern of establishing a presence in the import-export sector, gaining access to natural resources (oil, mining, gem trading and logging), forming businesses alongside senior officials or members of their immediate families, acquiring cash-intensive businesses such as hotels and supermarkets, and establishing bank accounts with politically connected financial institutions known for deficient compliance standards.

Hezbollah maintains a comparable presence in illicit markets and is a dominant player in some. From its earliest years, the organization has generated significant revenue from the illicit trade in diamonds, including the sale of gems smuggled out of war zones in Sierra Leone and Angola. Hezbollah operatives have been linked to the Oficina de Envigado (a Colombian cocaine cartel), captagon traffickers from Syria, and large-scale operations to launder the proceeds of narcotic sales through the now defunct Lebanese Canadian Bank in Toronto.³¹

Speaking to undercover US Drug Enforcement Administration agents, two Hezbollah operatives allegedly boasted of their capacity to launder funds across the globe for a fee of 20% of the total sum to be washed. The agents, Iman Kobeissi and Joseph Asmar, 'discussed their money laundering network that spanned the globe and provided money laundering services to drug traffickers, terrorist organizations and other criminal groups in Lebanon, Iran, France, Belgium, Bulgaria, Benin, the Democratic Republic of Congo, Ghana, Nigeria, Cyprus and cities across the US', according to the indictment issued by the US Department of Justice. 'Asmar claimed that, with his connections in the financial world, he could launder any sum of illegal money.'³²

Kobeissi had close ties to senior Hezbollah officials and was once married to Abdallah Saffieddine, the leader of the BAC and liaison in Tehran. She had previously been married to the terrorist group's primary liaison in Tehran and one of the most powerful officials within the enterprise. In recorded conversations with undercover US Drug Enforcement Administration agents posing as drug traffickers, she said she was seeking to fulfil requests made by the government of Iran. Kobeissi's shopping list for Tehran included heavy weaponry and, curiously, components for Boeing aircraft. The pair were

finally arrested in 2015 after a meeting in Atlanta to discuss plans to smuggle and launder diamonds out of a conflict zone in Africa.

A *Financial Times* reporter who tracked the Dubai super cartel and its links with Iran and Hezbollah likened the arrangement to the rise of Amazon Web Services. For Hezbollah, laundering funds was at one point a major cost for the enterprise, just as maintaining numerous web servers was a tax on Amazon's profits. Each enterprise transformed what would have been a major cost into a service that could be sold to many clients.³³ Referring to the Kinahan clan's links to the Lebanese network, an insider told the *Irish Sun*: 'It's purely about money, as Hezbollah is one of the main local laundering operations. Every major organized crime group on the planet will end up with a connection at some stage to Hezbollah or Iran.'³⁴

Hezbollah has long been a major player in the international illicit weapons trade, both as a recipient and a facilitator of illicit shipments. Most recently, *The Telegraph* reported in March 2024 that Iran and Hezbollah had begun to use European ports, including Antwerp, Valencia and Ravenna, to smuggle weapons that the Lebanese terror group used against Israel during the current conflict.³⁵ They shifted to European ports to alter their route and 'legitimize' the shipments. Hezbollah-linked arms traffickers have long used European countries as an operating base. For example, Mohamed Jamil Derba, a long-time resident of Spain, employed a British accountant as a financial adviser during a career that included several prominent fraud schemes, arranging arms shipments to war zones in violation of embargoes and providing funding to Hezbollah.³⁶

Hezbollah has achieved a unique status as a proxy of Iran. Its command-and-control structures have become intertwined with Tehran and collaborations extend far beyond their initial operating theatre. Iran has tapped Hezbollah to train, advise and logistically support upstart militias elsewhere in the region. The affinity is so strong that new proxy groups seeking or receiving Iran's support often mimic Hezbollah's branding or even take on its name.

'Hiding behind the facade of a sovereign country': Iran's criminal proxy networks in Iraq

While the intensity and form of Iran's proxy engagement have fluctuated with the seismic shifts in Iraq's political and security landscape, one constant has been its involvement in smuggling and other illicit commercial activities. The conduct of IRGC-backed militias in Iraq mirrors the approach of other Tehran-backed proxies but happens on an industrial scale. With an estimated 70 000 troops under their control, the constellation of IRGC-backed militias operating in Iraq wield immense influence.

Collectively, these militias can achieve many of the main objectives of Iran's proxies worldwide: penetrating political and administrative bodies within the government; gaining a prominent position in strategic industries; gaining control over logistical chokepoints; and providing a means to deploy lethal force. They have allies throughout the government administration, including senior politicians and functionaries at various levels, operate security checkpoints along Iraq's major roads, and control many strategic airports, ports and border crossings. These capabilities also position the proxy militias to capitalize on illicit markets.

Tehran's strategy for cultivating criminalized proxies came into focus in Iraq. Iranian operatives often proactively sow discord within Iraqi militias once they have integrated into their operations and networks by providing training, weapons, equipment and more. By empowering a disgruntled



A member of Iraq's Popular Mobilization Forces stands guard. Iran has cultivated links with a huge number of armed proxies in Iraq that collectively wield immense influence. © Ameer Al-Mohammedawi/picture alliance via Getty Images

upstart leader within the senior ranks of an established militia, Iran effectively creates a new armed group headed by a loyal and dependent client. This approach limits the militias' ability to achieve full autonomy, according to a 2020 report on Iran's use of proxies in the Middle East by the Joint Special Operations University in Tampa, Florida. 'Iran's influence seems to perpetually grow through the creation of new factions and organically grown, malleable leaders,' says the report. 'Once leaders and factions become strong, new cleavages and new leaders are once again empowered, creating a continuous cycle of dependence and control.'³⁷

While Iran has cultivated and instrumentalized links with armed proxies in Iraq for nearly half a century, these networks reached the apex of their influence in Iraqi politics only in the past several years. Some of Iran's links to Shi'a militias in Iraq date back to the Iran-Iraq War, when a range of anti-Ba'athist forces fought alongside Iran, often integrated into the IRGC command structure. In the run-up to the US invasion of Iraq in 2003, Iran had devised plans for overt and covert engagement with armed groups, including established paramilitary organizations and upstart militias trained by IRGC-QF and Hezbollah known as 'special groups'. Engaging with a wide cross-section of militias let Iran disperse risk among numerous relationships, limiting the impact of shifts in power dynamics between armed groups across the political spectrum. It also allowed the IRGC-QF to catalyze – then capitalize upon – divisions within the leadership ranks of new and established forces.

While the fight against Islamic State in Iraq and Syria (ISIS) catalyzed the formalization and institutionalization of pro-Iran militias, the defeat of ISIS paved the way for control over illicit markets,

penetration of strategic business sectors and the capture of the state, nearly in its entirety. 'Their involvement in illicit business seems to have become prominent after the fall of the caliphate when the Iraqi state funding for the anti-ISIS military campaign was cut off, and the vacuum left after the fall of the caliphate provided opportunities for engaging in or expanding organized criminal activities,' according to a June 2023 paper in the journal *Crime, Law and Social Change*. 'These groups have been reported to operate like mafia groups or cartels, controlling a myriad of illicit activities across Iraq.'³⁸

Some of the illicit commercial ventures of popular mobilization forces (PMFs) across Iraq became quasi-institutionalized through the establishment of 'economic offices' throughout the country. These were presented as mechanisms for fundraising and recruitment. Before being ordered to close due to their predation, the economic offices were involved in widespread criminal operations, including 'racketeering and predatory control of real estate.'³⁹

Having been described as a 'mafia-like network', the PMFs' commercial operations are decidedly predatory and often destabilizing.⁴⁰ A 2019 paper by the CTC said criminal rackets operated by the radical Shi'a paramilitary organization Asa'ib Ahl al-Haq (AAH) 'resulted in the complete destruction by looting of Iraq's largest refinery and have even targeted US contractors and stolen major equipment supporting the Iraqi F-16 programme at Balad Air Base. Rockets are assessed by US government agencies to have been fired by AAH at the US adviser sites in Taji on 1 May 2019, with two AAH operatives arrested by local security forces in connection with the attack.'⁴¹

The seizure of territory from ISIS provided lucrative opportunities for militias to reappropriate land, allowing well-connected members of the armed groups to amass significant property holdings. 'Following the liberation of Mosul and the rest of Ninewa province from ISIS, the militias began manipulating land ownership to engage in demographic engineering,' the New Lines Institute reported in 2021. 'Militia fighters from central and southern Iraq have registered as residents of Ninewa Plain and Mosul in order to legitimize the seizure of property there.' Much of this land had been seized by ISIS from Christian minority communities who were blocked from returning after the defeat of ISIS.⁴²

Iraqi territory seized by PMFs has value well beyond its potential listing price or crop yield. Effectively, with the defeat of ISIS, PMFs gained control over much of Iraq's major economic infrastructure. '[T]he power and security vacuum transformed the country into a criminal battleground, with ISIS remnants and the PMFs fighting to establish control over the most lucrative parts of Iraq, borders, ports, and Baghdad with its surrounding transit roads, with the state exercising minimal or no control over these areas,' according to a 2023 paper in *Crime, Law and Social Change*.⁴³

Battlefield victories provided PMFs with control over crucial infrastructure of Iraq's petroleum industry. Ports, border crossings and oilfields fell under the domain of powerful Shi'a militias. Having seized control over dozens of oilfields after the expulsion of ISIS, pro-Iran militias were able to steal roughly '100 tanker trucks of crude oil daily', according to the New Lines Institute.⁴⁴ Some of the commercial partners of Iran-linked criminal networks in the oil sector highlight how, for many such groups, profit often trumps ideology. 'In Tuz Khurmatu, where Badr has failed to rein in criminal Shi'a Turkmen mafias backed by al-Muhandis, oil is being extracted from the small number of producing wells in Pulkhana field and smuggled into Iran (and thereafter to the Gulf) by local Turkmen militias,' according to a 2019 report by the CTC Sentinel. 'The field – sitting astride an area contested by the Islamic State, Shi'a Turkmen forces and multiple Kurdish groups – has created strange bedfellows who mutually profit from the still-contested area, and this has given outlaw groups breathing space to survive outside the reach of Iraqi government and coalition forces.'⁴⁵

Control or influence over strategic industries, logistical chokepoints and positions within Iraq's government administration have allowed IRGC-backed PMFs to operate with near impunity and, importantly, control the flow of goods and people within much of the country and across its borders. For example, one study describes the dominant role that Liwa al-Tafuf and Kata'ib Hezbollah play along Iraq's border with Syria:

In collaboration, Liwa al-Tafuf and Kata'ib Hezbollah control all cross-border smuggling and commerce. Kata'ib Hezbollah operatives buttress each of the garrison forces along the border, maintaining checkpoints on the border road (Highway 20). Kata'ib Hezbollah also controls the Husaybah point of entry, where it clears its military vehicles to enter and leave Iraq without being inspected by customs. Akashat border crossings – where no customs personnel are present – are coordinated via a Kata'ib Hezbollah base at the H-3 airfield, near Rutbah.⁴⁶

When US military forces stationed in al-Tanf, Syria, took control of key segments of the Iraq–Damascus highway, Liwa al-Tafuf guarded an alternative border crossing at Akashat, which was set up to circumvent the American garrison and is not supervised by Iraqi customs authorities. This level of control over supply routes gives PMFs major influence over criminal markets. Beyond enabling smuggling, controlling key logistical chokepoints provides militias with an important source of revenue: illegal taxation.

'Checkpoints controlling border areas and roads around Baghdad – particularly those part of the international route connecting Baghdad and the provinces of the mid-Euphrates – provide the biggest revenue for the PMF, raising an estimated US\$100 000 daily from one checkpoint,' according to a report published in 2023.⁴⁷

Iran-backed proxy groups have engaged in assassinations in Iraq for criminal and political purposes. While assassinations have largely been carried out to achieve political objectives of PMFs or their patrons, these groups soon realized that the ability to seize assets from the deceased made assassinating Sunni power players, in particular, a lucrative enterprise.

For example, some PMF cells are simultaneously drug traffickers and hitmen, as was the case with Liwa al-Tafuf leader Qasim Muslih after a rift formed between him and influential Shi'a clerics. 'He became increasingly unpopular with [Iraqi Shi'a leader Ali al-Sistani's] network of clerics and was encouraged to spend more time in Anbar, and was then given additional responsibilities in Anbar by the US-designated terrorist Abu Mahdi al-Muhandis,' the Washington Institute reported in February 2024. 'Qasim Muslih retained a security role in Karbala in parallel to these Liwa al-Tafuf military campaigns, running drug-smuggling and assassination cells.'⁴⁸

Iraq also provides an example of how proxies work alongside IRGC-QF to access US dollars. Since mid-2023, the US has imposed tighter controls on Iraqi banks over dollar smuggling to Iran. Iraq's foreign currency reserves of an estimated US\$100 billion are held by the US Federal Reserve. The Central Bank of Iraq requests dollars, sometimes totalling more than US\$200 million a day, which it then sells to commercial banks and exchanges via the 'dollar auction'. Some are acquired by businesses that use fake or inflated invoices, or similar practices, and it is these dollars that are susceptible to money laundering and diversion to Iran and elsewhere. Iraq's central bank imposed measures in 2024 that included limiting dollar withdrawals from ATMs and banning eight local banks from dollar transactions.

Iran's money-laundering operations in Iraq are reportedly run by Mahmoud Hasanizadeh, a Quds Force operative. With the help of several Iraqi citizens, Hasanizadeh gained access to dollars from exchange

houses and diverted funds transferred to their accounts – intended to cover embassy expenses – to Quds Force operatives.⁴⁹ In February 2024, the US Department of the Treasury placed sanctions on Al-Huda Bank and its nominal owner, Hamad al-Moussawi, for its role in money laundering and terror financing linked to Iran. According to the department, the bank was controlled by the IRGC and, in particular, the Quds Force.

'After establishing the bank, the Al-Huda Bank chairman began money laundering operations on behalf of the IRGC-QF and Kata'ib Hizballah,' according to a press release from the Treasury Department's Financial Crimes Enforcement Network announcing Iran's designation as a 'primary money-laundering concern'. 'Additionally, Al-Huda Bank affords access to the US financial system to actors known to use fraudulent documentation, fake deposits, identity documents of the deceased, fake companies and counterfeit Iraqi dinar, providing opportunities to obscure the identities of the transaction counterparties to correspondent banking relationship providers.'⁵⁰

Consistent with its illicit activities elsewhere, Iran's agents relied on a network of non-Iranian citizens to circumvent restrictions and avoid scrutiny. 'Al-Moussawi [al-Huda's owner] has used partially witting, unaffiliated individuals to execute the purchase of US dollars during currency auctions held by Iraq's central bank by using their identity documents to circumvent limits on currency purchases,' according to the Department of the Treasury. 'Since its inception, Al-Huda Bank has used forged documents to execute at least US\$6 billion in wire transfers out of Iraq'⁵¹

The tighter controls on dollars are having an impact on the exchange rate and salaries in Iraq. The official exchange rate is weaker than the unofficial one, making centrally issued dinars worth less than their dollar-converted equivalents on the street. This represents a 20% pay cut for some. But while some civilians may be struggling with the new fiscal policy, others seem to have no issue. According to one source in February 2024, it was not unusual to see people carrying large sacks of US dollars through the bazaar. Fieldwork by the Global Initiative Against Transnational Organized Crime (GI-TOC) in Iraq in February 2024 found that Iran is still obtaining much-needed US dollars through another mechanism: trafficking large quantities of crystal meth.⁵²

In no small part due to control over illicit markets, Iran's criminalized proxies in Iraq have achieved a feat accomplished only rarely in modern history: the near complete capture of a resource-rich and geostrategically important state. Criminal operations have been formalized and institutionalized, giving predatory networks a veneer of legitimacy and enhanced impunity, while remaining just as damaging.

'The country's oil economy, its freedoms and its intelligence services are being gutted by militias to ensure their rule is permanent,' according to a December 2023 CTC report. 'The result is the emergence of a terrorist-run state with greater resources than any of Iran's other proxy networks, hiding behind the façade of a sovereign country.' Iran's other proxies or long-term partners in Lebanon, Yemen and Palestine are 'economic minnows compared to the Iraqi state'.⁵³

Meth, death and dollars: Iran's proxies' role and Iraq's drug trade

Before around 2016–2017, Iraq was predominantly a transit country for heroin originating in Afghanistan. Local drug consumption rose dramatically after the 2017 ISIS insurgency, with one drug activist claiming ISIS pushed drugs to the population. The main factor behind the rise in drug consumption was the emergence in 2017 of crystal meth. The drug began circulating widely in the region when production boomed in Afghanistan (and later Iran) after the discovery that the indigenous ephedra plant was a natural source of the meth precursor ephedrine.⁵⁴

Today, crystal meth is widely available in coffee shops, nightclubs, universities and through Telegram, although users are predominantly from poorer sections of society. One estimate put the proportion of drug users without means and/or education at 80%, with middle-class users making up 20%. One drug trafficker explained that the target age was 15 years and up; free samples would be handed out, because after two hits the user would be addicted.⁵⁵

Law enforcement attention and international cooperation have increased, but huge crystal meth seizures probably reflect only a fraction of the true trade, which has become ever more lucrative. Between 2019 and 2022, the price for a gram was US\$15–US\$25, but since 2023 – when law enforcement began cracking down in the trade in earnest – it has reached US\$70–US\$75.⁵⁶

The flow of crystal meth enters Iraq from Iran through Maysan and Basra, with Amarah cited as a drug smuggling hotspot. (One source claimed, 'In Amarah, we have 20 Pablo Escobars.') Some product is consumed domestically but most is trafficked to Kuwait, Turkey, Jordan, the Gulf states and Saudi Arabia. The Iraqi side of the southern border region is controlled by Shi'a militias, with one source alleging 'it is impossible for the government to do anything'.

According to a senior law enforcement figure, Iraqi drug traffickers wishing to obtain crystal meth from Iran must approach local Iraqi militias, who will contact counterparts in Iran.⁵⁷ Once the arrangement has been made, the Iraqi traffickers will approach the border, sometimes crossing it. Iranian border guards and militias must be paid before the crystal meth is delivered by motorcycle in exchange for US dollars.



Production of locally manufactured crystal meth has boomed in Iran in recent years, driving up domestic use of the drug. © Getty Images/iStockphoto

The price at this 'farm gate' is US\$10 000 for a kilogram, with the trafficker who spoke to the GI-TOC saying he bought 20 kilograms a month. This quantity can then be sold for US\$30 000–US\$40 000 a kilogram, which even after the Iraqi militias' cut (estimated at US\$10 000 by a journalist who spoke to the GI-TOC) represents a healthy profit. To get the drugs past the police, decoys carrying small amounts are used, allowing those carrying the bulk to pass unhindered. At other times, the police are accomplices.

Iran's hand is indirect but present. A journalist said: 'We are not saying the government of Iran is producing, but they support it.' According to the drug trafficker: 'We know that the sellers in Iran are part of the government. You cannot do anything without their support and the militias arrange everything.'⁵⁸ Here, as in other aspects of the illicit political economy, the IRGC, which controls militias on both sides of the border, is a key actor coordinating and profiting from the trade.

The drug trafficker connected the boom in the crystal meth trade not to growing numbers of users in Iraq or rising production in Afghanistan and Iran but to the sanctions reimposed on Iran in 2018 after the Trump administration withdrew from the Joint Comprehensive Plan of Action – a 2015 agreement on the Iranian nuclear programme between Tehran and the five permanent members of the UN Security Council (China, France, Russia, the UK and the US) plus Germany and the European Union. If true, this indicates that

Iran was actively seeking to expand a nascent illicit pipeline of crystal meth to Iraq in order to acquire US dollars. The value of this trade is hard to estimate, but the level of seizures suggests that the returns are likely to run into millions of dollars.

Looking ahead, the challenge facing law enforcement is steep. First, the trade is facilitated by high-level Iraqi political players who have placed their proxies in the upper echelons of the anti-drug police. Impunity is widespread, though not limitless. After a public outcry in 2022, President Barham Saleh was forced to reverse a pardon he had issued to the son of a former Najaf governor who had been caught with 7 000 narcotic pills and almost 6 kilograms of hashish.⁵⁹

Second, domestic production is also increasing in Iraq, albeit in small quantities. A lab with a Syrian 'cook' was dismantled in November 2023 and the drug trafficker described how 'small-scale' production was taking place in Amarah, Baghdad and Basra, close to factories recycling automotive oil to disguise the smell.

Third, other illicit commodities may begin to be used as dollar converters. For example, large volumes of guns are reportedly being illegally imported from Iran.⁶⁰ One source said 'containers' of weapons were coming in from the south. An Iraqi arms trafficker's claim that he paid 'only in dollars', alongside the scale of the trade, suggests weapons are another means of securing US currency.⁶¹ ■

Syria: Desperate partner, existential threat

While Iran's collaborative relations with Turkey date back to the administration of Hafez al-Assad in the 1980s, the ties between Tehran and Damascus fell short of a formal alliance until the outbreak of Syria's civil war and the rise of ISIS just over a decade ago. Despite Iran's ties to Syria's government, the relationship lacked the level of ideological and religious affinity the regime had with Hezbollah and PMFs in Iraq. Additionally, the Bashar al-Assad regime's Arab nationalism and relatively minimal need for external support muted Iran's interest and leverage in cultivating a patron-client relationship.

That changed when Syria's civil war broke out after the Arab Spring protests. 'In Syria circa 2012, Iran found a desperate partner who needed assistance at the moment of an existential threat in the form of a multi-ethnoreligious, domestic, political and military insurrection against the regime,' according to a report by Joint Special Operations University.⁶²

Iran's support has come in the form of financial assistance, training, help with logistics and even the deployment of combat troops. However, research by the GI-TOC found that this support has often been indirect, especially in the early stages of the conflict. 'Iran has provided support more indirectly – by bolstering Hezbollah's (illicit) activities in neighbouring Lebanon and Shi'ite interests in Iraq, aligning with the Alawite Syrian regime,' according to the GI-TOC's February 2021 report on organized crime in the Levant.⁶³ Iran deployed IRGC troops to help train pro-Assad forces but leaned on Hezbollah for early battlefield operations, especially in Homs in 2013.

Syria's president, Bashar al-Assad, meets with Iran's supreme leader. After Syria's civil war broke out, Iran found a 'desperate partner' in Syria. © Atta Kenare/AFP via Getty Images



Part of the reason to secure Homs was its position as a chokepoint between Damascus and Latakia on Syria's coast. As with Iraq, an important focus of Iran-backed militia operations in Syria is control over critical infrastructure to enable operations elsewhere in the region. 'Since Iran relied heavily on Damascus International Airport for supporting Lebanese Hezbollah and needed it to prevent a potential Sunni takeover of the government, the Quds Force moved forward to support the Alawite Assad regime,' according to a December 2020 report on Iran's proxies in the Middle East. 'The prolonged nature of the civil war transformed the Assad regime itself from an equal partner to a nearly dependent agent, which enabled Iran to win concessions from the Assad regime to embed its foreign proxies across key terrain along the ground lines of communication from Iran, through Iraq and Syria, to Lebanon for long-term regional influence.'⁶⁴ Syria has also become a potential location for Iranian air defence systems in an effort to mitigate persistent damage caused by Israeli strikes against Iran's interests in the region.

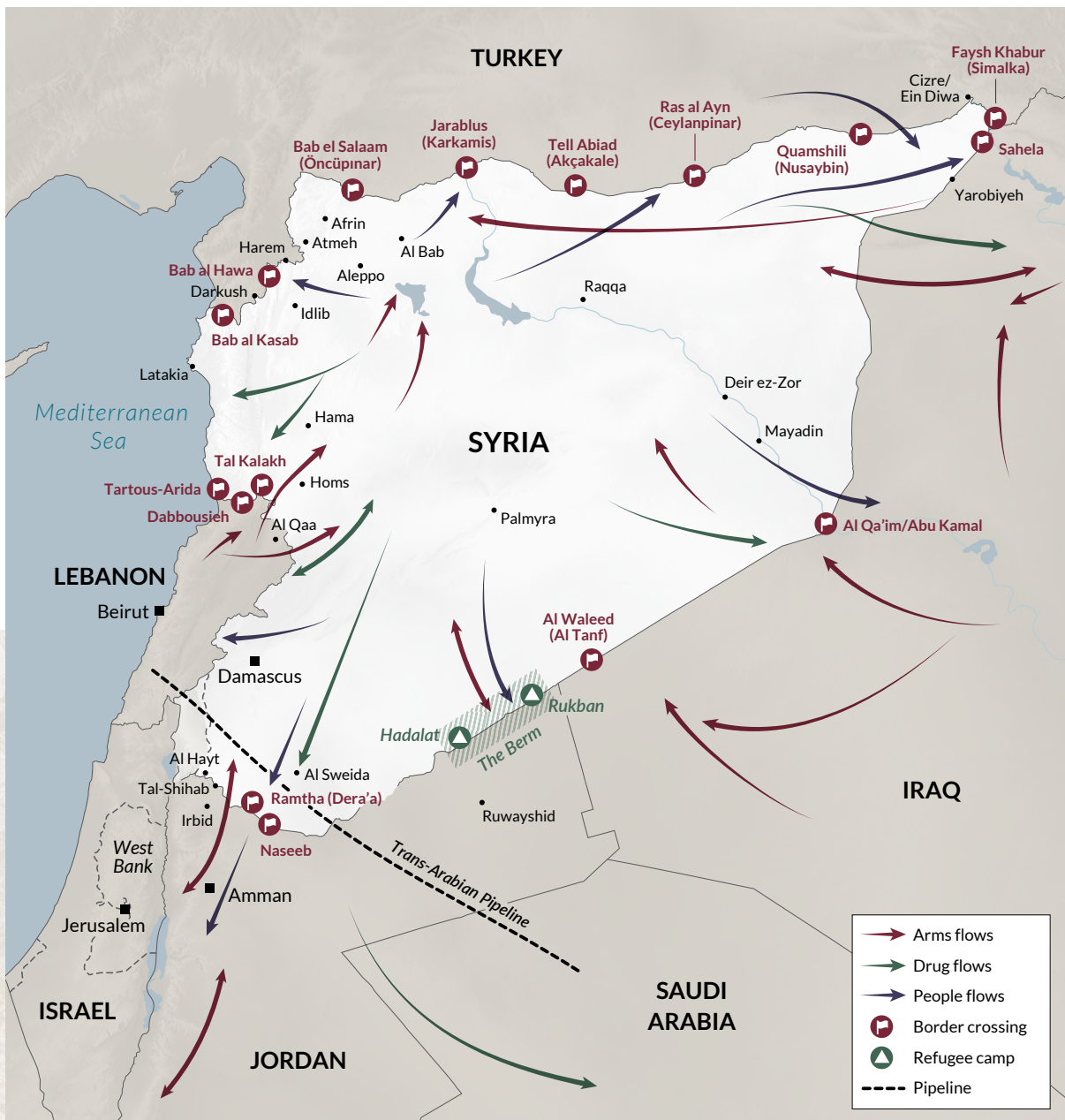


FIGURE 1 Illicit flows of weapons and smuggling pipelines through Syria are facilitated by Hezbollah and counterparts in the Quds Force.

Iran and Hezbollah's control over critical infrastructure, in turn, facilitates a range of smuggling operations. 'During the Syrian conflict, Hezbollah has reportedly worked with counterparts in Iran's Quds Force to develop weapons and illicit smuggling pipelines through Syria and into Lebanon, which can be leveraged to greatly expand Iran's influence,' according to a 2021 report by the GI-TOC. Setting up smuggling corridors was a foundational consideration when raising militias, which were funded with the proceeds of crime and, in turn, allowed Hezbollah agents in particular to establish the networks and infrastructure needed to carry out such operations. 'Funds generated by organized-crime activities are also used by Hezbollah to recruit Lebanese Shi'a fighters, who can earn approximately US\$600 a month and have access to an extensive social welfare system of schools, hospitals and clinics,' according to the report. 'The group's relationship with residents of the Beqaa region is one of mutual benefit: while local smugglers and traffickers help secure illicit flows to supply pro-regime forces in Syria, Hezbollah, in return, helps provide them with political protection from occasional government crackdowns in the area.'⁶⁵

The deployment of multinational militias, in particular, increases risks for human trafficking, and some of Iran's recruitment tactics are decidedly predatory and criminal. Numerous reports, including the US Department of State Trafficking in Persons report, have highlighted Iran's coercive and deceptive tactics when recruiting Afghan migrants to join militias, especially the Fatemiyoun Brigade operating in Syria.⁶⁶ Some Afghan refugees are threatened with detention and deportation, while others are deceived by promises of residency in Iran and monetary compensation for their military service.

'Many of the Afghan fighters had very little understanding about why they were fighting and the ultimate goals of the campaign,' according to the Joint Special Operations University's December 2020 report on Iran's proxies in the Middle East. 'Some reports suggest members of the [militias] had to be bribed or coerced or take part in the fighting, and one report even suggested Iran had given some fighters the option of prison, deportation, or service in Syria.'⁶⁷

Within Syria, recruitment centres have been established to conscript young men into service in the militias. 'Established in 2019, the largest center reportedly houses 250 children between the ages of 13-18 years,' the US Department of State reported in 2022. '[T]he children undergo three months of training in preparation for combat.'⁶⁸

Iranian proxies and Syria's regime are also deeply embedded in the drug trade. 'The Syrian regime's relatively consistent counternarcotics narrative has been a denial of captagon production in the areas it controls, with little being smuggled across the border, supplemented by a cosmetic series of small-sized seizures,' the New Lines Institute reported in 2023. 'The regime's narrative contrasts starkly with accumulating evidence of industrial-scale production concentrated well within its areas and evidence of regime- and Hezbollah-aligned individuals systematically involved in supply and smuggling operations.'⁶⁹

The Assad regime and Hezbollah reportedly employ groups of traffickers based in Syria's Sweida province who smuggle captagon across the border with Jordan. The traffickers are organized into groups of 10 to 20 operatives, a Jordanian military spokesperson said during a televised interview in May 2023.⁷⁰ The spokesperson decried Iran's proxy militias as the most dangerous of the captagon traffickers due to the ulterior political motives associated with their operations.⁷¹ 'Smugglers have used Jordan as a corridor over the past years to smuggle highly addictive



The Syrian regime and Iranian proxies are reported to traffic captagon in the region.
© Thierry Monasse/Getty Images

captagon amphetamines out of Syria, mainly to oil-rich Arab Gulf states,' Associated Press reported in December 2023. 'The Jordanian authorities have managed to stop several smuggling attempts, including some in which smugglers used drones to fly the drugs over the border.'⁷²

Analysts suggest control over the captagon trade is providing Damascus with political leverage over other countries in the region. 'The regime will continue to take advantage of and weaponize the captagon trade as an "agenda item" in regional normalization,' according to a 2023 report by the New Lines Institute, 'framing reported captagon seizures as a goodwill gesture and utilizing its agency over the drug trade to extract political and financial concessions from other countries.'⁷³

Vessels for crime and terror: Iran, the Houthi movement and criminal networks in Yemen

Since the conflict began in Gaza in October 2023, forces from Yemen's Houthi militants, an armed group that controls significant territory in the country, have conducted a series of attacks on ships passing through the Gulf of Aden. While the Houthis have justified the attacks by claiming their targets have ties to Israel, they have often attacked ships that have no such ties. The impact has been massive, prompting certain shipping firms and insurance companies to avoid any business passing through the Gulf of Aden, which means avoiding the Suez Canal and wreaking havoc on international supply chains. While the Houthis have been in the crosshairs of numerous powerful governments in the region and beyond, the shipping attacks intensified international pressure, bringing the significant support the Houthis have received from Iran to the fore.

Some analysts have cautioned that Tehran's primary partner in Yemen could accurately be described as an ally or partner, not a proxy. For Iran, the Houthis control strategically important territory and share numerous adversaries with Tehran. Positioned on the Gulf of Aden and engaged in an armed struggle against the Arab monarchies to the north, the Houthis see Iran as a major source of financing, logistical support, training and arms. '[B]ecause Yemen has historically and traditionally been a source of insecurity for the Saudis, from the perspective of Iran and Hezbollah the Houthis appear like a natural partner to cultivate,' according to the December 2020 Joint Special Operations University report. 'In their war against the Saudi coalition, the Houthis see themselves in a similar situation to Hezbollah fighting the Israelis.'⁷⁴

Hezbollah's provision of training to the Houthi movement began in 2005, while evidence of Iranian weapon deliveries began to surface in 2009 and has steadily accumulated since then. Hezbollah and the IRGC have sent trainers to Yemen-hosted Houthis. Tehran's continued role in the supply of weapons to Yemen is evident, despite repeated (and often flimsy) denials from Iran and the Houthis. '[A] preponderance of



Yemeni Houthi militants, backed by Iran, have conducted attacks on ships in the Gulf of Aden. © Al-Joumhouriah channel via Getty Images

evidence points to Iranian state supply,' the GI-TOC found in November 2021. 'The serial number proximity among captured weapons, the routine presence of Iranian-manufactured materiel in seizures, the use of similar packaging, GPS tracks of seized arms-trafficking dhows and human intelligence gathered from within smuggling gangs all indicate with high likelihood that maritime shipments of arms to the Houthis originate from Iranian state stores.'⁷⁵

In February 2024, the Defense Intelligence Agency published its analysis of weaponry the Houthis almost certainly sourced from Iran. The document shows a series of side-by-side images that highlight the striking similarities between the designs and features of weapons systems used by the Houthis and the equivalent arms in Iran's arsenal.⁷⁶ The US government placed sanctions on the 'so-called director of procurement' for the Houthi forces', Yemeni citizen Muhammad Ahmad al-Talibi. 'Al-Talibi leads the Houthis' efforts to smuggle Iranian-provided weapons, missiles, UAVs [unmanned aerial vehicles] and components needed to manufacture these weapons systems into Yemen,' according to the US Department of the Treasury's announcement. 'In his role, al-Talibi coordinates arms shipments through the smuggling networks of Iran's Islamic Revolutionary Guard Corps and answers directly to principal Houthi forces decision makers.'⁷⁷

Investigations by the GI-TOC have exposed the criminal networks behind arms transfers to the Houthis. In November 2020, a GI-TOC report identified the 'Mohamed Omar Salim network', a sophisticated transnational weapons trafficking enterprise with ties to Somalia, Yemen, the UAE, Iran, al-Shabaab, al-Qaeda in the Arabian Peninsula and ISIS factions in Yemen and Somalia. The discovery of this Somalia-based network showed a shift in the region's arms industry. 'The GI-TOC's investigation into the Al Bari 2 seizure revealed the first known instance of a transnational trafficking network based in Somalia involved in the transfer of arms from Iran to the Houthis,' according to the report.⁷⁸

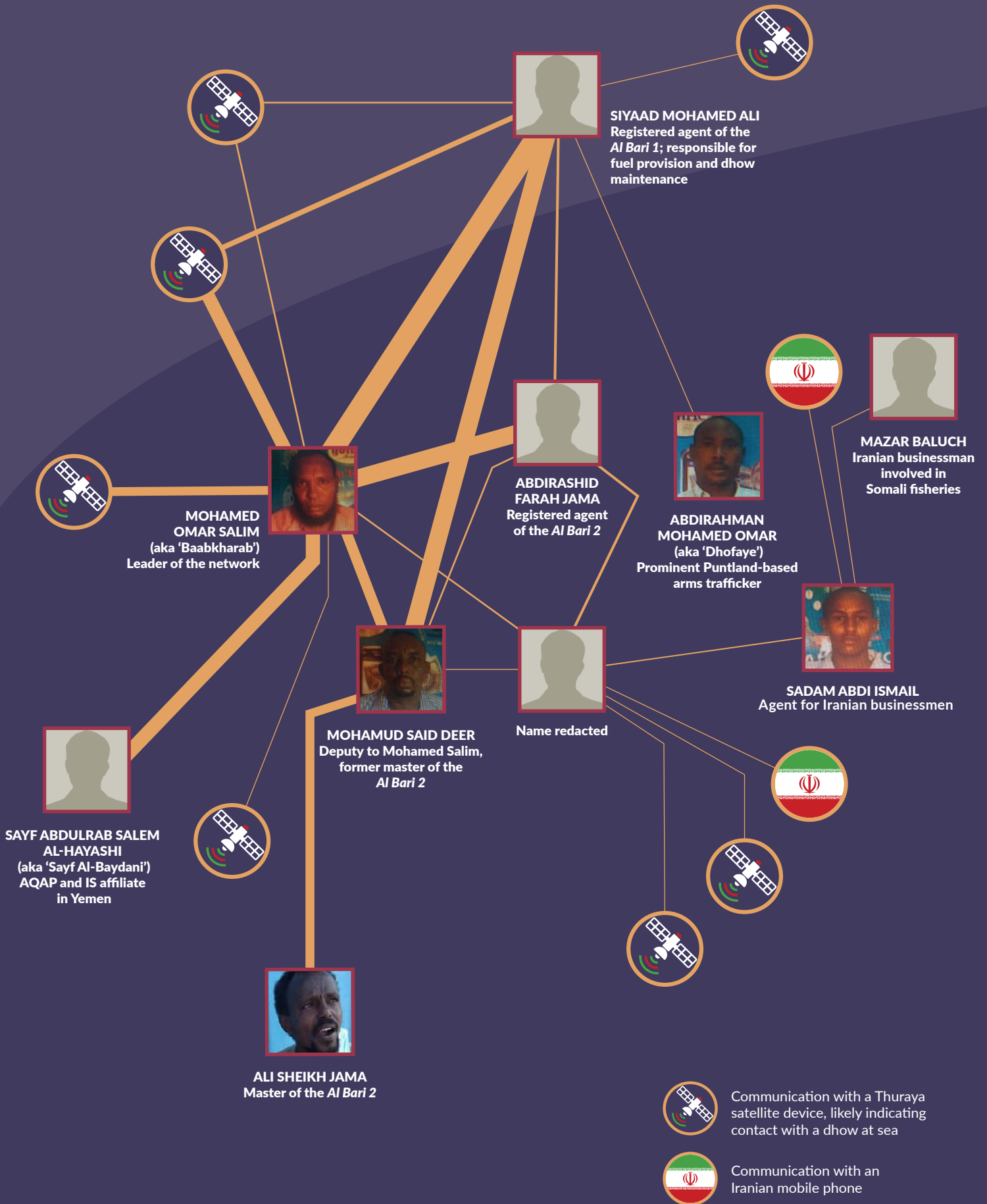
In June 2021, the US Department of the Treasury placed sanctions on the Salim network (see the diagram on page 26), highlighting its continued role in weapons shipments traversing the Gulf of Aden. The announcement provided additional details about the system and relationships involved in the weapons transfers:

Omar operates out of the Port of Bacaad in Bari, Somalia. Omar smuggles AK-47 assault rifles, PK [machine guns], and DShK machine guns out of Yemen on a dhow – a sailing vessel used for regional trade and capable of carrying heavy loads – and conceals them under ice and fish. Once in port, Omar contacts Ahmed Haji Ali Haji Omar, also designated today, to load the weapons onto camels and donkeys, where they are concealed in white sugar and rice sacks. The weapons are then transported at night to the Qandala Mountains, where they are picked up by members of ISIS-Somalia and al-Shabaab.⁷⁹

The Salim network's tradecraft is consistent with broader trends and patterns in the weapons trade in the Gulf of Aden region. Particularly noteworthy are the links to small fishing vessels. The GI-TOC reported in October 2020 that the network used a fleet of dhows and its connections in the fishing industry and oversight bodies to obfuscate the transfer of weapons at sea. 'In addition to operating the dhows and coordinating rendezvous at sea, the Mohamed Omar Salim network also reportedly arranged for Somali fishing licences and port documentation to maintain the appearance that the vessels they operated were involved in legitimate business,' the study found. 'Phone records indicated communications between network member Sadam Abdi Ismail and an Iranian businessman ... based in Konarak, involved in the fisheries sector.'⁸⁰

The announcement of US sanctions on Omar and others involved in arms trafficking in the Gulf of Aden shed more light on these dynamics. 'As of early 2022, Iranian businesses were contracting Houthi rebel-connected fishing agents and dhows to conduct deep-sea blast fishing off the coast of northern Somalia,' the Department of the Treasury said in its statement. 'These vessels belonged to a network that used fishing as a cover to work on Iranian weapons trafficking, transportation, and money laundering.'⁸¹

MOBILE-PHONE CONTACT BETWEEN MEMBERS OF THE MOHAMED SALIM OMAR NETWORK, JANUARY–OCTOBER 2020



'Opportunistic and adaptive': Illicit economies that support Hamas

Hamas's links with criminal markets have centred on three major objectives: accessing funds; procuring weapons and equipment; and plotting attacks outside Palestinian territory. After the October 2023 attack in Israel, flows of weapons to Hamas started to receive heightened international attention, causing some patterns and methods to shift. While statements and videos produced by Hamas have highlighted its capability to covertly produce weapons within Palestinian territory, there are indications that clandestine weapon imports have continued.

Hamas militants seen in Gaza. After the October 2023 attack in Israel, weapons flows to the militant group started to receive heightened international scrutiny. The group's links to Iran are well documented.

© Mahmud Hams/AFP via Getty Images



'[M]any of the images [from the current conflict in Gaza] show Hamas militants toting weapons that appear to be relatively new, evidence the group has found ways of getting arms past the air-and-sea blockade of the Gaza Strip – possibly by boat, through tunnels or concealed in shipments of food and other goods,' the Associated Press reported in January 2024.⁸² Although the medium of procurement often remains unclear, there are clues about the origin of weapons in Hamas's arsenal. '[A] grip stock on one of the missile launchers a fighter was seen holding is distinctive to a variant manufactured in China and used by the Iranian military and its allies, including Hezbollah in Lebanon, a group closely aligned with Hamas,' AP reported, citing NR Jenzen-Jones, director of the Australian consultancy Armament Research Services.⁸³

Hamas's finances have received significant attention from international media since the October 2023 attack. The group's links to Iran are well documented, as is the US\$70–US\$100 million in annual funding it reportedly receives from Tehran. As with other foreign operations, Iran has relied on several layers of foreign proxies to channel funds and weapons to Hamas. 'There's not one financing method for Hamas or other terrorist organizations. They're opportunistic and adaptive,' according to Yaya Fanusie, senior fellow with the Center for a New American Security. 'Efforts to stop them are a constant game of cat-and-mouse.'⁸⁴

Numerous reports have described Hamas's prolific use of cryptocurrency to move money in the years before the October attack. However, the traceability of these transactions and the enhanced scrutiny of Hamas's finances have largely resulted in the abandonment of blockchain currencies.⁸⁵

Like Iran-backed militias in Iraq, Hamas has relied on commodity-based financing schemes. For example, in late 2021, Israeli authorities seized a shipment of 23 tonnes of chocolate being imported by representatives of two Gaza companies owned by the Shamlakh family: al-Mutahidun Currency Exchange and Arab al-Sin. The use of innocuous imports to finance its operations created an unexpected consequence for Israeli authorities, as they were criticized for policing Gaza 'like prison guards control a prison' and mocked on social media for embodying 'an actual cartoon villain stealing literal candy bars from children'.⁸⁶

Other operations by this network more closely resemble the tradecraft typical of Iran-backed proxies: running money-changing operations, forming companies in Turkey, processing large transactions in yuan through Chinese banks and smuggling cash in bulk. Three members of the Shamlakh family and several companies under its control have since been placed under sanctions by the US government.

Despite indications of advanced technological tradecraft, many components of Hamas's financing apparatus are decidedly vintage. Some of these networks exhibit behaviours consistent with the conduct of the IRGC in commercial operations in Iran and networks linked to other Tehran-backed proxies, including Hezbollah and the PMFs in Iraq. These networks are often composed of geographically diverse sets of operators who blend business, politics and crime; have long-standing ties to ideologically sympathetic local actors with deep connections at the highest echelons of power and within the bowels of the government's bureaucracies; and run businesses in a wide range of economic sectors, including major strategic industries.

Hamas's links to Sudanese tycoon Abdelbasit Hamza show how the militant group leverages connections to decades-old networks. Hamza, a member of the Islamist movement founded by Hassan al-Turabi, joined the Sudanese Armed Forces in 1982 and quickly rose to the rank of colonel. After Omar al-Bashir came to power in 1989, Hamza's Islamist credentials and connections opened doors to military-linked investment projects. He worked with the Military Industrial Corporation, a series of companies with major ties to the security services involved in the manufacture of vehicles, weapons, chemicals, ammunition and more.

Around this time, Iran was also using Sudan – and even elite-controlled commercial airlines in Sudan – as a conduit to transfer weapons to Hamas in Gaza. Iran also played a major role in a weapons factory at the Military Industrial Corporation's Yarmouk industrial complex, reportedly owning a stake in the enterprise, which was set up in the mid-1990s. After retiring from Sudan's military in 2002, Hamza took a senior position with Sudatel, the country's largest telecommunications service provider. There, he forged several relationships with past and present supporters of Hamas.⁸⁷

Hamza linked up with Shafer Abdulhaq, a now-deceased Yemeni billionaire who mixed politics, business and clandestine arms deals. Abdulhaq had strong links to powerful allies of the IRGC throughout the Middle East as well as business relationships with political and commercial elites in North Africa and East Africa. The UN Panel of Experts on Yemen reported in 2017 that Abdulhaq had helped former Yemen president Ali Abdullah Saleh and Houthi elites move millions of dollars in violation of sanctions.⁸⁸

In the mid-1990s, Abdulhaq's Shafer Trading worked with a Czech arms trafficker and retired Syrian general to send 25 000 machine guns and 12 million rounds of ammunition to Hamas.⁸⁹ With Abdulhaq as a secret partner, Hamza formed a company that won a lucrative telecom licence amid controversy. A series of subsequent murky transactions resulted in a massive and questionable transfer of Sudatel's

assets to Hamza's company. Hamza, in turn, struck deals for the provision of telecom services in countries across West Africa, each of which were dogged by accusations of fraud and corruption.⁹⁰

While at Sudatel, Hamza also crossed paths with Hisham Younis Yahia Qafisheh, a Turkish citizen of Jordanian origin who was deputy director of the Hamas development office. He had joined Sudatel's board of directors in 2006 and was said to represent the interests of Anda Company, a Saudi Arabian property and construction firm. Qafisheh also had a prominent role in at least three other companies operating in Sudan: Agrogate Holdings, Khartoum Group for Roads and Bridges, and Al Rowad Real Estate Development. According to the US Department of the Treasury, Anda, Agrogate and Al Rowad were Hamas-controlled companies for which 'Qafisheh was involved in managing the operations or held key roles', including oversight of personnel decisions and financial dealings.⁹¹ Sudanese authorities alleged that these companies were part of 'a network with about 10 other large companies with inter-linking share ownership connected to Hamza that moved large sums through foreign bank accounts.'⁹² The US Department of the Treasury also claims Qafisheh 'played an important role in transferring funds on behalf of various companies linked to Hamas's investment portfolio.'⁹³

Notably, the Hamas financial networks persisted in Sudan despite Khartoum's diplomatic reorientation away from Iran and towards Saudi Arabia and the UAE. However, the fall of Bashir's regime in April 2019 and the subsequent purge of Islamists from Sudanese politics eroded Hamza's protective networks.

Media reports covering the seizure of the Hamza network's assets in Sudan as part of an anti-corruption drive noted that it used techniques 'common to organized crime'. According to Reuters, 'Companies were headed by trustee shareholders, rents collected in cash, and transfers made through exchange bureaux.'⁹⁴ The Hamas-linked firms operating in Sudan enjoyed benefits similar to those afforded to al-Qaeda in the 1990s. 'They got preferential treatment in tenders, tax forgiveness, and they were allowed to transfer to Hamas and Gaza with no limits,' a member of Sudan's empowerment removal committee told Reuters.

When Hamza was placed under US sanctions on 18 October 2023, the Department of the Treasury claimed he had 'managed numerous companies in Hamas's investment portfolio and was previously involved in the transfer of almost US\$20 million to Hamas, including funds sent directly to Mahir Jawad Yunis Salah, a senior Hamas financial officer'.⁹⁵

Importantly, while Hamza's network displayed the characteristics of a criminal enterprise, it also had many of the hallmarks of a multinational corporation operating in emerging markets. Hamza's business partnerships are often consummated through the incorporation of legal entities, and several of those companies have had websites showcasing elaborate construction projects and multinational partnerships. His telecom firm's expansion throughout West Africa was documented extensively in local media.

Perhaps most importantly, his business partners have included prominent companies and political figures throughout the world, including royal families throughout the Persian Gulf, governments with adversarial relationships with Tehran, and former officials from numerous Western governments, including France and the UK. While these connections do not necessarily reflect anything untoward about Hamza's business partners, they represented an important component of his comparative advantage: legitimacy and connections to the mainstream international economy.

THE HEROIN HIGHWAY: IRAN'S CRIMINAL PROXIES ALONG SMUGGLING ROUTES INTO EUROPE

As the flow of heroin through Iran has boomed over the past quarter of a century, so too has the involvement in the trade of state-embedded actors in Tehran. With Afghanistan's rise as a top opium producer, Iran has become an important heroin production and trafficking corridor, accounting for a large share of global heroin seizures.

Although there are frequent reports of drug seizures by Iranian authorities, experts and media reports have suggested that Tehran's actions against drug cartels have largely aimed to empower certain regime collaborators by reducing their competition, allowing the regime to more easily control and weaponize a consolidated heroin cartel. While the degree of IRGC influence or control over the drug trade is the subject of debate, numerous reports show how Iranian authorities have leveraged ties to heroin cartels to achieve interests abroad.

This section examines Iran's state-crime nexus in four countries along heroin routes out of Iran and Afghanistan into Europe: Turkey, Albania, Azerbaijan and Georgia. Notably, each is home to a mix of the Iranian regime's political opponents and sympathizers; has nascent, unstable or pragmatic alliances with Iran's geopolitical adversaries; and is plagued by high levels of public sector corruption.



For each country, this report examines the reasons it represents an attractive target to Iran, its structural vulnerabilities, the entry points for Iran to cultivate relationships, and the major Iran-sponsored illicit operations that have been carried out there.

Despite frequent drug seizures in Iran and counter-narcotic rhetoric, elements in the regime control a consolidated regional heroin trade. © Atta Kenare/ AFP via Getty Images

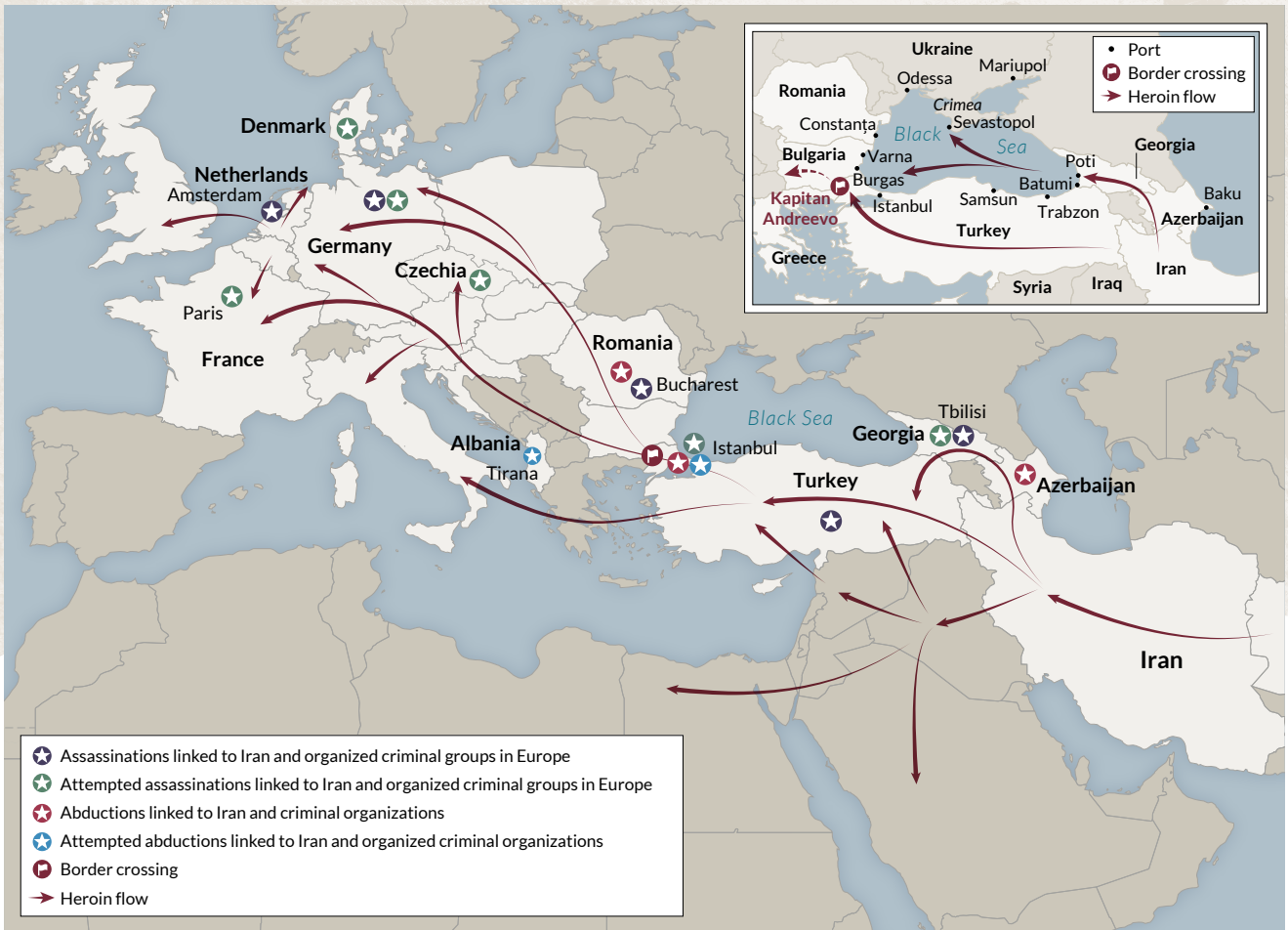


FIGURE 2 Routes of heroin flows through the Black Sea region.

Turkey: A porous gateway to Europe

For Iranian operatives charged with carrying out illicit activities or instrumentalizing links with transnational criminal organizations, Turkey is an attractive operating environment. Visa-free travel for Iranian citizens and steadily increasing trade over the past few years have broadened Tehran’s connections within its north-western neighbour. The countries share a border, and many residents in each have familial ties. For Iran, Turkey is a physical and commercial gateway to Europe for licit and illicit enterprises.

Beyond Turkey’s commercial and geographic appeal, the country also exhibits numerous vulnerabilities to criminal penetration that Iran and its proxies have seized upon. Most importantly, organized criminal groups and state actors, including those with links to Tehran, have repeatedly demonstrated the ability to penetrate Turkish public sector institutions and to compromise politicians and government officials.

Second, with numerous examples of high-profile international criminals obtaining Turkish citizenship, criminals and proxies linked to Tehran have repeatedly sought, sometimes successfully, to obtain passports from Turkey. Third, key strategic industries in Turkey, including gold, banking and shipping, are characterized by high levels of corruption and criminal penetration. As a result, numerous illicit trafficking routes that originate

in or transit through Iran also pass through Turkey or involve Turkish criminal enterprises, and major criminal organizations with links to the MOIS and IRGC-QF have become embedded in Turkey.

Incidentally, Iran's criminal operations in Turkey run the gamut of its illicit priorities. Iranian government operatives as well as their collaborators and proxies in transnational criminal organizations have repeatedly conducted operations in Turkey and have used the country as a forward operating station for activities elsewhere, especially in Europe and the Mediterranean region.

Numerous Turkish citizens and companies – ranging from state-owned enterprises and politically connected tycoons to obscure front companies and criminal groups – have come under scrutiny in recent years for supporting Iran's illicit oil exports. For example, in December 2022 the US Department of the Treasury placed sanctions on Sitki Ayan, a prominent Turkish businessman with close ties to President Tayyip Erdoğan, as well as companies under his control, for being a 'critical element' of an elaborate network that smuggled oil on Iran's behalf. Ayan's companies were at the centre of an elaborate oil smuggling and money laundering network involving half a dozen jurisdictions.⁹⁶

Iranian state agents have carried out or sponsored numerous operations on Turkish soil or involving the country's citizens to launder significant sums, often the proceeds of oil. Strategies for laundering funds have involved dealing with corrupt banks and exploiting weak oversight of the country's gold trading and foreign exchange businesses.

Iran is at the centre of one of the biggest banking and corruption scandals in Turkey's history. A Turkish-Iranian citizen described as 'The Turkish Gatsby' allegedly orchestrated a complex system to launder billions of dollars in Iranian oil revenue through a major Turkish state-owned bank. In 2019 US prosecutors charged Halkbank over its alleged involvement in an elaborate scheme that helped Iran launder US\$20 billion to evade sanctions. The bank is alleged to have allowed Iran to covertly use the revenue from its oil sales to purchase gold, which it converted into cash. To use a 'humanitarian exception' to bypass restrictions, bankers apparently created false records of transactions that claimed funds were used to buy food and medicine, commodities that were never actually purchased.⁹⁷ Halkbank has pleaded not guilty to the charges and the case is ongoing.⁹⁸



Turkish state-owned Halkbank was charged for laundering billions of dollars of Iranian oil revenue in a bid to evade sanctions. © *Stringer/Reuters*

Turkey has been a particularly important jurisdiction for Hamas financiers, for whom the country is the informal headquarters of the terrorist group's finance committee (previously based in Saudi Arabia and Jordan). The country has provided citizenship to several high-profile Hamas financiers residing there, is home to much of the corporate infrastructure that generates revenue for Hamas, and has provided exchange houses, hawala networks and cryptocurrency platforms which are used to transmit funds to Hamas.

Turkey is a home base for Iran's criminal proxies involved in assassinations and the site of Iran-sponsored killings. Several assassinations in the past decade have been linked to Najji Sharifi Zindashti, an Iranian heroin kingpin who is suspected of carrying out operations at the behest of Iran's MOIS. The killings are often planned by a small cohort of Iranian intelligence operatives and carried out by non-Iranians recruited from the underworld or Zindashti's personal network.⁹⁹ When placing sanctions on Zindashti in January 2024, the US Department of the Treasury linked him to numerous other attacks on Iran's behalf, including the 2017 murder of a media entrepreneur whose television channel was critical of the regime, the 2019 assassination of a former Iranian intelligence official who became a vocal dissident, and the 2020 kidnapping and trafficking of an Iranian dissident who was summarily executed after a sham trial in Iran.¹⁰⁰

On 14 October 2021, Turkish authorities foiled a plot to abduct a former member of Iran's military living in exile in eastern Turkey. Two Iranian operatives were arrested, including one who was detained while trying to intrude into the soldier's residence. Investigators found that the operatives had tried to bribe the soldier's wife and had recruited a network of Turks to participate in the operation, six of whom were arrested. Iranian dissident Mohammad Bagher Moradi, who had been granted asylum in Turkey, was abducted in Istanbul in May 2022 and forcibly deported to Iran, where he was imprisoned and forced to read a confession prepared by his captors.¹⁰¹

A crucial aspect of Iran's instrumentalization of criminal groups in Turkey is the degree to which those groups have penetrated or compromised state structures. In several cases, senior politicians, including ministers and confidants of Erdoğan, have been implicated in schemes to evade sanctions or help Iranian criminals evade scrutiny or accountability.

Contradictions abound in the relationships Ankara maintains with Iran, on one hand, and its NATO allies on the other. Erdoğan has made flattering statements about Hamas but has also worked with Israeli intelligence to break up assassination plots. Ankara-backed forces in Syria and Iraq have clashed with Iran's proxies but Iranians enjoy visa-free travel into Turkey. This, in part, reflects several balancing acts for the Erdoğan regime: needing to keep NATO allies just satisfied enough with their alliance, satisfying an increasingly vocal Islamist constituency at home, and facilitating trade and interaction between citizens with ties to family and community in Iran. However, it also reflects the rampant corruption in Turkey, which enables organized crime and weakens the government's defences against state capture.



Kingpin: Zindashti is suspected of carrying out assassinations on Iran's behalf. Photo: FBI

Albania: Iran's Balkan battleground



Geopolitical enemy. The Albanian government admitted members of Iranian opposition group the People's Mujahedeen of Iran, seen here at an event in their base in Albania. © Florion Goga/Reuters

Two factors make Albania possibly more geopolitically significant to Iran than to any other external power: its decision to admit 3 000 MEK members in 2013; and Tirana's growing strategic alliance with the US and NATO members.

The MEK is an opposition group that played a prominent role in Iran in the early days after the 1979 revolution, often using terrorist and guerrilla tactics against targets in the regime. It was offered safe haven by Saddam Hussein during the 1980s and classified by the US as a terrorist organization in 1997. After significant lobbying, the US removed the MEK's terrorist designation in 2012 in return for the group's commitment to disavowing violence.

Amid significant security threats to its members after the fall of Saddam and the deteriorating stability of Iraq following the 2003 US invasion, the US government sought to help relocate the MEK. After a long search, Albania offered the group asylum and constructed a camp, Ashraf 3, to house its refugees. In the period since, Iran's embassy in Albania has become one of its best-staffed diplomatic facilities and Albanian entities have been a major target of Iranian cybercriminals and assassins.

Albania is home to a range of mafia-style groups, many of which are violent, collaborate with other transnational criminal enterprises and have significant contacts in the government. The country's position along the so-called Balkan trafficking route, which includes the flow of heroin from Afghanistan and Iran to Western Europe, increases its risk exposure.

'Strategically positioned at the centre of the region, with a large coastline along both the Adriatic and Ionian seas and neighbouring Italy and Greece, the country quickly turned into a key hub for heroin coming from the East before reaching the European Union,' according to a report by the Italian Institute for International Political Studies. 'These groups traffic the heroin that enters Albania through Turkey across western and central European countries.'¹⁰²

Corruption is a major enabler of crime in Albania and increases the risk of malign actors instrumentalizing criminal markets. 'State-embedded actors continue to be heavily involved in Albania's criminal landscape. Members of criminal groups have reportedly been appointed to political positions at various levels of the state apparatus,' according to the GI-TOC's Global Crime Index. 'Criminal networks are

highly embedded in local- and regional-level structures, operate with the police, and receive political protection. Infiltration by organized crime of the state apparatus is evidenced by the protection of drug trafficking through bribery and corruption, specifically among border police.¹⁰³

Another vulnerability in this context is Albania's relatively weak cybersecurity ecosystem. Although a range of governments and other stakeholders have attempted to elevate the defences and resilience of Albania's digital networks, the country remains extremely vulnerable to attacks due to the rapid uptick in internet penetration and counterproductive responses by authorities to cyber-attacks and data breaches. This vulnerability is compounded by government decisions to shift most services to e-government, creating significant risk exposure for people and entities.

Over several years, Iran has repeatedly conducted intrusive and destructive cyber-attacks against targets in Albania. Many of these have been perpetrated by Homeland Justice, an Iranian state-sponsored group masquerading as hacktivists. The attacks have targeted government systems with crippling persistence, bringing the government's internet presence to a standstill on several occasions. Additionally, these hackers have infiltrated law enforcement systems and have published personal and, at times, embarrassing information about Albanian police and government officials.

Tactics Iran has used to target MEK members in Albania have included seeking to recruit former MEK members to collect intelligence about their former comrades and deploying intelligence operatives to Albania to recruit a network that would conduct attacks against MEK members.

One cell identified by Albanian authorities was led by IRGC-QF operatives and relied heavily on a Turkish crime boss, Abduselam Turgut. He has been arrested numerous times for trafficking heroin, including a 2011 detention in Albania that stemmed from a Germany-issued international arrest warrant for an attempt to smuggle 1.6 tonnes of heroin into the country. Men employed by Turgut were reportedly sent to Albania to help plan attacks against the MEK. The operation, which was disrupted by Albanian law enforcement, entailed the recruitment of MEK defectors to gather intelligence and infiltrate their camp.

Just as the IRGC-QG operation with Turgut began, Iran reportedly also deployed an MOIS agent, Danial Kasra'i, to Albania. According to the National Council of Resistance of Iran, Kasra'i, claiming variously to be a police officer and a journalist, was carrying out an operation to infiltrate the MEK. He had been working for Iran's embassy in Italy (where he also has citizenship) on the pretext of being a reporter for Tehran's state-run PressTV. He was sent to Albania in 2015 just as the final MEK members from Iraq were resettling in Ashraf 3. In close contact with a Tirana-based MOIS agent, Ehsan Bidi, Kasra'i was tasked with recruiting people to pose as MEK defectors as part of an influence operation and collecting information in support of attacks against the same organization.¹⁰⁴ While this operation was foiled by Albanian authorities, who deported Kasra'i and declared him *persona non grata*, it is not an isolated incident. Other Iranian intelligence operatives attempting to penetrate the MEK have claimed to be documentary film crews or relatives of elderly MEK members.¹⁰⁵

Azerbaijan: Repression, radicalization and realpolitik

Despite significant cultural and historical links, Iran's relationship with Azerbaijan has been strained during the 21st century, especially as Baku's diplomatic allegiance has drifted towards the US and NATO rather than Iran and Russia. However, Azerbaijan's dynamic relations with great powers have been a source of geopolitical leverage for its rulers. Azerbaijan has courted support from Western



Strained relations: An Iranian border guard monitors the border area between Iran and Azerbaijan. © Morteza Nikoubazl/NurPhoto via Getty Images

governments and counts Israel as its top arms supplier. This creates an incentive for Baku to emphasize – or possibly exaggerate – tensions with Iran (and spotlight examples of Tehran’s support for Armenia) to fend off criticism of its governance and human rights record, and lobby for support in its conflict with Yerevan over the Nagorno-Karabakh region.

Public statements from Baku have framed issues with Iran in terms that align its interests with the West or justify its conduct. For example, President Ilham Aliyev publicly decried Iran and Armenia’s use of Nagorno-Karabakh as a narcotics transshipment route during an address to the Commonwealth of Independent States¹⁰⁶ Analysts linked to the government of Azerbaijan have also sought to depict Armenia as a key partner of Iran (and Russia) in smuggling weapons and busting sanctions.

However, as a frequent target of criticism by anti-corruption and human rights activists in Europe and North America, Azerbaijan has a strong incentive to play up the Iran threat to forestall scrutiny or punitive action. Moreover, in the eyes of Aliyev’s regime, the well-organized and deep-pocketed Armenian lobby looms as a constant threat to its relationship with the West.

‘Some observers believe that some foreign governments are reluctant to criticize the Aliyev administration’s policies, due to security and economic interests: Azerbaijan is strategically located between Russia and Iran and possesses an abundance of oil and natural gas,’ according to a September 2016 report by EurasiaNet.¹⁰⁷

For many NATO members, this has created a dilemma. On one hand, it has made Azerbaijan an unlikely ally in a geostrategic location. On the other, high levels of public sector corruption and the long-standing presence of organized criminal groups in Azerbaijan create an array of potential criminal collaborators for Tehran. Azerbaijan remains vulnerable to the penetration and capture of government entities and strategic industries by Iran’s agents and Tehran-backed criminal enterprises. Furthermore, countless studies have shown that kleptocracy and repression can catalyze radicalization and the rise of terrorist groups.

The criminal linkages between Azerbaijan and Iran are evident, and many stem from Azerbaijan's location along a major smuggling route through the Caucasus. Iran has also been a conduit for Russian weapons heading into Armenia. With consistent reports of seizures of hundreds of kilograms of opium and heroin by authorities in Baku, the scale of heroin crossing Iran's border into Azerbaijan is staggering. There is also evidence that Iran-linked criminal enterprises have penetrated Azerbaijan's security sector, as evidenced by the 2022 arrest of Azerbaijani border agents in the disputed territories for trafficking drugs across the border from Iran.¹⁰⁸

The scale of dirty money flowing through the jurisdiction has created opportunities for Iranian state-linked criminals to clean illicit funds and circumvent sanctions. In 2017, the Organized Crime and Corruption Reporting Project (OCCRP) reported that Reza Zarrab, the Iranian-Turkish businessman considered to be the mastermind behind the Halkbank laundering scheme in Turkey, had used the so-called 'Azerbaijan Laundromat'. According to correspondence included as evidence in a US court case, Zarrab referenced operations in Azerbaijan when boasting about his intentions to help Iran bust sanctions.

'[T]he Zarrab family, which has had half a century of experience in foreign exchange, while establishing branches in Turkey, United Arab Emirates, Russia and Azerbaijan, considers it to be our national and moral duty to declare our willingness to participate in any kind of cooperation in order to implement monetary and foreign exchange anti-sanction policies,' according to the document. The OCCRP investigation found that in two months in 2013, Zarrab channelled US\$4 million through the Azerbaijan Laundromat using a UK company, LCM Alliance.¹⁰⁹

The main entry point for Iranian influence in Azerbaijan, however, has been a small but radical group of Islamists. Primarily engaging these ultra-conservative elements of the country's Shi'a population, Iranian government operatives have made efforts to establish and instrumentalize proxies in Azerbaijan since the early 1990s. The initial vehicle for engagement was the Islamic Party of Azerbaijan. However, the party was banned in 1996 after calling for the imposition of Sharia law, while its founder was accused of spying for Tehran and imprisoned until 2003. Some party members created Hezbollah Azerbaijan in the mid-1990s, reportedly with financial and material support from Iran.

The leader of the Shi'a political movement in Azerbaijan, Tohid Ibrahimbeyli, is based in Iran and reportedly had close ties with the late IRGC-QF leader, Qasem Soleimani. With Iran's support, Ibrahimbeyli created a militarized unit, the Huseyniyyun Brigade, around 2018. 'The Huseyniyyun Brigade was a brainchild of none other than the assassinated General Qasem Soleimani,' according to a report by the International Institute for Iranian Studies. 'Tohid Ibrahimbeyli, an Azeri exile living in Iran and one of the founders of Huseyniyyun, was Soleimani's eyes and ears in Azerbaijan, hence, the group's commander too.' While the Azeri group's leaders have officially denied receiving support from Iran, there is abundant evidence of affinity. 'Huseyniyyun sympathizes with the most famous militant Shi'a movement, Hezbollah, and their banner [...] resembles that of Hezbollah, with the addition of Azerbaijan's map and coat of arms. Many members fought in the last decade's wars in Syria and Iraq as pro-Assad volunteers against the Islamic State and Sunni opposition forces.'¹¹⁰

Still, support for this brand of political Islam remains limited in Azerbaijan, where the government and main opposition forces are strongly in favour of secularism. 'As the history of Shi'a political activism in Azerbaijan shows, the type of political vision the Huseyniyyun espouse has a limited appeal,' according to a 2022 report by the Caucasus-focused news site Eurasianet. Videos the brigade posts attract a maximum of 8 000 views and the number of subscribers to its Telegram channels 'is far smaller', according to the report.¹¹¹

Still, the Azerbaijani government's preoccupation with the group shows that even a small number of radicalized supporters can have an impact on political and security dynamics. Azerbaijani authorities have conducted numerous investigations and arrests of people who received support or training from Iran. 'The State Security Service is conducting comprehensive investigative measures in connection with the cases of covert involvement of Azerbaijani citizens by Iranian special services in military exercises outside of the country, financing and directing their activities, keeping them in the sphere of influence through blackmail and other violent means in order to use them against the interests of state security of Azerbaijan,' Baku said in November 2022.¹¹² The announcement singled out the Movement for Muslim Unity and its links to Iran and its proxies across the Middle East:

[C]itizens of the Republic of Azerbaijan, mainly those with a criminal record for various crimes and who considered themselves members of an organization called the Movement for Muslim Unity, with the help of an illegal armed group, travelled through third countries to Tehran city, where their mobile phones and passports were seized, they were instructed to maintain discreet contacts and conspiracy, given religious monikers, and with forged documents flown on military transport planes to Damascus, Syria. In Syria they participated in military training, where they were trained in the use of various firearms and combat tactics, and each participant was given various sums of money after being issued receipts.

At least one arrested Movement for Muslim Unity member may have been involved in an assassination plot on Iran's behalf in 2021. Orkhan Asadov, a dual Azerbaijani-Russian citizen residing in Cyprus, allegedly played a central role in a foiled plot to kill an Israeli businessman in the country, reportedly receiving US\$40 000 to carry out the murder. On 5 October 2021, reports emerged that Turkish authorities had arrested Asadov in northern Cyprus. He had reportedly hired five accomplices – four Pakistani delivery drivers and a Lebanese man.¹¹³

The following year, a trio of Azeris with ties to Russia were indicted for taking part in an Iran-backed assassination plot, this time in the US. Rafat Amirov, Polad Omarov and Khalid Mehdiyev were indicted for their involvement in an assassination plot targeting New York-based Iranian activist and journalist Masih Alinejad. The indictment noted that the defendants communicated almost exclusively in Azeri Turkic and had Azerbaijani citizenship, often in tandem with Russian citizenship.

Amirov is described as the leader of the organization who resides in Tehran. Omarov, identified in media reports as a Georgia-born Azeri, reportedly has a history of involvement in violent attacks across Europe and Central Asia, including murder-for-hire plots, gangland-style killings and abductions in Turkey, Ukraine, Bulgaria, Kazakhstan and the Czech Republic. The OCCRP described Omarov as 'the right-hand man of Namik Salifov, the younger brother of late crime boss Nadir Salifov [who] ... built a powerful crime syndicate extorting money from the Azeri diaspora in Eastern Europe and Central Asia'. Omarov and his bodyguard were arrested in January 2023 while entering the Czech Republic using a Ukrainian passport and extradited to the US.¹¹⁴

Georgia: Tourism, terrorism and transit

Iran's engagements in Georgia present something of a paradox. On one hand, Tbilisi has made a decisive diplomatic tilt towards the US and NATO since the Russian invasion and annexation of South Ossetia in 2008. '[T]he unconditional pro-American position of Georgia was illustrated by the fact that Georgia was the only country in the region to openly support the American operation of the liquidation of Iranian General Qasem Soleimani,' wrote the Caucasus Analytical Digest in 2024. 'There is a certain fear from the side of Iran that Georgia could be used as a staging ground by the West in the case of military action

against Iran.¹¹⁵ Relations between Tbilisi and Tehran were also strained after the discovery of an Iranian plot to bomb Israel's embassy in Georgia. On the other hand, Iranian investment has poured into Georgia, especially during the brief period when US sanctions on Iran had been lifted. A major tourist destination for Iranians, Georgia is also one of the few countries to offer them visa-free entry.

Like Azerbaijan, one of Georgia's primary vulnerabilities to the state-crime nexus emanating from Iran is its location along trafficking routes through the Caucasus. Georgia, too, has been the site of numerous large-scale heroin seizures. According to the GI-TOC's Organized Crime Index, this has created risk exposure to infiltration by criminal enterprises from Turkey. '[C]riminal networks (in cooperation with foreign actors) are likely involved in heroin trafficking,' according to the most recent (2023) index. 'Turkish groups mostly control this criminal market and information suggests that these groups have established their presence in the legal economies of key countries along the trafficking route.'¹¹⁶

Over the past decade, Georgia's borders have been the site of some of the largest seizures of heroin from Iran en route to Europe.¹¹⁷ Since 2018, the annual Trafficking in Persons reports from the US Department of State have noted the increased presence of Iranian trafficking victims forced into prostitution in Georgia and being subjected to abuse, threats and confiscation of their passports.¹¹⁸

Georgia has been a major investment target for Iran as well as a tourist destination for its population. The IRGC has seized on this opportunity and companies connected to the guard have proliferated in Tbilisi. 'The business branch of Iran's Islamic Revolutionary Guard Corps has some 150 front companies in Georgia for the purpose of evading sanctions and importing dual-use technology, according to two members of the Revolutionary Guard and to the head of a Tbilisi facilitator agency, who said he helped set up such firms registered under Georgians' names,' according to a report in *The Wall Street Journal*.¹¹⁹

One high-profile case, however, shows the immense effort expended by Iran's operatives to cover up any links to Tehran. In 2013, three Iranians operating on behalf of the regime acquired a majority stake in a Georgia bank, JSC InvestBank, through a web of shell companies in Canada, Georgia, Lichtenstein, New Zealand, Switzerland, Turkey, the UAE and the US while using diplomatic passports from St Kitts and Nevis. The same trio purchased an airline, FlyGeorgia, and nearly concluded a deal to acquire a Sheraton hotel in Tbilisi and a large industrial zone on the Black Sea.

Amid increased scrutiny from the US and Georgian governments, the US Department of the Treasury found that the investors had used the bank to launder tens of millions of dollars for Iran, circumventing US sanctions and anti-money laundering measures. According to US prosecutors, the investors 'used the Georgia financial institution to facilitate transactions for multiple Iranian banks, including Bank Melli, Mir Business Bank, Bank Saderat and Bank Tejarat' and conspired with a US citizen to conceal the nature of the transactions. The US government placed the investors under sanctions, seized US\$7 million of their assets that had been deposited into accounts in Dubai as part of the since-abandoned hotel deal, and indicted their American co-conspirator.¹²⁰

Georgia has also been the location of at least two Iran-linked murder-for-hire plots. In February 2018, Georgian police and counterintelligence officials arrested a 56-year-old Iranian for 'preparation of pre-meditated murder' of another Iranian living in Tbilisi. According to a statement by Georgian authorities, the would-be assassin accepted US\$5 500 to carry out the killing. In 2022, Pakistanis reportedly under the direction of Mohammad Reza Ebadi Arablu, an IRGC-QF operative, attempted to assassinate Itzik Moshe, a prominent Jewish businessman living in Georgia.¹²¹ Several of the Iranian operatives involved in the plot had experience planning attacks elsewhere around the world. For example, Hossein Rohban supervised the mission but ultimately reports to Hamed Abdollahi, the leader of IRGC-QF Unit 400, who the US government says was behind the plot to assassinate a Saudi diplomat on American soil.¹²²

DOES CRIME PAY? ASSESSING THE DIVIDENDS OF IRAN'S STATE-CRIME NEXUS

Prevent and contain opposition and dissent

The four types of criminal partner identified in this report have supported Iran's efforts to suppress, punish and deter dissent. Soldiers from proxy militias, members of Iranian cartels and foreign crime bosses have supported plots to abduct, attack or murder Iranian journalists, activists, and opposition figures living abroad. Some of these operations appear to be cyber-enabled, as there have been numerous reports of Iran-backed cyber intrusions carried out to obtain intelligence about the habits, whereabouts and travel plans of the regime's critics.

While Iran's efforts to use criminal proxies to curb dissent have had mixed results operationally (typically due to law enforcement intervention), the strategic impact of these operations is more complex and difficult to assess. These plots have a chilling effect which is inherently difficult to measure but may mute criticism of Iran's regime. Iran International, for example, temporarily relocated its headquarters after continued threats, harassment and attacks. Similarly, Iran-backed hacking groups' rampant cyber-attacks on the government of Albania may make other governments hesitant about agreeing to host groups of Iranian dissidents.

On the other hand, the threats and attacks have galvanized Iran's civilian critics and activated various governments to dig deeper into Iran's networks and the threat they may pose to domestic and international security. For example, ominous as Iran's cyber-attacks against the Albanian government may be,

Police at the Iranian embassy in Tirana after Albania broke diplomatic ties with Iran in 2022 over an alleged cyberattack on the Albanian government. © Gent Shkullaku/AFP via Getty Images



they have catalyzed additional cooperation with the US and may have entrenched Tirana's alliance with NATO countries. Furthermore, Iran's extensive relationships with drug cartels, in particular, creates additional liabilities. Partnering with criminals presents a major reputational risk at home and abroad.

At the most basic level, narcotics consumption and trafficking is almost entirely incompatible with Islamic jurisprudence, presenting a threat to the regime's moral credibility. In the longer term, however, drug addiction is creating a public health crisis in Iran and several countries where its proxies dominate the illicit trade. This creates a recipe for resentment and distrust of the regime.

Similarly, the violence and instability that has followed Iran's influence operations is significant, and in almost every country along its periphery there is significant resentment of its role in violent conflict and illicit flows in the region. Tehran's leaders are also aware of their lack of popularity among their own people. Protests, defections, hacktivists and dissident groups have sprung up within the country and throughout the diaspora. Attempts to deter or silence critics have largely been defied, even by those targeted. Plots to attack politicians have galvanized Iran's opponents in foreign capitals. In some ways, the forward deterrence strategy, when applied to the regime's critics, is backfiring.

Weaken adversaries, avoid direct military confrontation

Partnerships with proxies and illicit networks have presented Iran with abundant opportunities to frustrate, obstruct and disrupt the activities of its adversaries. The ability to tap into networks of profit-driven criminal organizations – which often view Iran's opponents in Western governments as the biggest threat to their enterprise – gives Tehran an option to conduct precision strikes against foreign targets with limited overhead costs.

With well-established criminal enterprises in the target environment, many of these illicit networks have already built the networks and relationships needed to conduct espionage, abductions, assassinations and smuggling operations. They also have often reached important milestones for improving their operational effectiveness – penetration of key industries, establishment of protective networks of law enforcement and government operatives, and a nuanced understanding of legal systems and regulations – that can take years or even decades to develop.

Numerous Tehran-backed proxy groups have engaged in military strikes against Iran's adversaries, especially in the Middle East. Others have engaged in sabotage of military and commercial operations

Hamas rockets seen in Gaza directed at Israel. Tehran has backed numerous armed non-state proxy groups in the region. © Bashar Taleb/AFP via Getty Images



with the financial, material and logistical support of Iran, as is the case with Houthi attacks on ships transiting the Gulf of Aden. Cyber-attacks perpetrated by Iran-backed networks have brought government operations in Albania to a standstill on several occasions. Iran and its proxies have also provoked numerous conflicts and controversies that expose fissures in relationships between its great power adversaries (Israel, the US, NATO members and Gulf monarchies).

With criminal enterprises operating on the front lines of a clandestine conflict with Israel, NATO members and their allies, senior MOIS and IRGC officials are less exposed to publicity, arrest or physical harm. This limits the potential impact that a failed or costly operation can have on human resources, morale and public opinion in Iran. Fatalities from battalions composed of Afghan refugees operating in Syria, for example, are excluded from official figures released by Tehran. In other words, proxy forces provide Tehran with an expendable infantry capable of a diverse set of operations around the globe while limiting the reputational, financial and security risks to the regime. In this way, Iran's proxies provide a service similar to what the Wagner Group offered Moscow before Yevgeny Prigozhin's mutiny (for better or for worse).

On Iran's periphery, cultivating relationships with proxies – including participating in or facilitating their role in criminal markets – provides an opportunity to achieve, institutionalize or consolidate its forward deterrence objective. This requires adversaries to devote resources to addressing the threat in domestic contexts and in third countries. In some ways, Iran's illicit proxies allow the deployment of tactics that are not always options for adversaries due to legal prohibitions or political costs. For example, while supporting a rival criminal enterprise may weaken an Iranian proxy, it would simultaneously undermine efforts to promote the rule of law, democracy and security.

Case studies from the Black Sea region (Georgia, Azerbaijan and Turkey) reveal a more insidious pathway for Iran to erode its adversaries' partnerships around its periphery: penetrating and compromising state institutions, thereby weakening a given country's reliability as a partner. This is particularly evident in Turkey, where numerous allies and confidants of President Erdoğan have been linked to sanctions-busting or organized criminal groups involved in operations on Iran's behalf.

Perhaps most significantly, in the case of Iraq, Iran's proxies have repeatedly undermined or overtly challenged operations by coalition forces and helped catalyze their withdrawal. That insurgent campaign occurred while proxy groups were simultaneously infiltrating state structures, taking control over key territory and infrastructure, and, eventually, consolidating control over key government structures when the opportunity arose.

Strengthen allies while retaining influence

The IRGC-QF has devoted enormous resources to cultivating relationships with armed proxies, facilitating their integration into illicit markets and their development of smuggling networks while simultaneously augmenting their battlefield capabilities. In each case profiled in the Middle East, illicit markets – whether heroin, captagon, methamphetamine, weapons smuggling, money laundering or human trafficking – have played a significant role in the formation and sustainability of Iran's proxies.

Hezbollah has become nearly as ubiquitous in Iran's foreign operations as the Quds Force and has demonstrated the ability to obtain goods and weapons, access foreign currency and launder funds, and cultivate relationships with illicit networks and Iranian client states worldwide. The PMFs in Iraq have achieved success beyond most observers' expectations, especially after a period of waning influence.

With PMFs now in control of key ministries, transport corridors and revenue streams, some observers have suggested that Iraq is de facto Iran-occupied territory. In Iraq, Lebanon and Palestine, Iran has

cultivated relationships characterized by significant dependency. In the case of Hezbollah and Hamas, that dependency is financial, material and political, as Tehran provides each with a significant portion of their funding. In both cases, the ability to transfer funds and weapons requires connections in illicit markets. Built on a foundation of ideological affinity and a shared primary adversary, the transactional nature of these relationships is muted.

Iran's engagements in Syria and Yemen differ slightly. There, its primary partners – the Assad regime and the Houthi movement – have retained significant autonomy and have a range of political and economic interests that predate their alliances with Tehran. While Iran has nurtured numerous armed groups operating in Syria and fighting on the Assad regime's behalf, these battalions are often composed of mostly non-Syrian fighters. Furthermore, Iran is not Syria's only foreign patron; Russia has also cultivated a patron-client relationship with Assad, having deployed mercenaries to fight on the regime's behalf. While Russia and Iran enjoy warm relations, Assad's courtship of numerous foreign partners reflects a desire to maintain a degree of autonomy. Additionally, his regime has repeatedly expressed a desire to normalize relations with Arab governments.

The Houthis, to be sure, have shown a trend towards greater support for Iran's international political objectives, as evidenced by their repeated attacks on ships in the Gulf of Aden after the outbreak of war in Gaza. Their weapons systems, as described above, are nearly identical to Iran-manufactured arms and equipment. In the near term, Iran enjoys the support of the Houthis and the Assad regime because of mutual interest and mutual benefit, but the alliances have not been consolidated.

Iran's engagements with profit-driven criminal enterprises, however, are almost entirely transactional or coercive. Coordinating with drug traffickers, crime bosses and terror/trafficker hybrids is not for the faint of heart, and transactional alliances are highly unstable since allegiances based on opportunism and profit can fluctuate with shifts in markets and political landscapes. Even relationships with a high degree of embedded dependency can erode if a new patron pitches a more lucrative or rewarding arrangement.

For example, some reports have suggested that President Assad of Syria gave Jordan the green light to conduct air strikes that targeted captagon production inside Syria. Similarly, after decades as a steadfast ally of Iran, the Sudanese regime of Omar al-Bashir abruptly realigned its politics and security cooperation with Gulf monarchies, sending mercenaries to Yemen in support the Saudi-led counterinsurgency operation. Disputes and suspicion among drug traffickers in Naji Sharifi Zindashti's orbit resulted in the deaths of 17 people who had once collaborated on smuggling operations. However, if these partnerships are financially sustained by the illicit markets controlled with Iran's help rather than by direct budgetary support from Tehran, the financial burden is significantly less than the opportunity cost.

Regain access to money and markets

Iran has relied on militarized proxies in the Middle East and an array of transnational criminal organizations based in Iran and abroad to mitigate the impact of economic sanctions.

Turkey, as a jurisdiction and financial centre, has served as a link between Iran and the global economy. Well-connected Turkish businesspeople have aided Iranian oil smuggling efforts, while banks, gold traders and foreign exchange houses have served as important conduits for money laundering and sanctions busting. At a smaller scale, Georgian and Azerbaijani banks have also been used to bust sanctions and launder Iranian oil money. To be sure, several major laundering and smuggling operations have been foiled, sometimes in part because of the cooperation of Turkish authorities. But on other occasions Ankara has been obstinate, especially in the case of Halkbank, the state-owned financial institution at the centre of a multi-billion dollar laundering scheme for Iran.

Hezbollah has played a particularly important role in this regard due to its extensive smuggling operations, global network of licit and illicit businesses, and dominant role in global money laundering through foreign exchange houses. Hezbollah has been linked to the smuggling of oil, weapons and a range of sanctioned goods. The group has also penetrated financial institutions in numerous countries and has carried out creative and elaborate laundering schemes that straddle multiple continents and commercial sectors. Hezbollah operatives have even sought access to weapons and equipment in contravention of sanctions on Iran's behalf, a high-risk endeavour.

PMFs in Iraq have also played an increasingly important role in alleviating some of the sanctions burden, particularly as it concerns Tehran's dollar crunch. They have smuggled dollars, enabled by Iran-backed militias' control over commercial banks and penetration of the Central Bank of Iraq; generated hard currency through the illicit methamphetamine trade; and made use of their well-established smuggling routes and control over key border crossings.

In Yemen and Palestine, Iran's proxies have benefited from access to criminalized markets – particularly foreign exchange houses – that had previously served as conduits for ISIS and al-Qaeda financing. These relationships show that the criminal markets which underpin Iran's foreign operations are catalysts for a range of threats.

Strengthen military capabilities

Iran has one of the strongest conventional militaries in the region and among most middle powers. Although the regime developed a domestic weapons manufacturing industry in the 1990s to reduce dependence on imports, there have still been numerous instances where Tehran has struggled to access key inputs or dual-use components. This report has identified several instances in which the regime has tapped partners in the criminal world to procure components for aircraft or weapons systems, in one case offering significant overpayment due to its lack of ability to access the goods.¹²³

While some of the most significant and sensitive smuggling operations – such as the traffic in nuclear materials or inputs for advanced weapons systems – may be more closely guarded by Iran, sting operations have indicated that there is a willing supply from criminal enterprises across the world.

Beyond Iran's grandest ambitions, however, there have been major dividends for tapping illicit markets to support its power projection. Hackers operating on Iran's behalf have mounted attacks on governments, strategic industries and critical infrastructure around the world. Criminals have plotted targeted and high-profile attacks on several continents. International shipping and commerce have been disrupted. And the rule of law has been undermined in several strategically important countries.

The Iranian regime has leveraged its partners in the criminal world to procure components for aircraft and weapons systems to equip its large military. © AFP via Getty Images





THREATS, VULNERABILITIES AND OPTIONS

This scoping report is a first step in the process of mapping Iran's extensive and dynamic relationships with criminal markets and illicit networks. The number of operations involving Iran-backed criminals that have been disrupted during the planning stage suggests that numerous governments have invested significant resources in understanding Iran's key relationships with criminal organizations.

Diplomats, law enforcement and intelligence agencies can gather much of this information through signals and human intelligence, but this information often remains classified and beyond the reach of key stakeholders. Governments should support the development of internal or external mechanisms to conduct research and analysis in ways that are secure and cultivate mechanisms to facilitate the circulation of the data to stakeholders in a position to act across government, law enforcement, civil society and the private sector.

Understanding transnational criminal enterprises and Iran's strategies for moving money, goods and people requires examination of a wide range of commercial enterprises, jurisdictions, languages and political systems. While there have been ad hoc efforts in the open-source realm to document Iranian state agents involved in illicit operations, there is no authoritative and comprehensive source of such information. Similarly, publicly available statements and reports about criminal actors involved in Iran's illicit activities deal with only the tip of the iceberg.

For example, this project uncovered several companies in Turkey controlled by the Zindashti cartel – the Iran-backed heroin trafficking enterprise involved in multiple assassinations and abductions around the world – and operating in key economic sectors that have been targeted by the regime.

Legal records, corporate filings, photos and videos posted to social media sites, commercial databases, flight and vessel tracking tools, foreign-language media sources and the dark web contain a treasure trove of information about some of these networks, their business relationships and the assets under their control. A variety of open-source intelligence tools can be used to leverage data points extracted from those sources to further understand the networks that underpin Iran's state-crime nexus.

A systematic effort to map these networks could help identify Iran's potential criminal collaborators before their next plot. The level of Iranian investment in attacks against targets in North America and Western Europe means significant effort should be devoted to mapping the movements of potential



Fallen agent. A billboard bearing a portrait of Lebanese Hezbollah leader Hassan Nasrallah, killed by an Israeli airstrike on 6 October 2024. © Mohammed Hamoud/Getty Images

threat actors, the identification of potential proxies, possible targets for attacks, and commercial sectors and state institutions vulnerable to penetration or targeted attacks. While trafficking organizations appear to have the strongest relationships with Iran, a similar approach could be applied to the other illicit flows with connections to Iran and its proxies.

The priorities should be:

- Mapping the Tehran networks that orchestrate engagement with proxies and criminal enterprises. This should include identification of units, personnel, companies and locations of facilities of the IRGC (especially Quds Force) and MOIS. Analysts should similarly map networks behind cyber threat actors tied to Iran and their proxies.
- Mapping the personnel and networks of Iran's proxies to create an updated picture of the financial and logistical networks that underpin Hezbollah's role in global illicit economies.
- Mapping the criminal networks that have worked on Iran's behalf. This would entail detailed examinations of arrest and court records, corporate filings, shipping data, social media and news media sources (including foreign language media).
- Identifying individual and corporate enablers and facilitators from 'axis of resistance' countries (especially China, Russia and Venezuela) linked to sanctions-busting for Iran. This should include understanding their pressure points or vulnerabilities.

Develop a framework for assessing vulnerabilities

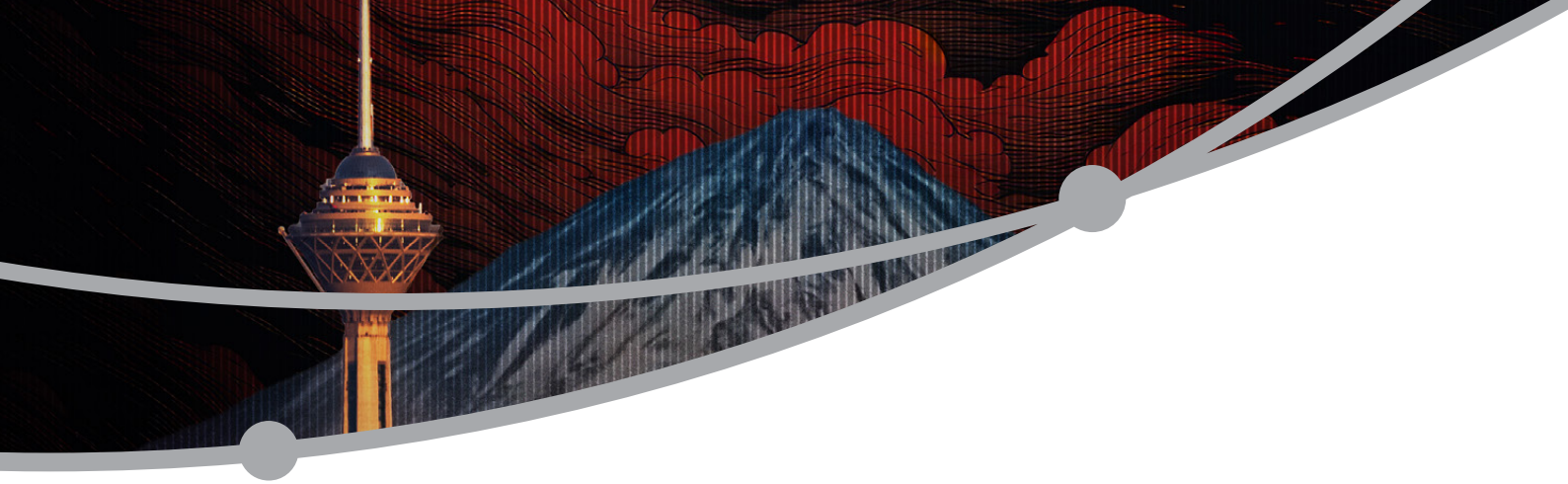
This report has identified a wide range of countries that are vulnerable to threats resulting from Iran's weaponization of criminal markets. As with mapping the threat actors, mapping vulnerabilities will provide insights about how to prioritize interventions. A key step in this process is the development of a framework for assessing vulnerabilities. Based on the cases covered in this scoping report, that framework should include: assessing the importance of the target to Tehran; determining the vulnerability of key commercial sectors and institutions targeted by Tehran; the vulnerable party's

connections to any phases of an Iran-linked illicit supply chain; the presence of gangs with connections to Iran or which exhibit characteristics akin to Iran's proxies; the security of critical infrastructure; and the parties' level of digital security awareness and preparedness. Once such a protocol is created, the jurisdictions and industries below are potential priorities for evaluation:

- Prioritize examination of narcotics smuggling routes. Based on the findings from this scoping exercise, detailed mapping projects should prioritize countries along narcotics smuggling routes – especially routes for trafficking opioids and synthetic drugs such as methamphetamine and captagon – linked to Iran. The threats posed by Iran's state-crime nexus cannot be fully understood without detailed examination of the regime's connections to illicit markets and non-state actors in Afghanistan and Pakistan. The overwhelming majority of heroin passing through Iran is sourced from Afghanistan, a country governed by a regime with historical links to Tehran that is also home to a range of armed groups with links to the IRGC.
- More research is needed into the scale of the challenge in the Balkans and Black Sea region, which have emerged as a major incubator for Iran's state-crime collaborations. For the methamphetamine trade, understanding the smuggling routes, the key players and their connections to the formal economy is a prerequisite for additional disruptive interventions. Countries along the heroin transit routes down the coast of East Africa (especially Kenya, Tanzania, Mozambique and Somalia) and through South East Asia (especially Myanmar, Thailand and Malaysia) appear to exhibit vulnerabilities to penetration by Iran-backed criminals.
- The case of Turkey requires additional investigation and political economy analysis. A major theme of this report is the frequent role that Turkish people, companies and politicians have played in facilitating Iran's criminal operations abroad. The country is home to several commercial sectors that have been consistent targets for Tehran, and it is the base of several criminal networks that have operated on Iran's behalf. Assessments are required of the level of Iranian penetration of Turkey's state and commercial structures, the profiles of vulnerable populations in Turkey, and the availability of resources to strengthen resilience or responses to the threat.
- Create a clearing house for information, evidence and analysis. On an ad hoc basis, civil society organizations often approach governments, law enforcement agencies and private sector actors with information and evidence that can be used to take action. However, given the many challenges and obstacles to doing this work safely, efficiently and effectively, resources could be devoted to developing a system to ensure such information sourced from civil society groups reaches the appropriate audience in a digestible and actionable format. This sort of infrastructure is scalable and could be used to provide risk assessments and evidence about a range of threat actors, penetrated government institutions, illicit networks' typologies and captured economic sectors. Some of the following items should be priorities for information-sharing and analysis built on such collaborations:
 - Building an incident response framework. The asymmetric nature of the threat from Iran's weaponization of criminal markets means there is a high likelihood that at least some of the identified risks will manifest. The mapping of threat actors and key vulnerabilities in various industries, demographics and jurisdictions will provide a rough framework for developing incident and crisis response protocols. This is a key step towards building resilience within policymaking structures.
 - Identifying pressure points. A detailed picture of the threat landscape is likely to yield a more nuanced understanding of the pressure points and vulnerabilities of the threat actors, thereby enabling options for disruption. Categories of options for threat disruption include increasing

awareness and exposure, targeted investigations and prosecutions, economic sanctions, travel restrictions, export controls, anti-money laundering measures, diplomatic strategies, and even military operations in some cases. With finite resources, intelligence and law enforcement agencies are unlikely to gain a clear picture of criminals' or malign state actors' penetration of any given territory, public sector institution, economic sector or criminal market. Accordingly, efforts should focus on identifying the major chokepoints in the illicit value chains exploited by these actors. Those points provide the most efficient opportunity for sanctions programmes, undercover investigations, institutional reform, public messaging and other policy interventions.

- Involving the private sector. If properly calibrated, mapping can provide financial institutions and other key private sector actors (such as shipping and insurance companies) with a curated picture of threat actors – complete with any red flags for money laundering, sanctions violations, fraud or other financial crimes. These financial institutions are in a position to take action well before governments instruct them to close or freeze accounts.
- Sharing information across governments and law enforcement agencies. Mapping threat actors and vulnerabilities will assist policymakers and law enforcement and intelligence agencies seeking to keep pace with the threat. This can assist efforts to develop and enforce sanctions programmes, launch police investigations and disrupt attacks being planned by Iran-backed criminals.
- Bridging the gap between policy and technical specialists. Cyber firms and analysts typically only track the tradecraft and other identifying signatures of certain threat actors. Outside intelligence agencies, little effort has been made to identify the true identities, economic interests and physical locations of these threat actors. Similar collaboration could occur between entities tracking transnational crime and those working on specific commercial sectors or territories targeted by Iran or another malign state actor.
- Telling the story. In-depth mapping of the threat can and should support efforts towards telling the story of Iran's weaponization of criminal markets. This could be done through the media, public diplomacy, government statements, diplomatic engagements and more. Governments and law enforcement agencies, in particular, can expand their role in this effort. Publishing data about the threat that is relevant to the public – and especially to vulnerable populations – will also bolster resilience, public diplomacy efforts and pressure on Iran.



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