



# Traccc

**Terrorism, Transnational Crime and Corruption Center**  
At the Schar School of Policy and Government

*pioneering research on non-traditional security challenges*

Scholarship – Events – Policy Advisement

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# TraCCC

## **HUBS OF ILLICIT TRADES:**

Crime Convergence and the  
Enabling Environment

NOVEMBER 2022



# Summary of the project

- ***The Hubs of Illicit Trades project*** is a strategic evidence-based research initiative that was launched in June 2022.
- **Its key objective** is to inform policymakers and communities on the inter-connected harms and multiple and compounding threats associated with key hubs of illicit trade.
- **Its coverage** includes various types of illicit trades, including the smuggling and trafficking of narcotics, weapons, humans, counterfeit and pirated goods, illegal tobacco and alcohol products, gold and precious minerals.
- **Its geographical focus lies on** four well-known hubs of illicit trade:
  - ❑ Tri-Border Area (TBA)/South America,
  - ❑ Dubai,
  - ❑ Central America, and
  - ❑ Ukraine/Eastern Europe.



# Crime convergence

## FINDING 1

Convergence of different types of smuggling, routes, and actors

Evidence clearly shows that multiple illicit goods are often smuggled in the same shipments and use the same routes. These same routes and *modus operandi* are used by multiple actors. The only thing that changes is the destination of the goods being smuggled.

## EXAMPLES

**TBA: Main routes used to smuggle illicit goods into Brazil (multiple illicit products - only top 3 shown)**

Route 1: Uruguay	Route 2: Argentina	Route 3: Paraguay	Route 4: Bolivia	Route 5: Peru	Route 6: Colombia	Route 7: Venezuela	Route 8: Guyana	Route 9: Suriname	Route 10: French Guiana
Mostly land	Mostly land and water (river)	Mostly land and water (river and lake)	Mostly land	Mostly land	Mostly land and water (rivers)	Mostly land and water (rivers)	Mostly land and water (rivers)	Mostly water (river), distribution within Brazilian lands	Mostly water (river), some land
Guns	Guns	Guns	Guns	Guns	Guns	Guns	Cigarettes	Cigarettes	Cigarettes
Illegal drugs	Illegal drugs	Illegal drugs	Illegal drugs	Illegal drugs	Illegal drugs	Illegal drugs	Guns	Guns	Guns
Cigarettes	Cigarettes	Cigarettes	Cigarettes	Clothes	Clothes	Clothes	Drugs	Illegal drugs (from Peru & Colombia)	Drugs
<u>Destination:</u> Southeast Brazil, drugs go to big cities and via Itajaí and Paranaguá ports to Europe and Western Africa	<u>Destination:</u> Pesticide goes to South and Center-West of Brazil. Guns and drugs to big cities and ports of Santos, Itajaí and Paranaguá. Others to São Paulo and from there to all of Brazil.	<u>Destination:</u> Pesticide goes to South and Center-West of Brazil. Guns and drugs to big cities and ports of Santos, Itajaí and Paranaguá. Other to São Paulo and from there to all of Brazil.	<u>Destination:</u> North-East, Center-West and South-East Brazil	<u>Destination:</u> North-East and South-East Brazil	<u>Destination:</u> North-East and South-East Brazil				

Source: Authors – as adapted from various sources

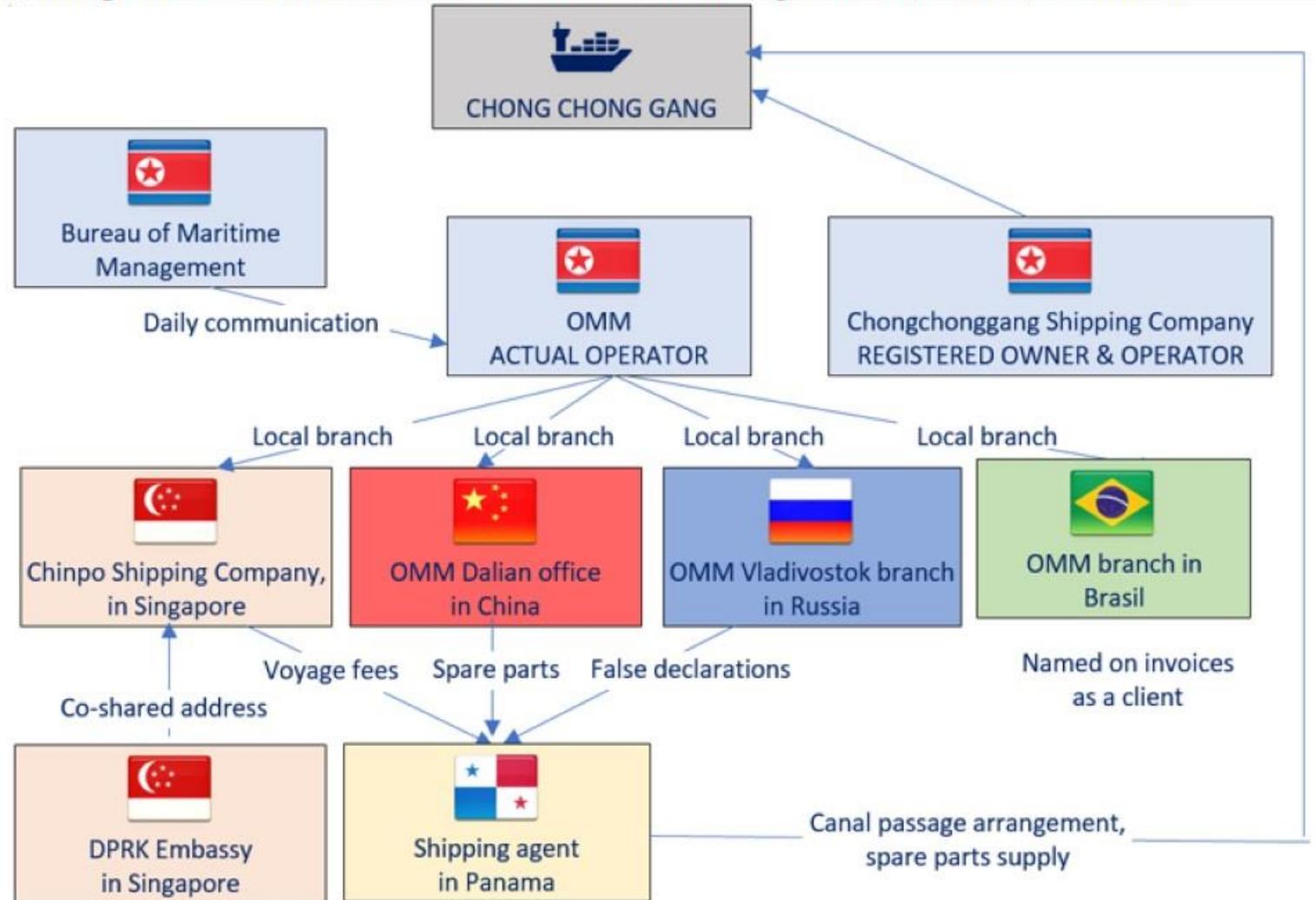
## FINDING 2

### Convergence of illicit trade and sanctions evasion

Under a recent increase in the number of international and national sanctions imposed on Iran, North Korea, Venezuela, Russia, Belarus and other countries, the role of hubs for sanctions evasion is becoming more and more prominent.

## EXAMPLE

Smuggling of missile systems and ammunition from Cuba to North Korea through the Panama Canal, using over 34 entities in over 11 countries, including Panama, Russia, and Brazil



Source: Adapted from UN Security Council. (2014). Final Report of the Panel of Experts



## FINDING 4

### Convergence of illicit trade and terrorism

Illicit trades carried out through hubs fuel conflicts and violence at the country and regional levels. There is strong evidence that proceeds of illicit trade are used to finance terrorist organizations and armed groups.

## EVIDENCE



Source: As adapted from Atlas da Violência, <https://www.ipea.gov.br/atlasviolencia/>





# **The Enabling Environment**

## FINDING 5

### FREE TRADE ZONES (FTZ)

Illicit trade actors exploit vulnerabilities of FTZ, including weak procedures to inspect goods and a lack of adequate cooperation between zone and customs authorities.

## EXAMPLES

### Illicit cigarette trade and trafficking from the Jebel Ali Free Zone to the Sahel and Maghreb regions



Source: Authors based on UN Security Council. (2021). Final Report of the Panel of Experts on Mali.

### Illicit trafficking of UAE armored personnel carriers (APC) to Libya



#### Dubai-based manufacturers of APC found in Libya

COMPANY	LOCATION	APC TYPES
Minerva Special Purpose Vehicles LLC	Dubai Industrial City	Panther T6
Mezcal Armored Vehicles	Dubai Investments Park	Tygra models
Inkas Vehicles LLC	Dubai Investments Park	Inkas Titan-DS

Image source: UN Security Council. (2021). Final Report of the Panel of Experts on Libya.

## FINDING 6

### TRANSPORT INFRASTRUCTURE

Huge air passenger traffic and huge volumes of containers going through ports make it extremely difficult to identify suspicious shipments.

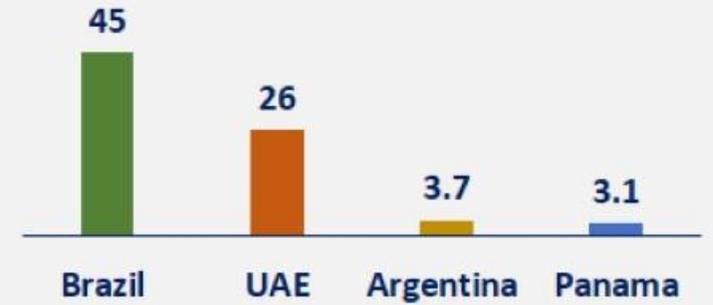
## EVIDENCE

### Container port throughput TEU, 20-foot equivalent unit, 2020

COUNTRY	RANK	TEU
UAE	7/115	19.3 mln.
Brazil	18/115	10.4 mln.
Panama	24/115	7.7 mln.
Argentina	47/115	1.9 mln.

Sources: UNCTAD. (2022). Statistics. <https://unctadstat.unctad.org/>; World Bank. (2022). WDI. <https://data.worldbank.org/>

### Air passengers (million), 2020



### Venezuela's oil smuggling to Cuba by vessels with Panamanian flags, 2017



Image source: U.S. Treasury. (2019). Press Release. <https://home.treasury.gov/news/press-releases/sm0297>



## Leading bulk carriers sector

22% of the world market share

## FINDING 7

### FINANCIAL & MONEY- LAUNDERING INFRASTRUCTURE

Financial infrastructure and deficiencies in anti-money laundering regulations make hubs, particularly Dubai and Panama, attractive for illicit trade actors.

## EVIDENCE

# Financial Secrecy Index, 2022

COUNTRY	RANK	SECRECY SCORE	SIZE OF OFFSHORE FINANCIAL SERVICES
UAE	8/140	79	22%
Panama	18/140	73	19%
Guatemala	45/140	75	3%
Uruguay	71/140	58	6%
Brazil	83/140	45	15%
Argentina	111/140	49	3%
Belize	115/140	75	0%

Source: Tax Justice Network. (2022). Financial Secrecy Index. <https://fsi.taxjustice.no/fsi/2022/ARE/index/top>



FINANCIAL ACTION TASK FORCE

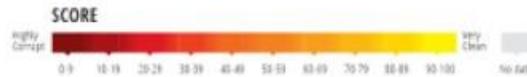
**PANAMA AND THE UAE ARE ON THE FATF “GREY LIST”  
DUE TO DEFICIENCIES IN ANTI-MONEY LAUNDERING  
REGULATIONS.**

## FINDING 8

### CORRUPTION

Corruption is a common feature across all hubs where national corruption i.e., the state's participation in corrupt activities, facilitates transnational illicit flows and organized crime syndicates. Hubs are characterized by the presence of dirty cops and administrators, corrupt mayors, judiciary and parliamentarians, and sometimes even a full-fledged narco-administration.

### EVIDENCE/EXAMPLES



#cpi2021

www.transparency.org/cpi

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### Case Study: Corruption in Paraguay and the illicit tobacco trade



## FINDING 9

### DIASPORIC & TRANSIENT POPULATIONS, MIGRANTS

Hubs are characterized by diverse/heterogenous populations, intense economic activity and free trade zones which attract large flows of migrants and tourists. This facilitates the flow of both licit and illicit goods.

### EVIDENCE/EXAMPLES

City	Population by census	Ethnic composition
<b>Cuidad del Este</b> 	304,282 (2020)	Italians, Russians, Japanese, Germans, Chinese, Arabs (mostly Lebanese), Brazilians, Argentinians and indigenous Guarani
<b>Foz do Iguaçu</b> 	255,830 (2020)	Chinese, Arabs (mostly Lebanese), Germans, Italians, Paraguayans, Argentinians, French, Swede, Portuguese, Ukrainians, Iranians, Indians, Koreans, Thais and indigenous Guarani
<b>Puerto Iguazú</b> 	82,227 (2010)	Immigrants from several European countries, a mestizo population, and an indigenous community ( <i>Mbyá-Guaraní</i> )

**Puente de la Amistad** – 83.4 thousand people cross the bridge per day (2021); 72% of this population is male from 35-49 years old; 40.1% of vehicles are motorbikes; 39.9% cars and 10.3% shuttles; 64.14% of all traffic on this bridge has Paraguayan licence plates

**Puente Tancredo Neves** – 4.6 thousand vehicles per day (2021); mostly cars followed by motorbikes, cabs, trucks, shuttles and buses. Most people between 35-49 years

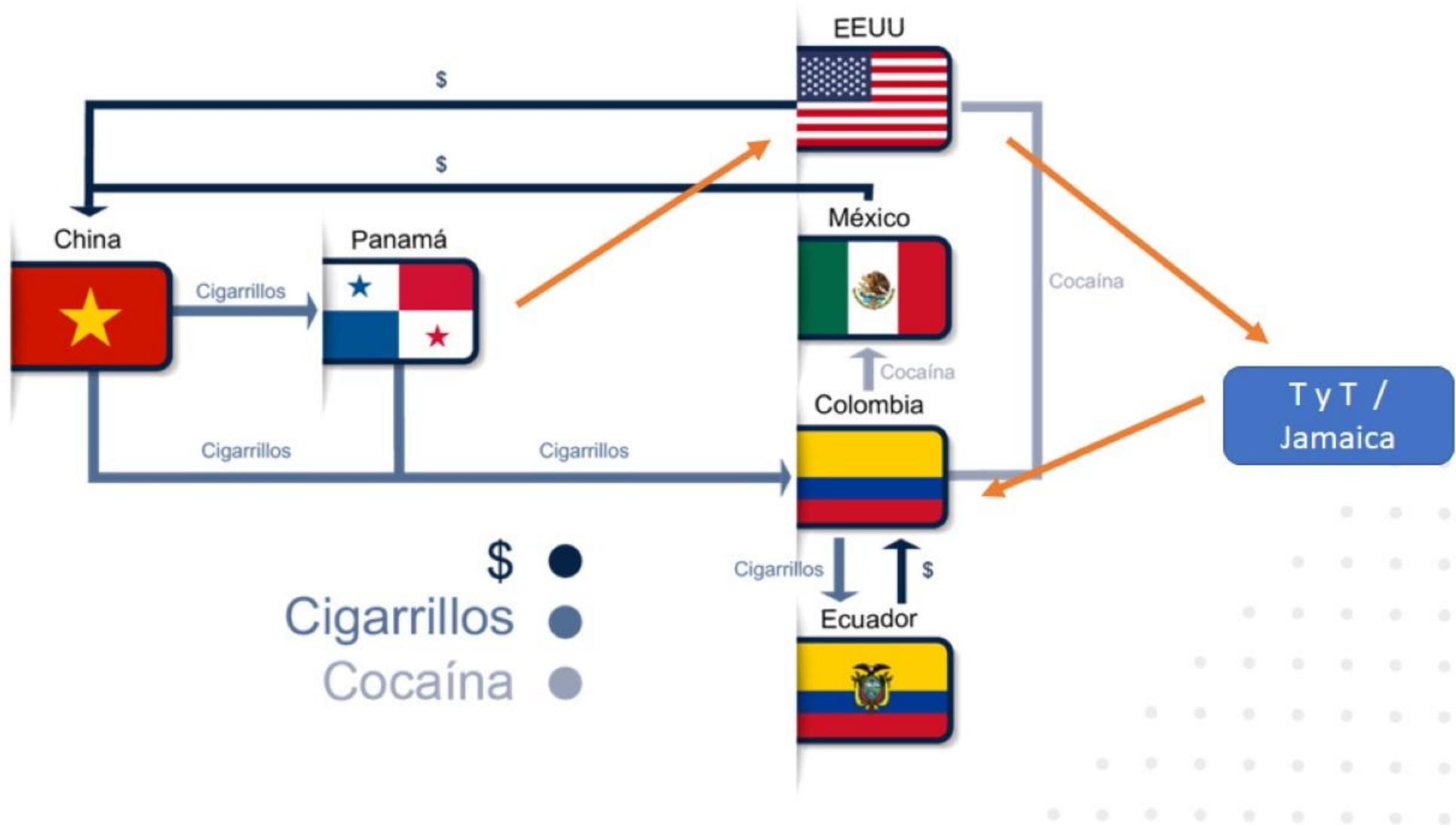
Source: Table compiled by authors from multiple sources; Bridge figures from: <https://q1.globo.com/pr/oeste-sudoeste/noticia/2022/04/06/ponte-da-amizade-tem-movimento-diario-de-aproximadamente-412-mil-veiculos-aponta-estudo.ghtml>



# FREE TRADE ZONES AND TOBACCO SMUGGLING IN COLOMBIA



# International dimension of cocaine and contraband (all products)



# A crime of 700% profit (plus the drug trade)



Lugar	Precio 2017 (COP)	Porcentaje del precio de venta final
Puerto Colombiano	\$547	15%
Centro de Distribución (San Andresito) Promedio venta mayorista en Colombia	\$1000	28%
Centro de Distribución (San Andresito) Promedio venta minorista en Colombia	\$2000	56%
Frontera colombo-ecuatoriana en el lado colombiano (Ipiales)	\$2000	56%
Frontera Colombo ecuatoriana en el lado ecuatoriano (Tulcán) (Mayorista)	\$2.600	73%
Frontera Colombo ecuatoriana en el lado ecuatoriano (Tulcán) (Minorista)	\$2.951	83%
Centro de Distribución (San Andresito) Promedio venta minorista en Colombia	\$3.542	100%
Frontera colombo-ecuatoriana en el lado colombiano (Ipiales)	\$3.542	100%



## Field work findings:

The smuggling of tobacco to Colombia is a market of USD \$250 per year and 400 containers (nearly one per day).

We estimate based on field for and data analysis that 2/3 of the cargo goes into FTZ

- Easy process and low risk
- Allows avoiding health norms and taxes
- Maintain unknown the final owner





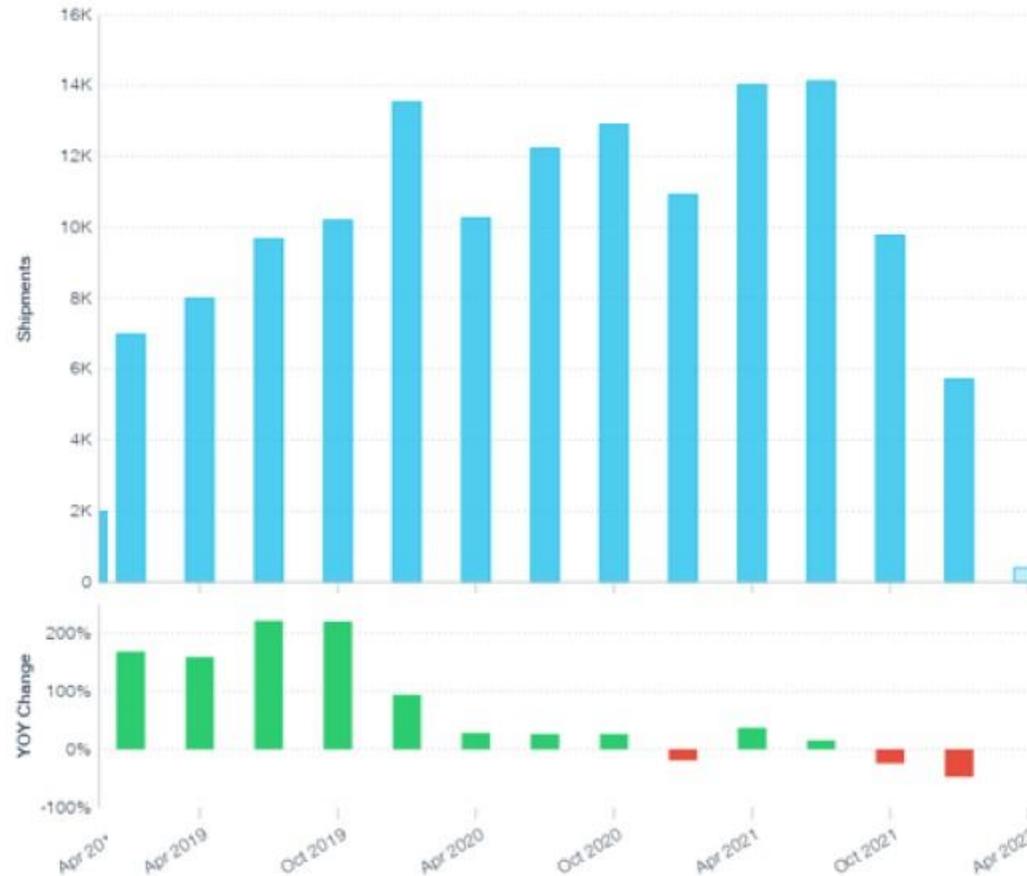
**FTZ NUMBERS on Tobacco  
international commerce**



# Decrease in the FTZ declared cargo (-30%)

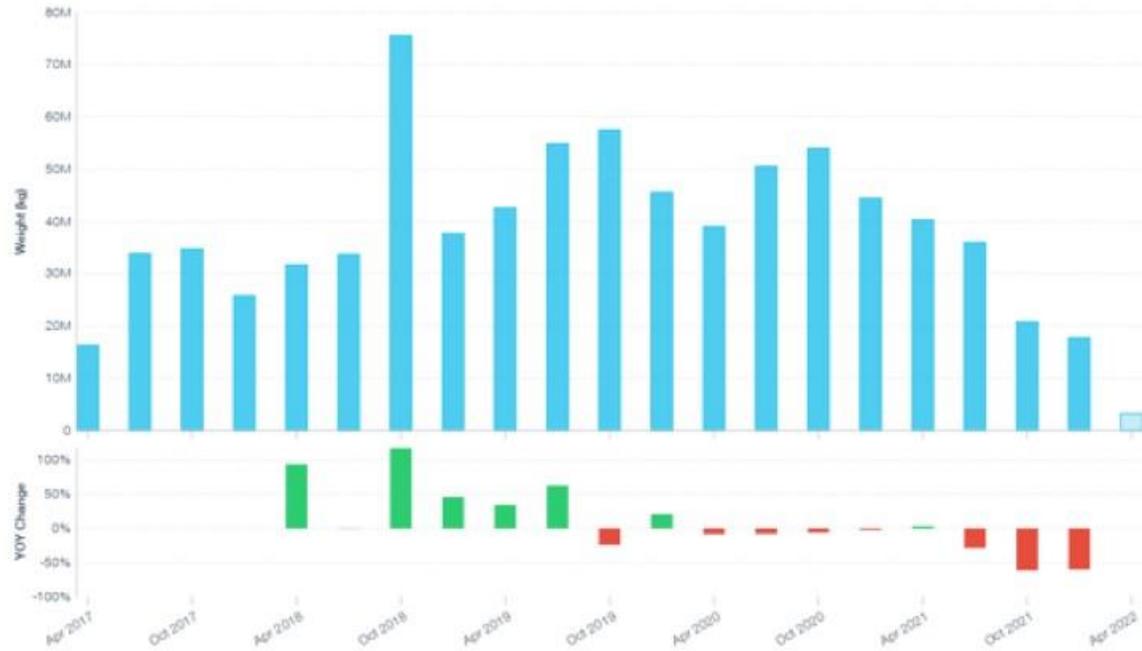
**CARGAMENTOS**  
**160k**  
**PESO (KG)**  
**796M**  
**VALOR (USD)**  
**\$8.9B**  
**VOLUMEN (TEU)**  
**102k**

Number of shipments (April 2019 - April 2022)



# Is also observable on weight (Kg) and value (USD)

Total Weight (May 2017 - April 2022)



Total value on USD (May 2017 - April 2022)



# Why is Indonesia too high and South Korea too low as origin countries?



# Colombia's FTZ is the major destination in LATAM

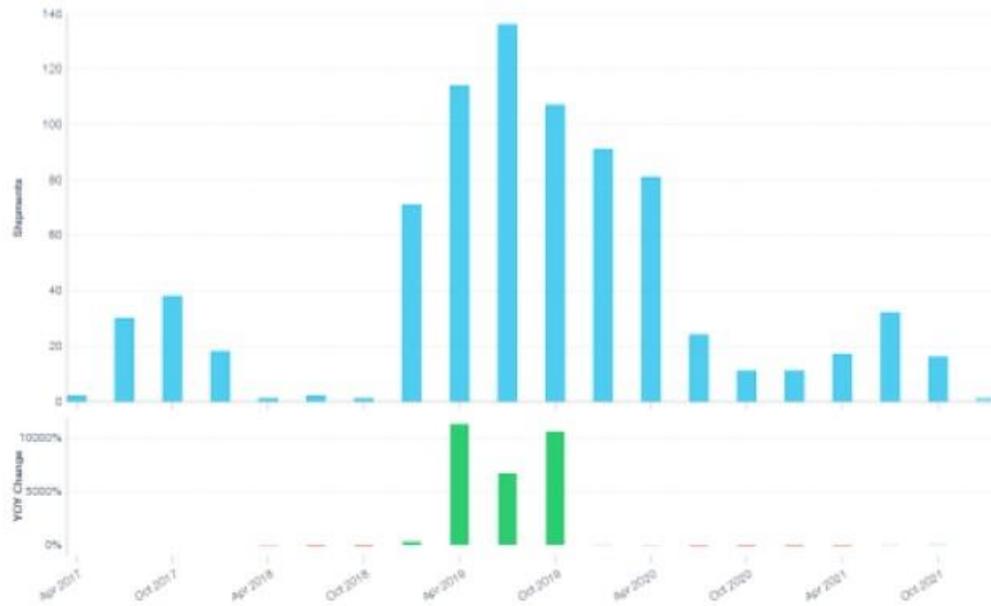


**KTG a very special case.**

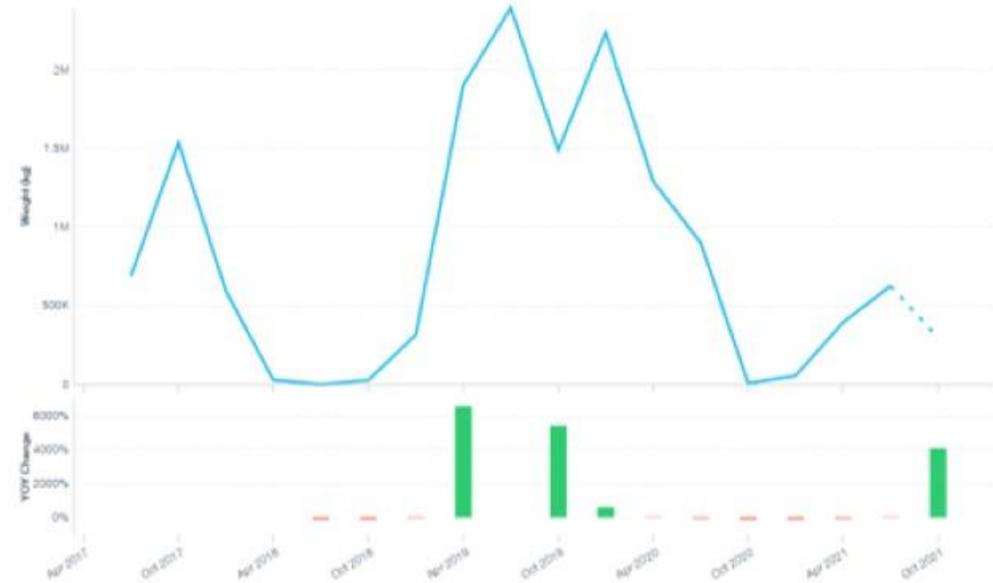


# KTG shipments disappear from the FTZ but appear on the streets.

Shipments (Mayo 2017- Abril 2022)



Weight (Mayo 2017- Abril 2022)



# KTG international operation is not so simple to track

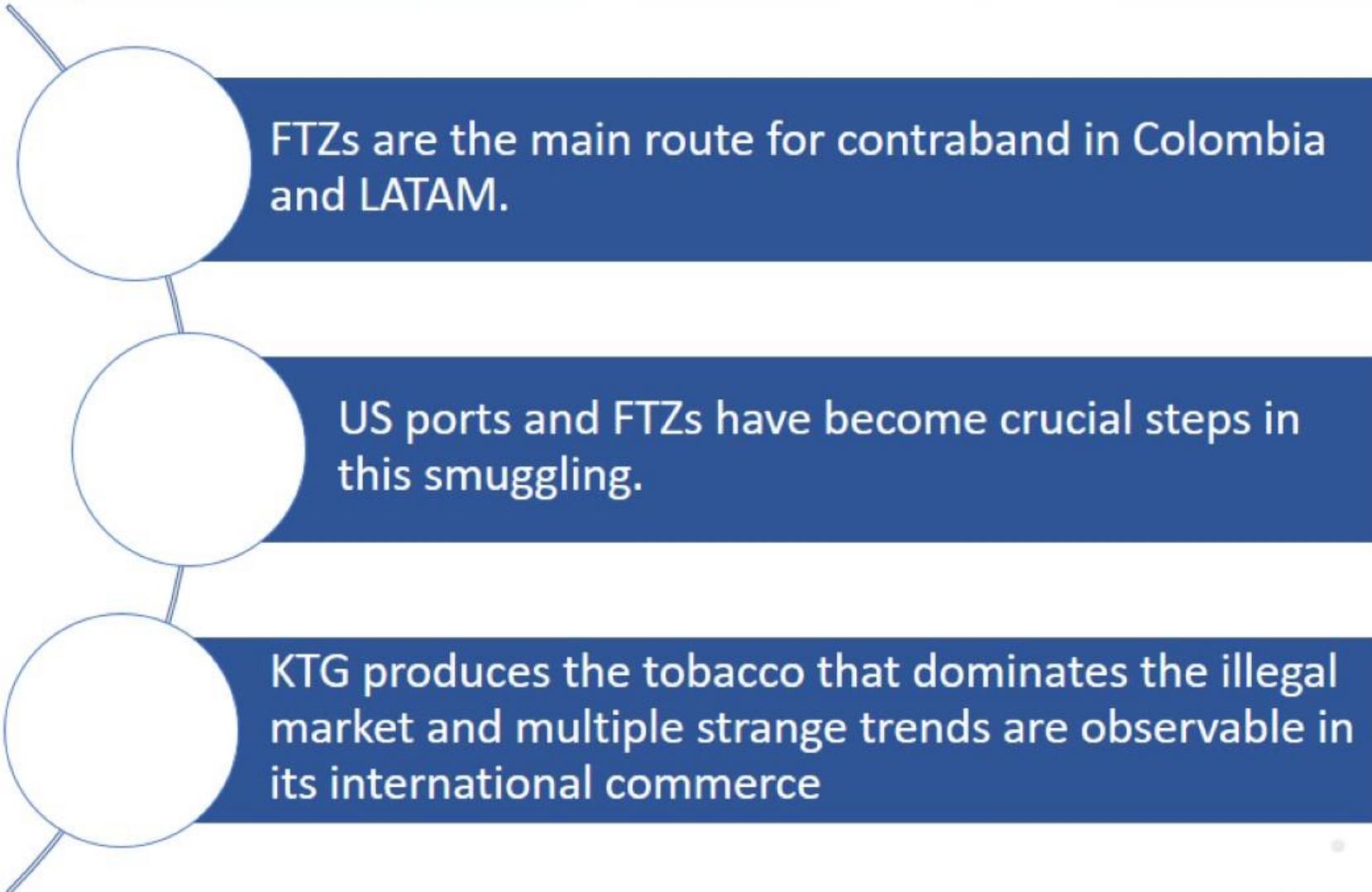


21 subsidiaries that move 5.032 shipments in 3 years.

KT&G Corporation



# In Brief...



## *Hubs of Illicit Trade: Free Trade Zones and Enablers*

### *Crime and terror nexus:*

*Tri Border Area (Brazil, Paraguay, Argentina)*

*South America, Africa and beyond: nexus between drug trafficking and terrorism.*

*Terrorism, Transnational Crime and Corruption Center (TraCCC)*

*November/2022*

## The Tri Border Area – TBA - Overview



- Porous border area poorly controlled.
- All types of crimes.
- Transnational criminal organizations set up structure in this area.
- Terrorist groups have taken advantage of TBA since late eighties.

## Tri Border Area – TBA- II



- This area became known in the beginning of the nineties after the two terrorist attacks conducted by Hezbollah in Buenos Aires (1992 and 1994).
- The subsequent investigation has found evidence confirming that several steps that preceded the attacks and followed them took part in the TBA. E.g: recruitment, logistics, financing, evasion, among others.
- In mid nineties, foreign Al Qaeda operatives have been in TBA as well.
- TBA nowadays is a sort of “criminal fusion center” where corrupt politicians, alongside with criminals from all over the world together with terrorists embedded in the local communities partner in an array of criminal activities.

## *Case in point: Hezbollah in Tri Border Area*

- Hezbollah is the most well known terrorist group that operates in the TBA
- ✓ Hezbollah has been structuring its cells in the area since mid eighties.
- ✓ At this time Lebanese communities were growing quickly and Hezbollah embedded with them sponsoring education, cultural and religious activities.
- ✓ In the beginning of the nineties some of its members like Assad Barakat and Farouk Omairi among others were becoming Hezbollah's prominent local leaders.
- ✓ They set up networks that were later involved in the facilitation structure that enabled the attacks of 1992 and 1994. In the meantime, their growing involvement in criminal activities became more evident.
- ✓ Their criminal enterprises include: drug trafficking, arms trafficking, human smuggling, contraband, money laundering, tax evasion, among many others.

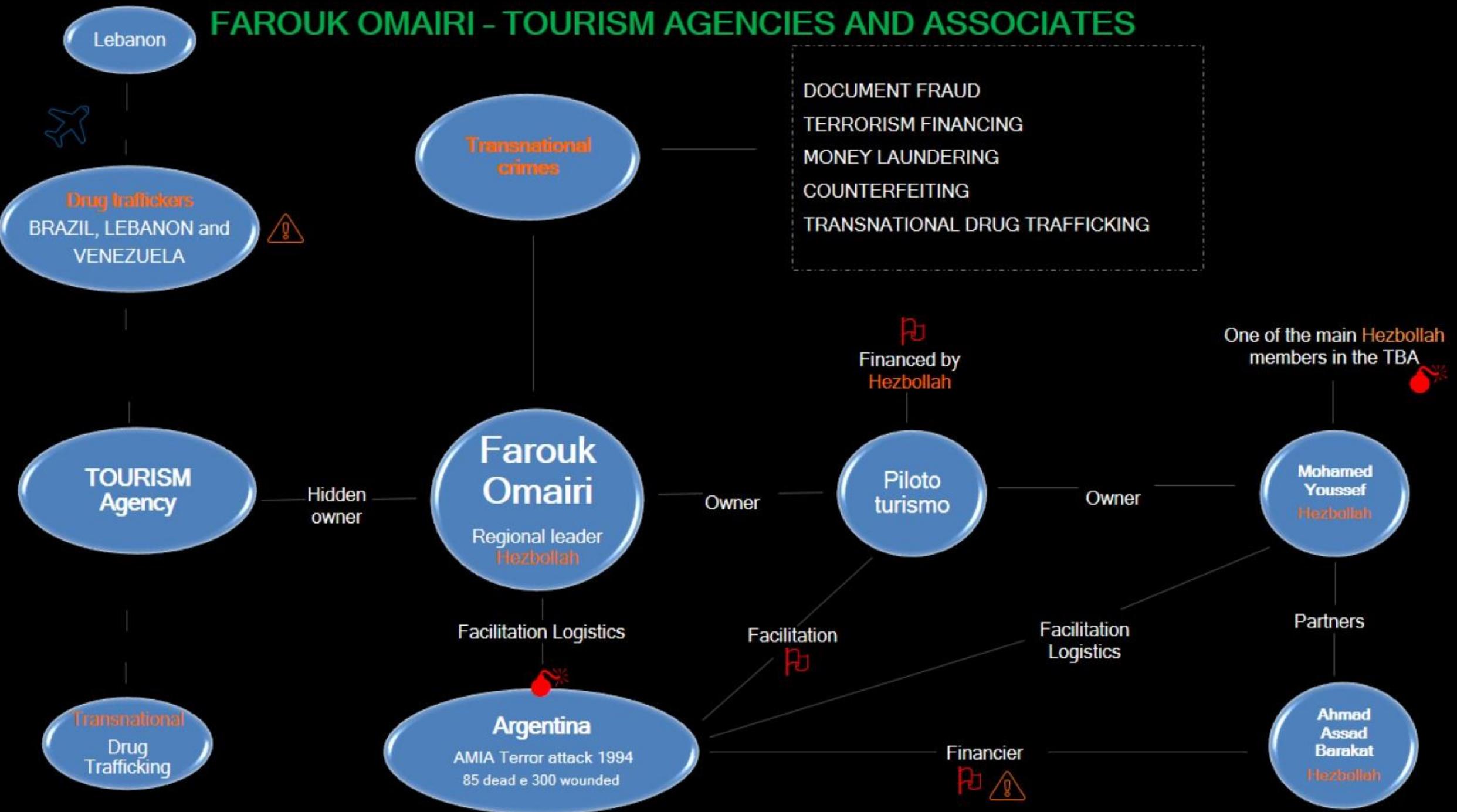
## *Farouk Abdul Omairi.*

- Omairi is a businessman (tourism agencies), drug dealer and one of Hezbollah's financiers in the tri-border area.
- He used to have personal connections with the Iranian diplomat Mohsen Rabani. (indicted in AMIA bombing case).
- His crimes: transnational drug trafficking, forgery and money laundering.
- US Treasury Department considers him to be one of the key Hezbollah's fundraisers in the continent.
- Omairi and two of his sons (Khaled and Ahmad) were targeted by Brazilian Federal Police for transnational cocaine trafficking and sentenced in 2006. (Ahmad escaped). Farouk and Khaled served their sentences in Brazil.
- Nowadays he allegedly lives in Paraguay and still runs 'tourism agencies'.



# FAROUK OMAIRI - TOURISM AGENCIES AND ASSOCIATES

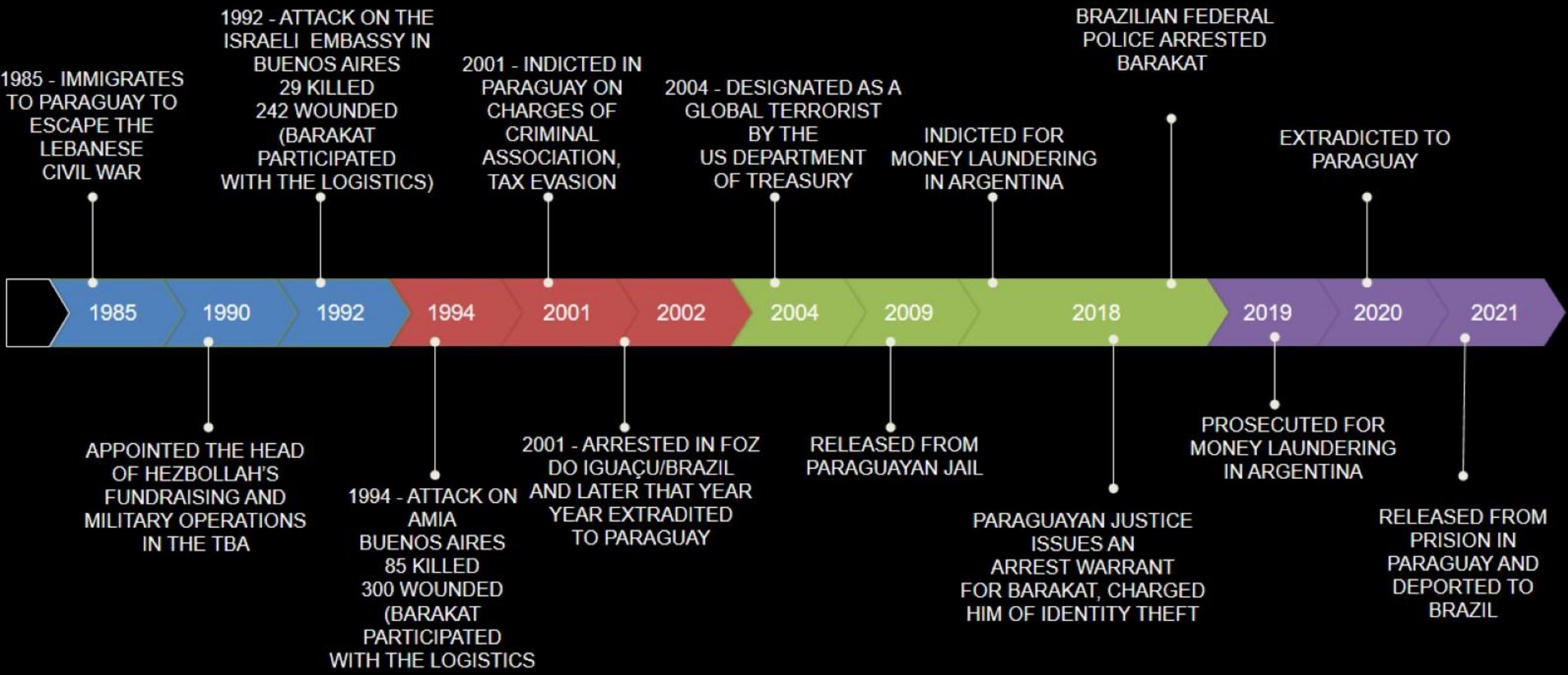
- DOCUMENT FRAUD
- TERRORISM FINANCING
- MONEY LAUNDERING
- COUNTERFEITING
- TRANSNATIONAL DRUG TRAFFICKING



# *Assad Ahmad Barakat.*

- Barakat used to be Hassan Nasrallah's special envoy to the region.
- He used to be the leader of an important funding cell in the tri border area of Brazil, Paraguay and Argentina.
- His crimes: forgery, extortion, money laundering, among others.
- He manages a complex network that remitts money to Lebanon.
- US Treasury considers him one of Hezbollah's key facilitators in the region.
- Brazilian Federal Police arrested him in 2002 for tax evasion.
- At that time he was extradited to Paraguay where he served a 6-year sentence.
- In 2008 after serving his sentence he came back to Brazil.
- In 2018 Paraguayan authorities issued an arrest order against him on charges of identity theft.
- Brazilian Federal Police found him in Brazil and arrested him in September/2018.
- He was extradited to Paraguay in 2020 to serve the remainder of his sentence.
- In 2021 he was released from prison in Paraguay and deported to Brazil.





## *Hezbollah in TBA and South America: final remarks*

- Hezbollah's facilitators' networks in the tri-border area are connected with their transnational operators in different continents. These connected networks strengthen Hezbollah's capabilities worldwide. This fact was reported in several criminal cases in the USA, Argentina and Colombia.
- Considering the possibility of an increasing partnership between Brazilian criminal organizations and Hezbollah's facilitators and members, this fact will add even more complexity in a scenario which is already complicated given the sophistication of Hezbollah's transnational enterprises. Therefore, countering its intricate criminal activities demand an elaborate response from both public and private sectors.
- Hezbollah's criminal activities (funding + facilitation) foster more crime, corruption and violence in TBA and beyond. Therefore Hezbollah becomes also responsible for undermining social stabilization and local governance.
- Several open sources already demonstrate a range of successful partnerships between Brazilian criminals and Hezbollah's facilitators (Ex. *Farouk Omairi, Mohammad Youssef Abdallah, Ahmad Barakat, Joseph Nasrallah, etc..*)
- Hezbollah's leadership perceive not only TBA but South America as a safe place for financing, facilitation, logistics and recruiting activities. In Paraguay its members have already established ties with important local actors, and therefore they found room for expansion in the country. In Brazil, they move around "below the radar" and have been making alliances with local criminals in order to advance its financing capabilities. In Argentina they run money laundering activities, contraband and also drugs.

Nexus South America – Africa and beyond

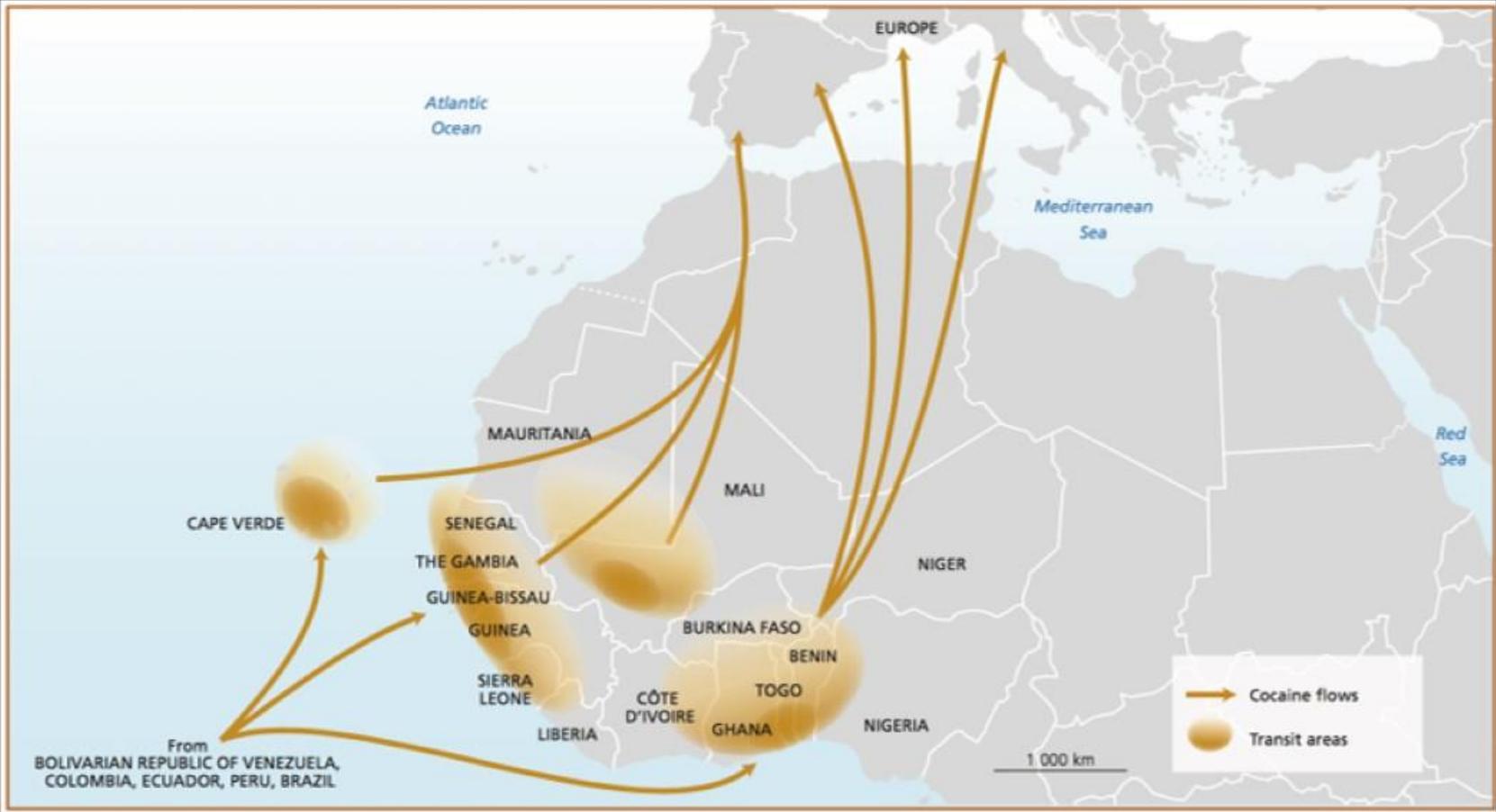
## Nexus in drug trafficking

**Cocaine traffickers in Latin America occasionally connect to terror groups in West and Northern Africa to ship their drugs towards Europe.**

- **The interrelations between drug traffickers and terror groups in that region of Africa generally happen in the following:**
  - ✓ **Tactical collaboration (storing and/or transporting cocaine across the region)**
  - ✓ **Taxing or protection money for the overland routes;**
  - ✓ **Mutual tolerance;**
  - ✓ **Individual conversions or radicalization.**



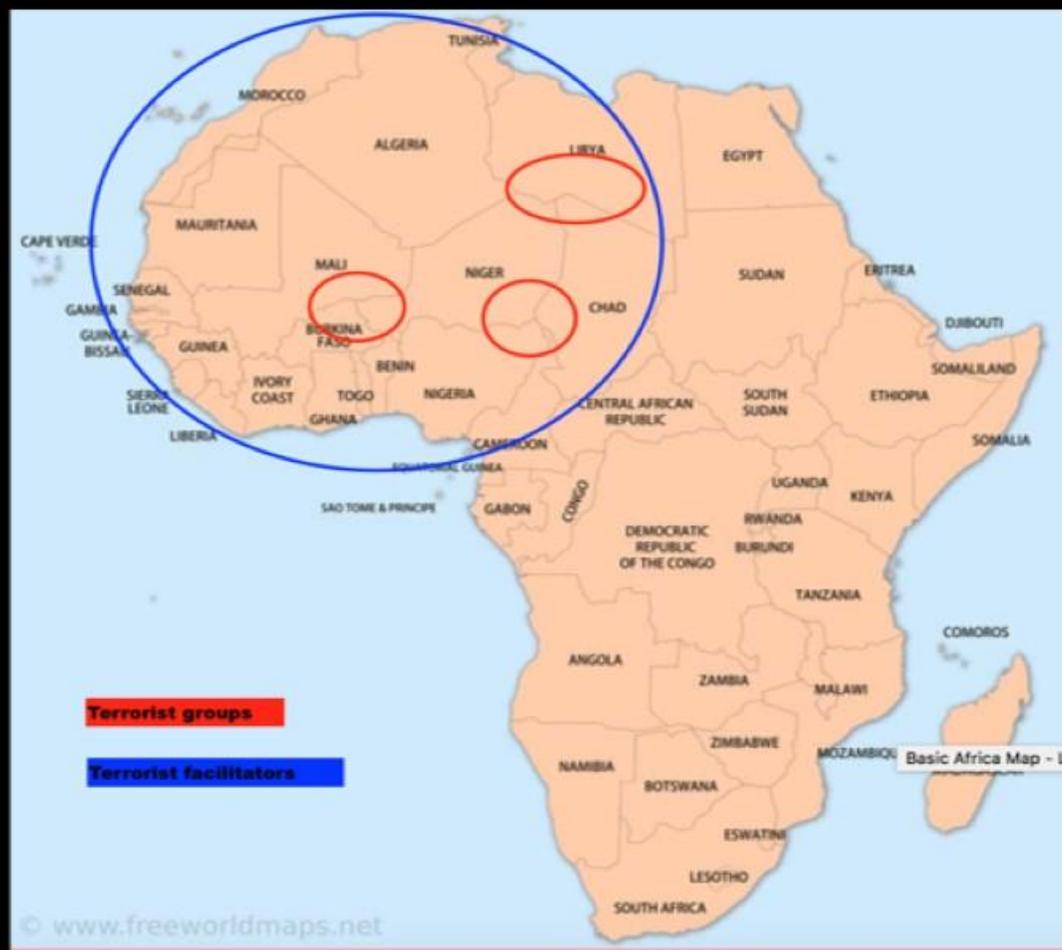
# Cocaine trafficking South America to Europe Trough West and Northern Africa



Source: UNODC

# Crime x Terror Nexus - South America – Africa

Areas occupied by terrorists in Africa x areas of operation of terror facilitators



# Cocaine trafficking and the nexus to terrorism

- Investigations have led to information that some Brazilian, Colombian and Venezuelan drug trafficking organizations sometimes use the services of terror groups and their facilitators in West and Northern Africa such as: AQIM, Boko Haram, ISWAP and Lebanese Hezbollah.
- Once the cocaine reaches West/Northern Africa coast via narco submarine, cargo vessels or airplanes, the drug is then stored not far from the coast and then shipped northwards overland with the aid of the terror groups and/or their facilitators within their areas of influence.



# PCC's transnational presence



Source: author.

# Some cocaine trafficking routes used by PCC within South America

- The drug comes from the Andean countries by air, river or land.
- PCC does the logistics in Brazil for the cocaine shipment to seaports, airports and other strategic places for the transatlantic shipment.
- From these points, PCC and other transnational cartels/mafias are in charge of sending the drug to destinations in other continents.
- Main container ports used by PCC in Brazil: Natal, Recife, Salvador, Santos, Paranaguá and Itajaí.
- PCC ships cocaine - in partnership with other transnational criminal organizations - to 5 continents. Its main drug market is Europe.
- Shipments to Africa on the rise.



Source: author.

# PCC in Mozambique

- ✓ PCC supplier “Fuminho” arrested in Maputo in 2020. (Joint work Brazilian Federal Police, US DEA and SERNIC).
- ✓ Cocaine trafficked from Brazil to Mozambique to be distributed in Southern Africa and Europe.
- ✓ From 2016 to 2019 a company owned by a Brazilian national based in Maputo is suspected of trafficking cocaine hidden in cargos of ceramic tiles.



Source: author.

## *Final remarks*

### *Nexus South America – Africa – drug trafficking*

- Considering the increase of cocaine trafficking as well as terrorist activities in the African continent in the last 4 years, the nexus between them tend to increase.
- South American drug traffickers are expanding their presence in the African continent, especially in West Africa. Furthermore, they have been investing in the continent including money laundering operations.
- There is a need of more cooperation and coordination between South American countries an African ones, not only at the law enforcement level.
- The nexus between crime and terror in Africa remains an underresearched topic.



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