

# The Many Criminal Heads of the Golden Hydra:

## KEY FACTS

A report by Asymmetrica and Counter Extremism Project (CEP)

### Introduction

The Tri-Border Area (TBA) is the rugged meeting point of Argentina, Brazil and Paraguay. The TBA presents a significant challenge for national authorities of all three countries as it has become a regional focal point for many illegal activities ranging from tobacco smuggling to money laundering and terrorist financing.

While the world's attention is firmly focused on broad geo-political issues, the TBA has grown into a mini-state that benefits a corrupt elite while maintaining a large and efficient money-laundering center for the world's organized crime and terrorist groups

Industry (foreign and domestic) operating in Brazil estimates US\$43 billion a year is lost from the legitimate economy to money launderers, criminals,

corrupt politicians and police, and terrorist networks — all facilitated by the TBA's illicit infrastructure.

The activities in the TBA don't just affect the immediate locality, the International Monetary Fund has expressed particular concern about the effect the money laundering and terrorist financing in the region will have on the effective functioning of legitimate capital flows around the world.

Illicit trade of all sorts, including the Illicit Trade of Tobacco Products (hereinafter referred to as 'ITTP'), has been growing rapidly in recent years, corrupting good governance in all three countries and exploiting the degrading security and economic situation in both Argentina and Brazil.

### Key Facts on the TBA

#### Crime

Transnational Criminal Organizations (TCOs) from around the world are clustering into Latin America as they see it as "soft touch."

- The TBA has become a regional crime fusion center where corrupt politicians work with drug cartels from Bolivia, Colombia, Mexico and Brazil, as well as organized crime groups from China.
- The scale of the illicit activity in the TBA has taken on the characteristics of a state-within-a-state. An estimated 70% of economic activity is illicit or in cash, removing it from the reach of the three states that share it and enabling it to effect.

#### Terrorism

- The Iranian backed Hezbollah has a significant presence in the TBA thanks in part to Brazil not recognising it as a terrorist organisation and its seven million citizens of Lebanese descent. Some are the primary merchant class in illicit goods transiting the region. Though responsible for two very deadly bombings in Buenos Aires in the 1990s, Hezbollah's current primary focus in the region is fundraising and money laundering, which it can do with

near perfect impunity in the region. ISIS also benefits from this system.

- From the US to Argentina to West Africa, Hezbollah is the dominant force in ITTP, and a DTO (drug trafficking organization). In the TBA, it adds to its coffers by being the DHL or UPS for other DTOs like Brazil's First Capital Command (Primeiro Comando da Capital – PCC). This crime-terror pipeline makes both groups more lethal. It is also why illicit cigarettes are often found beside narcotics.
- While the disruption of Hezbollah's financing is high on many countries' agenda, it is a low priority for the countries of the TBA owing to the scale of criminal problems they are attempting to tackle at home.

#### Smuggling

- Illicit trade is a major and growing problem worldwide, almost every sector of society and product category is affected - from drugs, tobacco to weapons, pharmaceuticals, toys and car parts.
- Paraguay is a key driver in the Illicit Trade in Tobacco Products and the government itself controls many of its activities. One of the biggest illicit brands of

cigarettes is owned by Paraguay's outgoing president, Horacio Cartés.

- Paraguay generates 11% of the global Illegal Trade in Tobacco Products (ITPP) despite having a population of only 6 million
- 48% of the Brazilian tobacco market is illicit, with over 95% of it being sourced from Paraguay.
- According to the Brazilian government, the effects of the illicit trade are most visible in cities like Sao Paulo where 33% of all illicit cigarettes end up and where the number one cigarette brand is from Paraguay. Brazil alone loses US\$ 2.9 billion a year in taxes from illicit tobacco, coming mainly from Paraguay

## Global Effect

- Underlying the global nature of the problem, shipments from the Brazilian port of Santos destined for Europe have been found to contain vast quantities of cocaine. In March 2018, the biggest seizure made in Santos was made where over 2 tonnes of cocaine destined for France, Germany and Spain was discovered by Brazilian authorities.
- Investigators have uncovered individuals managing money-laundering operations that funnel \$200 million per month to various criminal gangs and international terrorist organizations.
- All of this takes place in an area with a river system stretching for 2,100 lightly policed miles. The main river systems cross five countries: Argentina, Bolivia, Brazil, Paraguay, and Uruguay.

## What can be done?

Given that the US is largely absent from the region, it is recommended to open pathways to the US and European enforcement communities and the aforementioned authorities through well-structured workshops in Washington, DC and other key cities to build awareness and ensure an effective, collaborative approach is deployed to tackle the Golden Hydra of the TBA.

Only a coordinated, international response will be effective in tackling such a complex criminal enterprise. Specifically, Asymmetrica and CEP recommend that:

1. Workshops are established in major capitals (that include law enforcement from the three TBA countries and other stakeholders, such as FATF, UNODC, and IMF etc.), to start opening pathways to awareness and international prioritization on tackling this threat finance problem.
2. IMF anti money laundering initiatives should become a key factor in influencing the three countries to enhance rule of law, fiscal reform and law enforcement capacity and cooperation.
3. Reform of the rule of law and anti-corruption initiatives should be accelerated to promote a stable economic platform for greater foreign direct investment.

