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The Evolution of Threat Networks in Latin America

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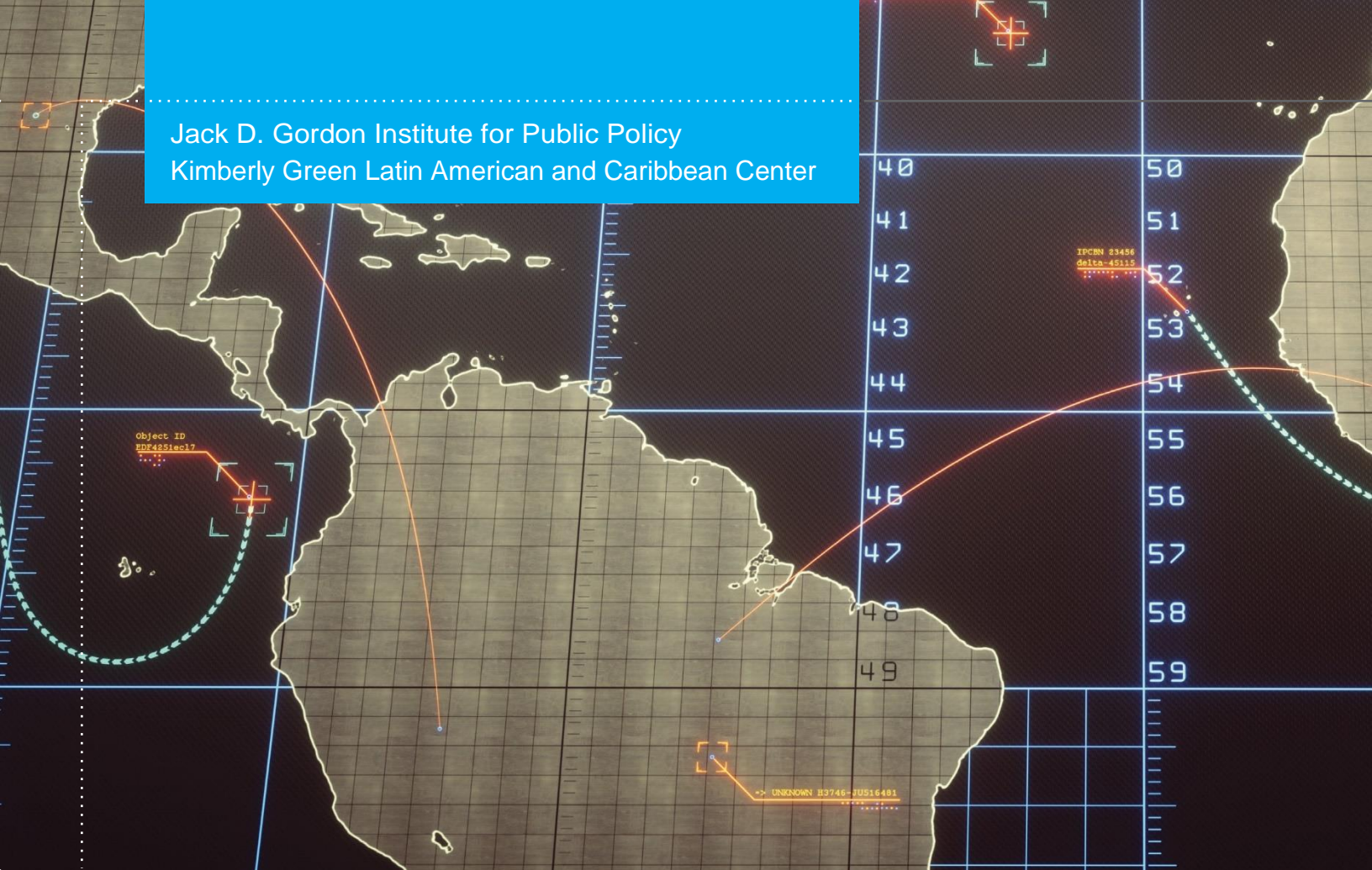
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Jack D. Gordon Institute for Public Policy
Kimberly Green Latin American and Caribbean Center

THE EVOLUTION OF THREAT NETWORKS IN LATIN AMERICA

By Dr. Phil Williams and Dr. Sandra Quincoses
December 2019

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Table of Contents

| | |
|---|----|
| Executive Summary | 3 |
| Introduction: Defining Threat Networks | 4 |
| The Context | 4 |
| The Evolution of Criminal Organizations and Networks | 11 |
| Transnational Gangs | 21 |
| External State and Non-State Influences | 26 |
| Threat Networks and Illicit Finance | 29 |
| Number of cases per core topic | 31 |
| Conclusions | 33 |
| About the Authors | 45 |

Executive Summary

The economic and political environments in Latin America have been advantageous for local, regional, and transnational threat networks. Specifically, technology, increased international trade and economic interdependence, heightened interest in natural resources for profit, synthetic drug production, economic disparities, corruption, impunity, and unstable political conditions have led to a complex web of opportunities that requires new, progressive ways to address criminal activities. The creativity of threat networks along with their entrepreneurial strategies have resulted in increasing power and influence. Despite efforts by the United States and some governments in Latin America to combat these networks, the everchanging global environment has worked in their favor. Indeed, some countries in Central and South America are in danger of transforming into what Jorge Chabat described as “criminally possessed states.” Furthermore, gangs in Central America, especially in Honduras where MS-13 has become more closely linked to drug trafficking, have reduced local extortion, become more aware of their nascent political power and have even engaged in rudimentary social welfare provision.

Another major trend identified in this report is the strategic diversification of trafficking routes, activities, and markets. For instance, licitly established transpacific trade between East Asia and Latin America has been exploited by criminal groups involved in wildlife and drug trafficking. This, along with other activities such as illegal logging and mining, have undermined licit trade. Moreover, criminal groups have also conducted cyber-attacks against government agencies to obtain false documentation to illegally conduct logging activities in protected areas of Brazil’s Amazon rainforest. Such activities illustrate the growing relationship between technology, illicit behavior, and criminal groups’ diverse capabilities.

An emerging nexus between state and non-state threat networks is also identified as a key trend in the region. Notable links between criminal groups and malign state actors such as Cuba, Venezuela, and Nicaragua are publicly known with indigenous and under-resourced communities violently confronting illicit organizations that sometimes have the tacit support of government authorities and agencies. Moreover, external state actors’ investments and economic interests in highly corrupt and unstable political environments pave the way for impunity, which enables threat networks to operate without inhibition. The most explicit example pertains to the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia—FARC)-linked mining operations in Venezuela.

Undoubtedly, trends are becoming increasingly complex now that activities have reached a global scale. This is also evident in illicit financial flows into, through, and out of the region. In terms of money laundering, tried and tested methods still seem to be favored, although it is likely that new opportunities, such as those provided by digital currencies, will be increasingly exploited in the future. The paper concludes that, in spite of adverse trends, it is important to avoid worst-case analysis. It also suggests, however, that many of the problems in the region stem fundamentally from poor governance—and that taking steps to deal with this should be a priority.

Introduction: Defining Threat Networks

This paper seeks to identify major trends and developments in the activities and operations of threat networks in the U.S. Southern Command's area of responsibility. The paper starts from the premise, as laid out by the United States Department of Defense, that threat networks are adversarial actors that are "combative to a joint force or may simply be criminally motivated, increasing instability in a given operational area."¹ The paper initially identifies four distinct kinds of networks before exploring the characteristics of the geopolitical, social, economic, and political environment in Latin America"

- Transnational criminal organizations (TOCs) and drug trafficking organizations (DTOs) and networks
- Transnational gang networks that link local territorial gangs and have a common identity, albeit one based largely on shared antipathy toward rival gangs
- State-related networks of influence created and sustained by state and non-state actors outside the region. These include terrorist networks that, in the SOUTHCOM Area of Responsibility (AOR), are more likely to be support networks than operational networks or operational cells.
- Illicit financial networks that not only cut across the other kinds of threat networks but also intersect and overlap with licit financial networks and facilitate illicit flows within the region as well as to and from other parts of the world.

Each of these distinct networks has its own strategic logic, distinctive goals and objectives, and adaptable risk management strategies. At the same time, the networks overlap and intersect with one another, often in ways that not only create adversarial force multipliers but also complicate and undermine policy and operational responses. Moreover, threat networks throughout Latin America operate in an environment that is, to say the least, highly congenial with multiple opportunities and few major constraints. Accordingly, this paper starts by identifying and assessing some of the key characteristics of the environment. Indeed, unless the United States and its allies in the region can bring about key changes in the environment - effectively diminishing opportunities for threat networks while also increasing the costs and risks they confront—the challenges will only increase. After assessing the environment within which threat networks operate, the paper explores the evolution of these networks, with particular attention to what might be termed "smart adaptation."

The Context

South America is a highly congenial environment for the rise, consolidation, adaptation, and perpetuation of the threat networks identified above. There are several reasons for this. The first—and most fundamental—is that much of Latin America is characterized by the weakness of state structures and institutions. There are exceptions to this—Chile and, to a lesser extent, Costa Rica stand out— but, for the most part, the state in Latin America can be understood as weak, truncated, anemic, incomplete, or

¹ Joint Staff. "Countering Threat Networks." U.S. Department of Defense. December 21st, 2016. <https://apps.dtic.mil/dtic/tr/fulltext/u2/1025082.pdf>.

pre-Westphalian.² This weakness is manifest in several ways:

- Territorial control is typically limited and in most Central and South American countries there are areas where the state has little or no presence. Throughout South America, prisons, which symbolize both state power and the rule of law are either alternatively governed by gangs or highly contested by rival gangs. In many cases prisons also act as academies of criminal learning and command and control headquarters.³
- Service provision is limited, whether in urban areas that are largely unplanned, have developed haphazardly, and lack basic infrastructure or in rural areas that the state cannot reach. Moreover, Latin America remains one of the most rapidly urbanizing areas in the world, with large numbers of people with little choice other than to work in the informal economy.
- There is little notion of the state as a collective that is based on public interest. In many countries, politics is dominated not by a strong state acting in the public interest—however that is defined—but by entrenched and powerful political and economic elites that, in effect, use the resources of the state to maintain their dominance while exploiting new economic opportunities. Jenny Pearce has termed this the “fragmented security state” in which “security services offer fractured, selective security” from which the poor are largely excluded.⁴
- Linked to the absence of consensus on the public interest, Latin American countries have tended to oscillate ideologically between conservative governments that have enthusiastically embraced neo-liberalism, especially its minimalist approach to social welfare and its rejections of efforts to reduce economic inequalities, and socialist governments that adopt intrusive forms of social engineering that become highly repressive and self-defeating.

The second and closely related contextual factor is the pervasiveness of corruption throughout much of South America. This can be understood in large part as the result of autocratic rule since the colonial era.⁵ Leaders who had “monopoly plus discretion minus accountability” and, therefore, could act with impunity normalized corruption, creating a climate of tolerance and acceptance.⁶

Ironically, transitions towards democracy have provided new opportunities for corruption especially in elections. Moreover, “in many countries of the region, the illegal economy has played an increasingly important role in funding the competitive politics of the post-authoritarian era.”⁷ The perpetuation of corruption stems partly from the pervasive self-interest exhibited by the elites, partly from the weakness

² For a fuller discussion see Phil Williams, “The Crisis of Governance in Latin America” in Brian Fonseca, Gabriel Marcella, and Orlando Pérez, (eds.), *Security and Democracy in Latin America* (New York: Routledge, forthcoming).

³ Phil Williams, “Here be Dragons: Dangerous Spaces and International Security,” in Anne Clunan and Harold Trinkunas (eds.), *Ungoverned Spaces*, (Palo Alto, CA: Stanford University Press, 2010), pp. 34-56.

⁴ Jenny Pearce, *Elites and Violence in Latin America: Logics of the Fragmented Security State*, LSE Latin America and Caribbean Center, Violence, Security, and Peace Working Papers No.1, August 2018, p. 5.

⁵ <https://onlinelibrary.wiley.com/doi/full/10.1111/j.0038-4941.2004.08502005.x>

⁶ This the classic formula enunciated by Robert Klitgaard, and restated in “International Cooperation Against Corruption,” *Finance & Development*, March 1998 pp. 3-6 at p.4 <https://www.imf.org/external/pubs/ft/fandd/1998/03/pdf/klitgaar.pdf>

⁷ Jenny Pearce, *Elites and Violence in Latin America: Logics of the Fragmented Security State*, p. 8.

of the concept of public interest, and partly from the democratization process, which introduced both new vulnerabilities to infiltration and new opportunities for enrichment by politicians. The demands of “campaign finance.... competitive elections, weak enforcement of campaign finance rules, political decentralization, and feeble political parties” affected both the demand and supply sides of corruption.⁸

The most blatant example of corruption is the Brazilian construction company Odebrecht which made extensive use of bribery to obtain contracts—bribery that implicated presidents, former presidents, and other high-ranking politicians throughout Latin America and even extended to some countries in Africa.⁹ For instance, Odebrecht allegedly bribed Panama’s former President Ricardo Martinelli and his inner circle, which awarded the firm over \$96 million dollars for infrastructure projects.¹⁰ Additionally, Ecuador’s Attorney General’s Office began a preliminary investigation against the former president Rafael Correa in 2018, who reportedly engaged in organized crime related to the Odebrecht corruption scheme. However, Correa sought asylum in Europe and despite the scandal, was awarded a talk show on Russia’s Spanish-language media outlet, Actualidad RT.¹¹ The primary problem, however, is that countries susceptible to the insidious influence of Odebrecht are equally open to threat networks that are not only more blatant in their corruption but also combine inducements with coercion and violence to an extent that was unimaginable even for Odebrecht.

Corruption is perhaps best understood as an “exchange mechanism” in which public officials use their positions for private gain.¹² This is endemic throughout much of Latin America. Where it is well established in societies, economies and political systems, corruption as a condition can then be exploited by threat networks that use it as an instrument. This can have a downside—where corruption is well-established, bribes might have to be larger—but its very pervasiveness means that there are fewer risks associated with its use. In this connection, Susan Rose-Ackerman noted, “the level of bribes is not the critical variable. One wants to know not just how much was paid, but also what was purchased with the payoff.”¹³

Transparency International defines corruption as “the abuse of entrusted power for private gain that can be classified as grand, petty, and political, depending on the amounts of money lost and the sector in which activities occur.”¹⁴ The “Corruption Perceptions Index,” Transparency International’s annual research product focusing on corruption ranking by countries and region, released several reports indicating consistent high rates of corruption in Latin America from 2015 through 2018. The index uses 13 scales and expert assessments to measure public sector corruption in 180 countries. States are given a score from 0 to 100 with 0 being the most corrupt. Conversely, in the rankings, the higher the number, the worse off the country. In 2018, Venezuela and Haiti made the top twenty most corrupt countries in

⁸ Kevin Casas Zamorra, *Dangerous Liaisons: Organized Crime and Political Finance in Latin America and Beyond*, (Washington DC: Brookings Institution, 2013), p. 4.

⁹ Monica Arruda De Almeida and Bruce Zagaris, “Political Capture in the Petrobras Corruption Scandal: The Sad Tale of an Oil Giant,” *Fletcher Forum for World Affairs*, vol.39:2 Summer 2015, pp. 87-99.

¹⁰ Carranza, Camilo; Robbins, Seth; and Dalby, Chris. Major Odebrecht Corruption Cases and Investigations in 2019. *Insight Crime*. February 2019.

¹¹ Actualidad RT. *Correa*. <https://actualidad.rt.com/tag/Correa>. Accessed December 2019.

¹² Donatella della Porter, *Corrupt Exchanges: Actors, Resources, and Mechanisms of Political Corruption* (New York, NY: Routledge, 2017).

¹³ Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences and Reform*, (Cambridge, UK: Cambridge University Press, 1999), p.4

¹⁴ Transparency Organization, “What is Corruption,” August 2019. <https://www.transparency.org/what-is-corruption>.

the world.¹⁵ However, El Salvador, Brazil, and Bolivia saw the highest rate increase in the region from 2015 through 2018.¹⁶ The countries omitted from Figure 2 did not experience corruption increase. The index has to be treated with caution though—one reason that the percentage increase was so low in Venezuela, for example, is that its ranking was already so high.

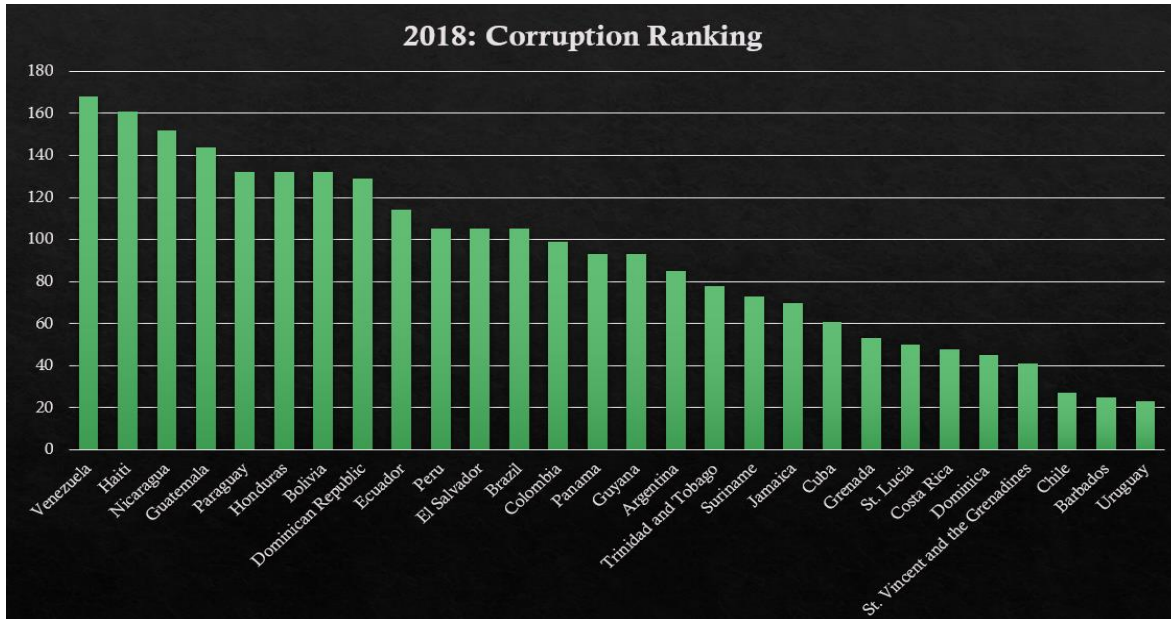


Figure 1

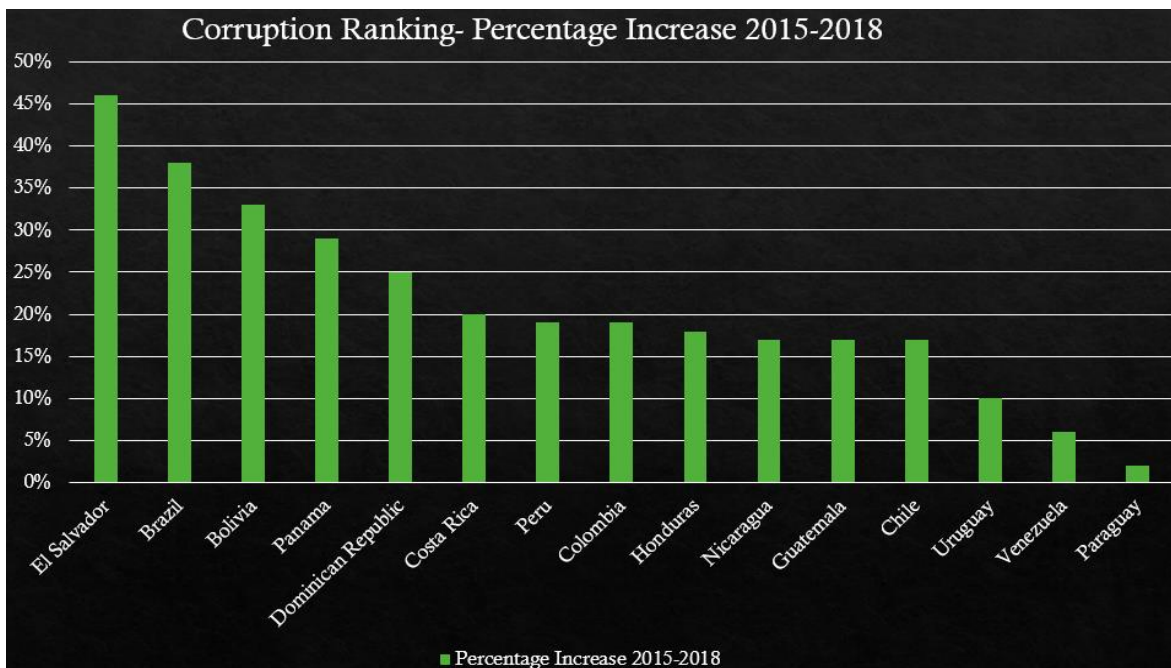


Figure 2

¹⁵ Transparency Organization, "2018 Regional Analysis," August 2018. <https://www.transparency.org/news/feature/cpi-2018-regional-analysis-americas>

¹⁶ Transparency Organization, "Corruption Perception Index," 2018. <https://www.transparency.org/cpi2018>.

Closely related to pervasive corruption and impunity Latin America is the most violent region in the world according to the United Nations' reports on World Homicides. Most states have failed to establish a legitimate monopoly on the use of violence, a failure manifested in homicide rates "roughly 21.5 per 100,000, more than three times the global average."¹⁷ Indeed, "Latin America is home to just 8 percent of the world's population, but 33 percent of its homicides." Brazil, Colombia, Mexico and Venezuela account for a quarter of all homicides globally.¹⁸ Of the 20 countries in the world with the highest murder rates, 17 are Latin American, as are 43 of the top 50 cities.¹⁹ As one report noted, "more than 2.5 million Latin Americans have been killed violently since 2000, most of them due to intentional homicide."²⁰

These homicide figures obviously reflect the central role played by DTOs, criminal organizations and gangs, which are particularly powerful in Central America and in Brazil. The figures are buttressed by forms of everyday violence such as domestic violence and femicide. Victimization surveys indicate that violence against women and children is pervasive. When asked to describe the most harmful types of violence, 65% of Latin American respondents claim it is violence against women and 63% say it is violence against children. This is higher than street violence (59%) and organized crime and gang-related violence (both 51%).²¹

It also bears emphasis that "Latin America's youth homicide rate is more than three times the rate of the general population—reaching 70 per 100,000." Moreover, close to half of the all homicide victims are males between 15 and 29 years old. Young people account for 54% of all homicide victims in Brazil, 52% in El Salvador and 51% in both Honduras and Colombia.²²

According to the Inter-American Commission on Human Rights, "factors conducive to violent environments are structural, institutional, and situation-based. The causes or factors typically highlighted in replies to the questionnaire to explain the occurrence of violence include:

- The existence of organized groups with links to illicit or criminal activities from which they profit, along with easy access to a significant illegal market in unregistered weapons;
- The inequalities and social exclusion of large segments of the population;
- The lack of opportunities for youths and adolescents to pursue their ambitions and lead a dignified self-supporting life;
- Some degree of 'normalization' and 'social tolerance' of violence in a variety of public and private spheres;

¹⁷ Robert Muggah and Katherine Aguirre Tobón, *Citizen Security in Latin America: Facts and Figures* (Rio De Janeiro: Igarape Institute, Strategic Paper 33, April 2018) p. 3.

¹⁸ Robert Muggah and Katherine Aguirre Tobón, *Citizen Security in Latin America: Facts and Figures* (Rio De Janeiro: Igarape Institute, Strategic Paper 33, April 2018) p. 3.

¹⁹ See Amanda Erickson, "Latin America is the world's most violent region. A new report investigates why," *Washington Post*, April 25, 2018. The analysis provided a commentary on the Muggah and Aguirre paper.

²⁰ Robert Muggah and Katherine Aguirre Tobón, *Citizen Security in Latin America: Facts and Figures* (Rio De Janeiro: Igarape Institute, Strategic Paper 33, April 2018), p. 2.

²¹ Muggah and Aguirre Tobón, *Citizen Security in Latin America*, p. 9.

²² Muggah and Aguirre Tobón, *Citizen Security in Latin America*, p. 27.

- The ‘social legitimization’ of criminal groups which assume control over territory and provide the inhabitants with services and security;
- Institutional weakness, especially among the police and in the justice system, reflected in their inability to effectively address the growing problem of insecurity, violence, and crime;
- The ability of organized crime to permeate and neutralize or even co-opt State institutions.”²³

The result is pervasive and endemic violence. The concomitant is that there is very little confidence in the government. In 2018, the Latin American Public Opinion Project published a study showing that only 39 percent of 43,000 participants from the Western Hemisphere trusted their countries’ elections.²⁴ Meanwhile, declining trust in judiciary systems was noted in Brazil, Chile, Venezuela, Mexico, and Argentina.²⁵ The data also showed that about 51 percent of participants in Colombia, Peru, Brazil, Honduras, Mexico, and Guatemala supported democracy.²⁶ The lowest trust occurred among the youth. Undoubtedly, lack of trust has long-term consequences for the future of democracy in the region.²⁷

The other characteristic of Latin America is that it has become fully integrated into globalization processes both licit and illicit. Partly this reflects technology, partly the growing interdependence of economies, and partly the speed and density of transactions that, in effect, have shrunk both the time and space within which economic and financial transactions occur. South America has become open to business, to immigration, and to external political and economic influence. Yet, Latin American ports are still dwarfed in terms of size and throughput by those in Asia with each of the top ten Latin American ports handling about one tenth respectively of the top ten global ports.²⁸ Nevertheless, these ports are sufficiently busy that it remains relatively easy to conceal the export of illicit commodities such as narcotics. Indeed, in a globalized world, South America has exported its products to a wider range of countries than ever before. This is particularly the case with cocaine, which now goes directly or indirectly to Europe and Australia, with shipments also being seized in South Asia, China and Korea. Colombia still provides most of the cocaine to the United States via Mexico and through the Caribbean, while Brazil, especially the port of Santos, is the key embarkation point for cocaine being shipped to West Africa.²⁹ Latin America has also exported knowledge—both tacit and explicit about the drug business, particularly methamphetamine production, with Mexican and Colombian chemists helping to

²³ Quoted directly from the Inter-American Commission on Human Rights. “Violence, Children, and Organized Crime,” Organization of American States. November 2015. <http://www.oas.org/en/iachr/reports/pdfs/ViolenceChildren2016.pdf>.

²⁴ Naylor, W. “Just the Facts: Confidence in Institutions and Support for Democracy are in Decline in the Region.” *Global Americans*. <https://theglobalamericans.org/2018/07/just-the-facts-confidence-in-institutions-and-support-for-democracy-are-in-decline-in-the-region/>. July 2018.

²⁵ Naylor, W. “Just the Facts: Confidence in Institutions and Support for Democracy are in Decline in the Region.” *Global Americans*. <https://theglobalamericans.org/2018/07/just-the-facts-confidence-in-institutions-and-support-for-democracy-are-in-decline-in-the-region/>. July 2018.

²⁶ Naylor, W. “Just the Facts: Confidence in Institutions and Support for Democracy are in Decline in the Region.” *Global Americans*. <https://theglobalamericans.org/2018/07/just-the-facts-confidence-in-institutions-and-support-for-democracy-are-in-decline-in-the-region/>. July 2018.

²⁷ Crabtree, S. “Latin Americans Vote in Climate of Discontent,” *Gallup News*, June 2018. <https://news.gallup.com/poll/235799/latin-americans-vote-climate-discontent.aspx>

²⁸ ECLAC, *Statistical data of the Port Activity Report of Latin America and the Caribbean 2018* https://www.cepal.org/sites/default/files/news/files/statistical_data_port_activity_report_lac_2018.pdf

²⁹ Lloyd Belton, “Report Spotlights Drug Traffic at Santos Port, Brazil’s Drug Policies” *Insight Crime*, July 20, 2016. <https://www.insightcrime.org/news/analysis/report-spotlights-drug-trafficking-at-santos-port-brazil-drug-policies/>

set up methamphetamine production facilities in West Africa.³⁰

One of the other consequences of globalization is what Joseph Nye terms power diffusion. As he stated, “a new information revolution is changing the nature of power and increasing its diffusion. States will remain the dominant actor on the world stage, but they will find the stage far more crowded and difficult to control. A much larger part of the population both within and among countries has access to the power that comes from information.”³¹ Indeed, technological advancements have created rapid and dense global communications networks that are not only available for real-time contact but also are cheap and easy to use. The spread of telecommunications and email and apps such as Skype and WhatsApp have created opportunities for easy and cheap communications, including cross border contacts, and the development of more extensive networks. In the developing world, access to these links is becoming increasingly common if far from universal. Communication through the Internet has become rapid and often instantaneous, while the advent of cellular phones has eliminated the need to create costly telecommunications infrastructures in developing countries. In other words, connectivity has become a central feature of globalization.

Such technology can also provide important multiplier benefits for groups that are challenging the state whether for political reasons or through the use of criminal activities. Information and communications technologies have made both domestic and transnational crime easier and, to a degree, safer for the criminals. The penetration of mobile phones in the northern tier of Central America, for example, has helped to empower gangs in Honduras, Guatemala, and El Salvador. Indeed, as discussed below, cell phones play a large role in the extortion practices that have become a staple of gang finances.

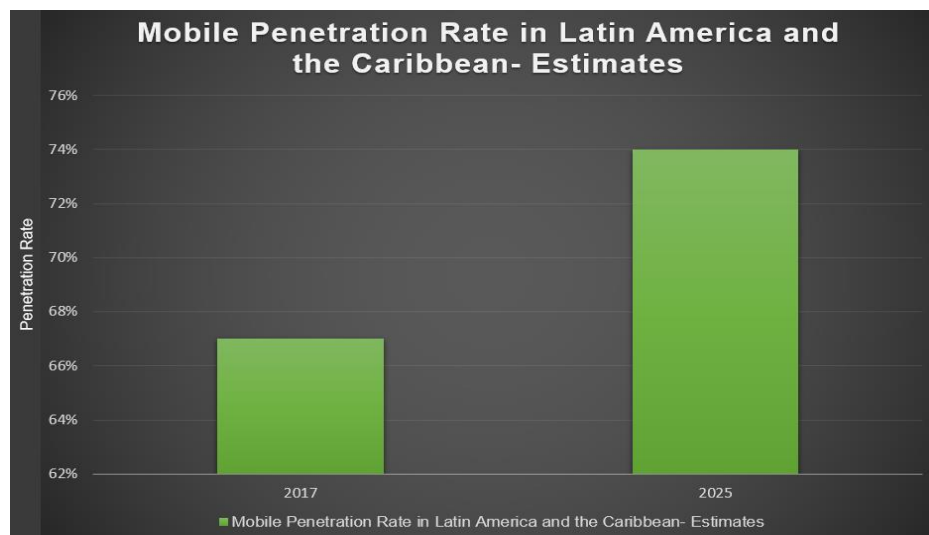


Illustration: Mobile penetration rate in Latin America and the Caribbean in 2017 and 2025 estimates, according to GSMA Intelligence and Statista³²

³⁰ Monica Mark, “Homegrown Crystal Meth Industry Sparks West Africa Crime Wave,” *The Guardian* (March 29, 2013) available at: <https://www.theguardian.com/world/2013/mar/29/crystal-meth-west-africa-crime>. The Associated Press, “Meth 'Super-Lab' Raided in Nigeria, 4 Mexicans Arrested,” *NBC News* (March 15, 2016) available at: <http://www.nbcnews.com/news/world/meth-super-lab-raided-nigeria-4-mexicans-arrested-n538496>.

³¹ Joseph S. Nye Jr., *The Future of Power* (Kindle Locations 2005-2007). Perseus Books Group. Kindle Edition.

³² Statista; Mobile penetration rate in Latin America and the Caribbean in 2017 and 2025; <https://www.statista.com/statistics/218141/mobile-penetration-rate-in-latin-america-since-2007/>.

More traditional transnational criminal networks have also exploited technology to develop advanced management capabilities (such as using global positioning satellites for drug drops and pickups) as well as risk management tools. All of this has helped to make South America highly vulnerable to threat networks, whether emanating from elsewhere and portrayed innocuously as aid and trade, or from indigenous criminal networks that have long had an influence in parts of South America but are becoming even more widespread, pervasive, and powerful, and challenging the state in both overt and subtle ways.

The Evolution of Criminal Organizations and Networks

It is often hard to distinguish between the functional characteristics of threat networks and the evolving trends and patterns of behavior. Consequently, it is worth highlighting the inherent characteristics of networks that make them extremely difficult for governments to disrupt and dismantle. Criminal networks are typically agile and highly adaptable (and can usually react much quicker than more rigid government hierarchies to both threats and opportunities); they are distributed – making it difficult to identify centers of gravity to attack; they are adept at making effective tradeoffs between security and efficiency; they have a capacity to cross boundaries – from the underworld to the licit world - and thereby extend the network into the licit world and corrupt or co-opt political actors; and they have a high degree of what Desmond Arias identifies as “pernicious resilience.”³³ When criminal activities are suppressed in one area, they typically pop up elsewhere in what is often described as the balloon or pillow effect.

It is not clear that the legitimate worlds of politics and business and the underworld of crime have ever been dichotomous, even when they have been portrayed as such. If they have always overlapped and intermingled, however, one of the most important evolutionary trends in South America is the way in which criminal networks have become deeply intertwined with political, business, and financial elites and with the state apparatus. What Brinton Milward and Jorg Raab term “dark networks” increasingly work with licit political and business elite networks as well as legal and financial service providers and organizations.³⁴ These connections enhance what Carlo Morselli termed “legitimate strengths in criminal networks.”³⁵ At the most basic level, TCOs need the services of lawyers and accountants who act as both gatekeepers and boundary spanners. They have also established collusive relationships with political parties, government departments and agencies. Corruption and bribery buys information that increases illicit business opportunities and helps criminal organizations to circumvent or neutralize law enforcement. Corrupt payments also buy protection—from law enforcement, the judiciary, and high-level politicians and bureaucrats—which perpetuates the ability of criminals to act with impunity. In addition, bribery can buy cooperation, integrating those in public office into criminal networks and making it almost impossible to know where crime ends, and corruption begins. Moreover, where there are concentric layers of political power and authority, the center of power in the capital is not the only target. In a federal state, for example, the state can have a decisive impact on the ability of criminals to

³³ Desmond Arias used this phrase in a Conference at the University of Pittsburgh on Violence in 21st Century Cities, November 13-15, 2016.

³⁴ H. Brinton Milward & Jörg Raab (2006) “Dark Networks as Organizational Problems: Elements of a Theory” *International Public Management Journal*, Vol. 9 No.3 pp 333-360.

³⁵ Carlo Morselli and Cynthia Giguere, “Legitimate Strengths in Criminal Networks,” *Crime, Law and Social Change* Vol:45 No. 3 (2006): pp. 185-200.

operate with impunity; as such, they are attractive targets for bribery and corruption. At the local level, mayors, who exert considerable influence, are natural targets for bribery by organized crime. Corruption problems abound at these lower levels “where there is great heterogeneity in the links between criminals and politicians.”³⁶

In the late 1990s, Roy Godson described these growing linkages as a “political criminal nexus.”³⁷ Since then the phenomenon has become even more persuasive, blatant, and damaging while also morphing into something that goes beyond simple, if targeted, corruption. Elements of this transformation have become evident in a variety of countries. Sarah Chayes, for example, has focused on triangular kleptocratic networks in Honduras, arguing that connections between government officials, economic elites, and organized crime “are... organic and intrinsic.”³⁸ Furthermore, relationships between political and economic elites and narcotics traffickers are pervasive.³⁹

This assessment has been given added credence by revelations about the political leadership in Honduras. After his arrest, Devis Leonel Rivera Maradiaga, one of the leaders of Los Cachiros, revealed that he had paid \$400,000 to President Porfirio Lobo, who in return promised that there would be no extraditions during his term in office.⁴⁰ Porfirio’s son Fabio ensured that Los Cachiros, was able to transport drugs within Honduras without hindrance.⁴¹ Fabio was subsequently sentenced in a US court to 24 years imprisonment.⁴² Rivera also implicated Juan Antonio Hernández, the brother of President, Juan Orlando Hernández. Tony Hernández was arrested in Miami in November 2018 and in October 2019 was convicted in New York for conspiracy to traffic drugs.⁴³ Although President Hernandez denied any wrongdoing, he was named a co-conspirator and the prosecution claimed that he had received a million dollars in cash from Chapo Guzman to allow “drug trafficking”⁴⁴ The implication is that it the evolving trend involves not only collusion between criminals and political and business elites, but also a conflation of roles as members of these elites become directly involved in criminal enterprises. José “Chepe” Handal in Honduras and José Adán Salazar Umaña, (alias “Chepe Diablo”) in El Salvador portrayed themselves as legitimate businessmen but were heavily involved in drug trafficking. One of Salazar’s closest associates, Juan Umaña Samayoa, the mayor of Metapán was also deeply involved in the drug business. An advantage of being a reputable businessman, of course, is that the legitimate businesses one owns, can be used as an effective front for money laundering.

³⁶ Kevin Casas Zamorra, *Dangerous Liaisons: Organized Crime and Political Finance in Latin America and Beyond* (Washington DC: Brookings Institution, 2013) p. 16.

³⁷ Roy Godson, “Transnational Crime, Corruption and Security” in Michael Brown (ed.) *Grave New World* (Washington DC: Georgetown University Press, 2003), pp. 259-278.

³⁸ Sarah Chayes, *When Corruption is the Operating System: The Case of Honduras*, (Washington DC: Carnegie Endowment for International Peace, 2017), p.8.

³⁹ Sarah Chayes, *When Corruption is the Operating System: The Case of Honduras*, p.16.

⁴⁰ See Joseph Goldstein and Benjamin Weiser, “After 78 Killings, a Honduran Drug Lord Partners with the U.S.” *New York Times*, October 6, 2017 available at <https://www.nytimes.com/2017/10/06/world/americas/after-78-killings-a-honduran-drug-lord-rivera-partners-with-us.html>.

⁴¹ Goldstein and Weiser, “After 78 Killings.”

⁴² Insight Crime, “Cachiros” *Insight Crime*, October 1, 2017.

⁴³ Jeff Ernst and Elisabeth Malkin, “Honduran President’s Brother, Arrested in Miami, Is Charged With Drug Trafficking” *New York Times*, November 26, 2018 available at <https://www.nytimes.com/2018/11/26/world/americas/honduras-brother-drug-charges.html> See also Jeff Ernst and David C Adams, “Jury finds ‘Tony’ Hernandez, brother of Honduran president, guilty of drug trafficking” *Univision News*, October 18, 2019. <https://www.univision.com/univision-news/latin-america/jury-finds-tony-hernandez-brother-of-honduran-president-guilty-of-drug-trafficking>

⁴⁴ “Honduran President’s Brother is Found Guilty of Drug Trafficking,” *New York Times*, October 18, 2019, <https://www.nytimes.com/2019/10/18/world/americas/honduras-president-brother-drug-trafficking.html>.

Guatemala has a similar dynamic. In April 2019, an indictment was unsealed against former Presidential candidate Mario Amilcar Estrada Orellana, who along with an associate had solicited money from people they thought represented the Sinaloa drug trafficking organization but were in fact informants for the Drug Enforcement Administration (DEA).⁴⁵ Estrada wanted to use the drug money for his political campaign and promised not only “unfettered access” to Guatemala’s airports and ports but also to appoint drug traffickers to “high-ranking government positions.”⁴⁶ The implication of this case is that the initiative is not always with the criminals but can also be taken by the politicians. As Steven Dudley notes, political elites and state officials seek links with criminal networks for several reasons: “on the economic front, criminal groups can represent a source of revenue, economic growth, and economic and political opportunity. On the military front, they can represent a willing ally, one that is ready to commit resources to help secure territory or space from a violent or destructive actor in ways the state is not willing or able to.”⁴⁷ Given this logic, it is hardly surprising that, reportedly, Estrada was also closely linked with President Jimmy Morales, who succeeded in closing down the International Commission against Impunity in Guatemala (Comisión Internacional contra la Impunidad en Guatemala—CICIG), the United Nations body that had been established to combat corruption and impunity in Guatemala.

These problems are not confined to Central America; they are endemic throughout much of South America. In recent years, for example, Ecuador has become an increasingly violent transshipment country for cocaine from Colombia, being moved to the United States and Europe.⁴⁸ As Insight Crime notes, “Behind this trade is a complex and fluid underworld of specialist groups and sub-contractors coordinated by the brokers of powerful transnational drug trafficking organizations and protected by corruption networks that penetrate deep into the state.”⁴⁹ All this suggests that we have moved far beyond the political criminal nexus as a relatively simple set of horizontal relationships and have to confront a complex matrix in which the multiple lines of connective tissue are horizontal, vertical and diagonal, often wavy, often hidden, and largely impenetrable.

Jorge Chabat has approached this issue of organized crime and the state in a way that adds subtlety and nuance absent in over-simplistic labels such as mafia state, kleptocracy, or criminal state.⁵⁰ Instead, he delineates the dimensions of what he terms the criminally possessed state (CPS):

- Criminals, in effect, merge with the state and control its brain and the will of the state apparatus. They do not capture the state and maintain it as a prisoner with its own will. Instead, “they take control of the mind and will of the state by controlling the state decision-making processes for their own purposes, which are different from the purposes that gave origin to the state.”⁵¹

⁴⁵ Héctor Silva Ávalos, “What Does Mario Estrada’s Guilty Plea Mean for Guatemala?” *Insight Crime*, October 26, 2019.

⁴⁶ Héctor Silva Ávalos, “What Does Mario Estrada’s Guilty Plea Mean for Guatemala?” *Insight Crime*, October 26, 2019.

⁴⁷ Steven Dudley, “Elites and Organized Crime: Conceptual Framework - Organized Crime” *Insight Crime*, March 26, 2019.

⁴⁸ James Bargent, “Esmeraldas: An Ecuador Province Gripped by Drug Conflict” *Insight Crime*, November 5, 2019.

⁴⁹ James Bargent, “Ecuador: A Cocaine Superhighway to the US and Europe,” *Insight Crime*, October 30, 2019.

⁵⁰ Jorge Chabat “Criminally Possessed States: A Theoretical Approach.” in Jonathan D. Rosen, Bruce Bagley, Jorge Chabat, (eds.) *The Criminalization of States: The Relationship Between States and Organized Crime* (Lanham: MD: Lexington Books, 2019).

⁵¹ *Ibid.*, p. 23.

- The appearance of a legitimate state is maintained since “criminals do not appear as the formal authorities.”⁵² Rather, “they are behind these authorities, manipulating them and controlling them.”⁵³
- Criminals move freely and do not have to challenge or confront the state since the formal authorities do not have the will to capture them.⁵⁴
- Criminals have some degree of territorial control, which allows them “to expand the range of criminal activities and, at some point, exert some governance.”⁵⁵
- In a CPS, criminal organizations have “access to public resources through the extortion of formal authorities.”⁵⁶ Unlike in a corrupt state, they do not bribe officials; the authorities bribe them.⁵⁷
- Criminals exert some limited forms of governance.⁵⁸
- Criminal organizations also obtain a degree of legitimacy and even some loyalty from segments of the population.⁵⁹
- Criminal use of violence is sparing and discriminate.⁶⁰

This is not to claim that most of the states in Central and South America can be understood as criminally possessed states. It is clear, however, that one of the most important trends in the evolution of threat networks is the increased complexity of their relationships with many states. As Steven Dudley notes, “organized criminal groups and the state interact in myriad ways, sometimes at odds with one another and sometimes in synchronicity.”⁶¹ This synchronicity can take various forms.

A second important trend is the blurring of the line between old-fashioned drug trafficking organizations that focused almost exclusively on narcotics and local or transnational criminal organizations that have much broader sets of criminal enterprises. Indeed, organized crime threat networks in Latin America have developed a more diverse portfolio of criminal activities than in the past. This can be understood largely in terms of criminal entrepreneurialism and strategies of diversification. Dwight Smith several decades ago noted that organized crimes are “rather entrepreneurial, and although they involve law-breaking activity, they are primarily an extension of legitimate marketplace activities into proscribed areas. Thus, illicit enterprise views organized crime as the extension of legitimate market activities into illicit areas for the pursuit of profit and in response to latent illicit demand.”⁶² In a similar vein, Peter Gottschalk argued that organized crime “first and foremost... is an entrepreneurial business enterprise, regardless of what else it may be and/or involve.”⁶³ As such, it “stems from the same fundamental assumptions that govern entrepreneurship in the legitimate marketplace: a necessity to maintain and

⁵² Ibid., p. 23.

⁵³ Ibid., p.23.

⁵⁴ Ibid., p. 23.

⁵⁵ Ibid., p.23.

⁵⁶ Ibid., p. 23.

⁵⁷ Ibid., p.23.

⁵⁸ Ibid., p.24.

⁵⁹ Ibid., p. 25.

⁶⁰ Ibid., p.24.

⁶¹ Dudley, “Elites and Organized Crime.”

⁶² <http://www.ncjrs.gov/App/publications/abstract.aspx?ID=49083>.

⁶³ Peter Gottschalk, *Entrepreneurship and Organised Crime*, (Cheltenham UK: Edward Elgar, 2009) p. 5.

extend one's share of the market."⁶⁴ Criminal organizations, like other business enterprises, "respond to the needs and demands of suppliers, customers, regulators and competitors."⁶⁵ For trafficking organizations providing illicit goods the emphasis is on expanding market share rather than the creation of monopolies; for those in the protection business, however, some degree of monopoly over territory is central.⁶⁶ For both kinds of groups, strategic entrepreneurialism and particularly diversification is essential to their survival let alone their prosperity—and will become even more important given the trend away from botanical psychotropic substances and towards synthetics. In the short-term, however, one important form of diversification for drug trafficking organizations has been a growing exploitation of domestic local demand by what is sometimes termed micro-trafficking.⁶⁷

To emphasize that diversification is the watchword for criminal organizations and networks in Latin America is probably an understatement. There has been diversification of routes, activities, markets, organizational and network structures, and linkages. As Zaitch and Antonopoulos note, criminal organizations in Latin America have "geographically expanded their activities to regions and countries far from their home base, extending their presence beyond borders, fostering alliances with other criminal groups, and opening up new drug hubs and routes."⁶⁸ Although this is sometimes dismissed as displacement resulting from law enforcement pressure, the problem with such an interpretation is that it ignores the strategic intent that often underlies expansion.⁶⁹

One of the most dramatic examples of strategic expansion is Brazil's Primeiro Comando da Capital (First Command of the Capital—PCC), which has transformed from a prison organization advocating human rights to a transnational criminal organization that has become "a key trigger of violence in South America."⁷⁰ The organization is engaged in drug "trafficking and violent actions (like extortion, killings, and attacks to state officials) not only in its home country, but also in Paraguay and Bolivia, and is allied with violent criminal organizations (the so-called *bandas criminales*) in Colombia. Their business has end consumers in Europe and North America and uses West Africa as a transit point. Brazilian judicial authorities have reported the use of West Africa by PCC since 2009."⁷¹ According to one assessment, "80% of PCC profits" amounting to around "US\$200 million/year" come from drug trafficking, with "the remaining 20%... from bank robberies, kidnappings, arms trafficking, raffles for detainees, and the monthly stipend... paid by 7000 prisoners and families in exchange for protection."⁷² These profits along with the use of violence have allowed the PCC to operate "with a dynamic like a large company."⁷³ The trafficking has also both facilitated and required territorial expansion not only throughout Brazil, where

⁶⁴ Peter Gottschalk, *Entrepreneurship and Organised Crime* (Cheltenham UK: Edward Elgar, 2009), p. 8.

⁶⁵ This notion was first developed by Thomas Schelling. See: Thomas Schelling, *Choice and Consequence*, (Cambridge, MA: Harvard University Press, 1984), pp. 179-194.

⁶⁶ Von Lampe, Klaus, "Illegal-Market Monopolies and Quasi-Governmental Structures," *Sage Publications*. https://www.sagepub.com/sites/default/files/upm-binaries/70967_Von_Lampe_Chapter_8.pdf.

⁶⁷ Marguerite Cawley, "Micro-Trafficking A Growing Threat Across LatAm," *Insight Crime* December 9, 2013.

⁶⁸ Damián Zaitch I & Georgios A. Antonopoulos, "Organised crime in Latin America: an introduction to the special issue," *Trends in Organized Crime* (2019) 22:141–147, esp., p. 142.

⁶⁹ *Ibid.* p. 142.

⁷⁰ Marcos Alan S. V. Ferreira, "Brazilian criminal organizations as transnational violent non-state actors: a case study of the Primeiro Comando da Capital (PCC)" *Trends in Organized Crime* (2019): 22:148–165 at p. 148.

⁷¹ *Ibid.*, p.151.

⁷² *Ibid.*, p. 157.

⁷³ *Ibid.*, p. 157.

access to influence in the port of Santos has been critical to drug exports, but also in at least 8 other countries: Peru, Colombia, Venezuela, Bolivia, Argentina Paraguay, and, more surprisingly, the Netherlands and Portugal.⁷⁴ This expansion has also placed the PCC on a collision course with the Red Command (Comando Vermelho), Brazil's other major prison organization, leading to considerable violence both in and outside prisons in Northern Brazil.⁷⁵ It also appears that the PCC, like other criminal organizations, has sought to recruit FARC dissidents who have not accepted the peace process as well as former fighters who have not reintegrated into Colombian society.⁷⁶

Increased diversification has also stemmed from criminal organizations' discovery of what have been seen as conflict resources. Gold, timber, and to a lesser extent oil, have all been subject to the predatory activities of criminal organizations. In this connection, the Global Initiative Against Transnational Crime noted that on a global scale Latin America leads the illicit extraction of gold, with Venezuela, Colombia, Peru, Brazil, Ecuador, Guyana, and Bolivia the prime countries with illegal mining activities.⁷⁷ Indeed, the value of illegal gold exports from Peru and Colombia surpassed the value of cocaine exports.⁷⁸ As criminal organizations in Latin America have incorporated illicit gold trade into their operations they have relied less exclusively on drug production and trafficking for profit.⁷⁹ The advantage of gold lies in its increased value, market legitimacy, and ease of transport while cocaine remains strictly illegal.⁸⁰

In 2018, it was reported that an estimated 20% of the Revolutionary Armed Forces of Colombia's (FARC) funding originated from illegal gold mining.⁸¹ According to a *Reuters* article, in 2019, thirty-one dissident FARC groups operated in mining areas, especially near Venezuela.⁸² Separately, Peruvian illegal gold exports are worth about \$3 billion per year, which is double the amount of cocaine exports.⁸³ Minimally regulated gold mining in South America has also attracted legitimate and criminal entities, who reportedly abandon their machinery in the jungles once the gold is extracted from the ground.⁸⁴ Criminal organizations have been able to acquire the abandoned equipment and transfer them to their areas of operation, despite countries' efforts to remove such machinery.⁸⁵

⁷⁴ *Ibid.*, p. 158.

⁷⁵ *Ibid.*, p. 160.

⁷⁶ *Ibid.*, p. 161.

⁷⁷ Brunner, Eva & Grande, Ricardo, "Organized crime and illegal gold mining in Latin America," *Global Americans*, January 2018. <https://theglobalamericans.org/2018/01/organized-crime-illegal-gold-mining-latin-america/>.

⁷⁸ Global Initiative Against Transnational Organized Crime, "Organized Crime and Illegally Mined Gold in Latin America," *Global Initiative Against Transnational Organized Crime*, March 2016. <https://globalinitiative.net/organized-crime-and-illegally-mined-gold-in-latin-america/>.

⁷⁹ Exclusive: Thousands of Colombian FARC rebels return to arms despite peace accord - military intelligence report; <https://colombiareports.com/farc-own-67-heavy-gold-mining-vehicles-in-north-colombia/>; 06 June 2013.

⁸⁰ The Miami Herald. <https://www.miamiherald.com/news/local/community/miami-dade/article194187699.html>.

⁸¹ Mining Technology. *The rising risk of gold supply chains in South America*. <https://www.mining-technology.com/features/the-rising-risk-of-gold-supply-chains-in-south-america/>. September 2018.

⁸² Reuters; Exclusive: Thousands of Colombian FARC rebels return to arms despite peace accord - military intelligence report; <https://www.reuters.com/article/us-colombia-rebels-exclusive/exclusive-thousands-of-colombian-farc-rebels-return-to-arms-despite-peace-accord-military-intelligence-report-idUSKCN1T62LO>; June 5, 2019.

⁸³ Mining Technology. "The rising risk of gold supply chains in South America," *Mining Technology*, 2019. <https://www.mining-technology.com/features/the-rising-risk-of-gold-supply-chains-in-south-america/>.

⁸⁴ Weaver, Jay; Nehamas, Nicholas; Gurney, Kyra. How drug lords make billions smuggling gold to Miami for your jewelry and phones, *The Miami Herald*, January 2018. <https://www.miamiherald.com/news/local/community/miami-dade/article194187699.html>.

⁸⁵ Brunner, Eva & Grande, Ricardo. "Organized crime and illegal gold mining in Latin America," *Global Americans*, January 2018. <https://theglobalamericans.org/2018/01/organized-crime-illegal-gold-mining-latin-america/>.

Like other illicit networks, in several cases, local gangs or groups account for a portion of the extraction while larger criminal actors with transnational reach purchase gold, mines, or oversee such operations. Julia Cuadros of the Peruvian non-governmental organization (NGO) CooperAcción maintains that “Chinese, Korean, Italian, or Russian mafias have been detected in the region.”⁸⁶ However, new gold purchasing markets in China, India, Dubai, and Hong Kong for instance, have been reluctant to recognize the illicit mining issue and do not request origin certification for purchased gold.⁸⁷ International loopholes like this enable illicit transnational groups to continue their operations and increase reliance on this resource.

Illegal logging is another opportunistic phenomenon exploited by threat networks - although what remains uncertain is the extent to which this is part of a diversification process by existing criminal networks or simply emergent networks coalescing to exploit new opportunities. Whatever the case, illicit logging occurs when, “timber is harvested, transported, processed, bought, or sold in violation of national or sub-national laws.”⁸⁸ This is a common practice in Central and South America as well as West Africa and Southeast Asia.⁸⁹ Exploitation of timber occurs mainly in rural areas plagued with poverty and local communities that become dependent on the market for income. However, the financial benefit is lost once the areas loses its source of revenue for years to follow. In Latin America, illicit logging activities are largely found in Peru, Brazil, Colombia, Costa Rica, and Nicaragua.⁹⁰ It is primarily smaller criminal organizations that are exploiting this industry south of Mexico. Such groups circumvent logging policies by acquiring false documentation. This often accompanies the trade of legal items that have been obtained illegally, which makes the regulation of extraction unreliable. Additionally, unlike drug trafficking, illegal timber can be combined with licitly obtained wood during transportation.⁹¹ Using a case study from 2015, investigative journalists uncovered and recorded a timber trafficking incident using Peruvian wood en route to the United States.⁹²

In this particular case, illicit wood was transported through the Amazon river to Brazil. The shipment was detained for several days but eventually departed for the Dominican Republic. As the shipment made its way through the Caribbean, the World Customs Organization and the Organismo de Supervisión de los Recursos Forestales y de Fauna Silvestre (OSINFOR) in Peru, and INTERPOL, determined that 71% of the timber on-board the ship was illegal when it left Peru.⁹³ Several days later, as the shipment made

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ World Wildlife Fund, “Illegal Logging,” *World Wildlife Fund*, 2019. https://wwf.panda.org/our_work/forests/deforestation_causes2/illegal_logging/.

⁸⁹ Felbab-Brown, Vanda, “The Jagged Edge: Illegal Logging in Southeast Asia,” *The Brookings Institute*, April 2013. <https://www.brookings.edu/articles/the-jagged-edge-illegal-logging-in-southeast-asia/>.

⁹⁰ Insight Crime, “Inside Peru’s Illegal Logging Industry,” *Insight Crime*, July 2014, <https://www.insightcrime.org/news/analysis/inside-peru-illegal-logging-industry/>; Insight Crime, “Corruption, Lack of Capacity Drive Illegal Logging in Peru: Report,” *Insight Crime*, April 2017. <https://www.insightcrime.org/news/brief/corruption-lack-capacity-drive-illegal-logging-peru-report/>; Insight Crime, “Colombian Gangs Branch Out into Logging,” *Insight Crime*, October 2012, <https://www.insightcrime.org/news/brief/colombian-armed-groups-increasingly-involved-in-illegal-logging-authorities/>; Insight Crime, “Costa Rica Battles Illegal Logging Gangs,” *Insight Crime*, October 2013. <https://www.insightcrime.org/news/brief/costa-rica-battles-illegal-logging-gangs/>; p. 3.

⁹¹ Timber Investigation Centre, “Illegal Transport, Processing & Trade,” *Earth Sight*, 2016. <http://www.timberinvestigator.info/guidance/stage-2-transport-processing-and-trade/>.

⁹² Global Witness, “Peruvian Timber Exporters Exposé - The Video Evidence,” *Global Witness*, November 2017. <https://www.globalwitness.org/en/campaigns/forests/peruvian-timber-exporters-expose-the-video-evidence/>.

⁹³ Ibid.

its way from Mexico to the United States, it was concluded that 96% of the wood was not of legal origin.⁹⁴ Authorities seized the shipment upon entering U.S. territory. This operation illustrates the importance of transnational cooperation in tackling multinational issues related to organized crime.

Brazil serves as another example where small criminal groups exploit vulnerable populations in less populated areas (the Amazon basin) to illegally extract goods under the “façade of legality.”⁹⁵ In a 2017 case study, researchers found criminals legalizing illicit timber through various methods. For example, criminals would buy a license to log or mine from one location and instead use it to extract from protected areas.⁹⁶ Some individuals used other tactics such as cloning licenses or hacking into environmental agencies’ computer systems to issue licenses.⁹⁷ These occurrences highlighted both vulnerabilities to exploitation and the vital role rural populations play in illegal extraction of goods. Ungar points out that deficiencies in investigation and resources within the states and lack of clarity in laws and in policy related to environmental regulations make prosecution difficult.⁹⁸

Another activity related to natural resource exploitation by criminal organizations is the theft and diversion of oil. This is less extensive than elsewhere simply because Latin America has modest reserves of oil and accounts for a small percentage of global oil production. Nevertheless, tapping oil pipelines has become a serious problem in Mexico, with the Zetas Organization one of the early pioneers in this area.⁹⁹ While some of the oil tapping is disorganized, rather than organized, crime, competition among criminal organizations has resulted in new eruptions of violence, for example, in Puebla.¹⁰⁰ There is also evidence of organized oil theft in Colombia and in Brazil, while in Bolivia the crime seems to be on a smaller scale and lacking or serious organized crime involvement.¹⁰¹

The movement of illicitly obtained goods from Latin America to other regions is increasingly problematic as global demand changes over time. For example, transpacific licit trade is creating an environment that facilitates illegal trafficking between East Asia and Latin America.¹⁰² In 2018, the Wildlife Conservation Society noted a rise in the transpacific trafficking of persons, drugs, weapons, counterfeit goods, and wildlife between the two regions.¹⁰³ Indeed, as African nations implement conservation policies to address illicit wildlife trade and poaching, organized criminal organizations are redirecting their efforts towards the Western Hemisphere where similar animals are found.¹⁰⁴ In Latin America, jaguars, Andean

⁹⁴ Ibid.

⁹⁵ Latin America Bureau, “Tapajos under attack 15: Brazil on verge of legitimizing Amazon land theft on a grand scale,” *Latin America Bureau*, June 2017. <https://lab.org.uk/tapajos-under-attack-15-brazil-on-verge-of-legitimizing-amazon-land-theft-on-a-grand-scale/>.

⁹⁶ Latin America Bureau, “Tapajos under attack 15: Brazil on verge of legitimizing Amazon land theft on a grand scale,” *Latin America Bureau*, June 2017. <https://lab.org.uk/tapajos-under-attack-15-brazil-on-verge-of-legitimizing-amazon-land-theft-on-a-grand-scale/>.

⁹⁷ Latin America Bureau, “Tapajos under attack 15: Brazil on verge of legitimizing Amazon land theft on a grand scale,” *Latin America Bureau*, June 2017. <https://lab.org.uk/tapajos-under-attack-15-brazil-on-verge-of-legitimizing-amazon-land-theft-on-a-grand-scale/>.

⁹⁸ Ungar, Mark. *Prosecuting Environmental Crime: Latin America's Policy Innovation*. <https://doi.org/10.1111/lamp.12116>. May 2017.

⁹⁹ For a much fuller discussion see *Los Zetas Inc.: Criminal Corporations, Energy, and Civil War in Mexico* (Austin TX: University of Texas Press, 2017).

¹⁰⁰ Seth Harp, Blood and Oil, *Rolling Stone* September 6, 2018 <https://www.rollingstone.com/culture/culture-features/drug-war-mexico-gas-oil-cartel-717563/>.

¹⁰¹ TeleSur, “Colombian Oil Pipelines Illegally Tapped, Tampered With,” *TeleSur*, February 2019. <https://www.telesurenglish.net/news/Colombian-Oil-Pipelines-Victim-to-Illegal-Tapping-Tampering-20190213-0011.html>.

¹⁰² Wildlife Conservation Society, “Wildlife Trafficking’s New Front: Latin America,” *Wildlife Conservation Society*, October 2018. <https://medium.com/@WCS/wildlife-traffickings-new-front-latin-america-a38a89ea8314>.

¹⁰³ Ibid.

¹⁰⁴ Adrian; Kunen, Julie & Robertson, Scott, “Averting a Crisis: Wildlife Trafficking in Latin America,” *Reuters*, 2018. https://c532f75abb9c1c021b8c-e46e473f8aad72cf2a8ea564b4e6a76.ssl.cf5.rackcdn.com/2018/05/07/1z4xctqtig_LACP_CWT_White_Paper_FINAL.pdf.

bears, anteaters, and sharks supply the Asian market demand for animals and their byproducts (e.g., shark fins for shark fin soup).¹⁰⁵ Demand from the United States also accounts for a significant portion of illicit wildlife trade. A publication by Defenders of Wildlife referenced data found on the Law Enforcement Management Information System (LEMIS) Trade Database from 2007 through 2017, that identified the top exporters of wildlife and wildlife products to the United States from LAC. Mexico accounted for 57 percent of all shipments, followed by Haiti (11%), Peru (7%), Bahamas (3%), and Bolivia (2%).¹⁰⁶ The top seized shipments by class were reptiles (32%), mollusks (19%), mammals (14%), birds (9%), and diverse species of fish (6%).¹⁰⁷

Environmentalists argue that Latin American countries have not been proactive in curbing illicit wildlife trade.¹⁰⁸ However, in 2019, the Peruvian government hosted the first high-level conference addressing illegal wildlife trade and conservation of biodiversity in the region, indicating increased initiative on the matter.¹⁰⁹ Salvador Ortega, Interpol's head of Forest Crime for Latin America, said that issues associated with combating trafficking networks are differentiating judicial systems, which obstructs the process of information sharing necessary to combat transnational crime.¹¹⁰ Yet, there was no discussion of ways to address these impediments.

Further research into Interpol's Red Notice database revealed that countries in Latin America are also reaching out to international and regional law enforcement agencies about human trafficking concerns.¹¹¹ The United Nations reported a reduction in human trafficking cases in from 2014 through 2017 in Argentina, Bolivia, Brazil, Colombia, Paraguay, and Uruguay.¹¹² However, Guyana and Peru experienced an increase in cases while incidents in Ecuador and Venezuela varied throughout this time frame.¹¹³ Not all these flows result from diversification by existing criminal networks—even though it is not difficult to move from one kind of commodity to another or to move from specializing in a single commodity to moving multiple commodities. Some of the trafficking of both wildlife and people is likely the result of niche groups that emerge opportunistically. If such groups become more successful, however, they become likely targets both of mafias that tax them, effectively demanding a share of the profits, and more powerful trafficking organizations that engage in hostile takeovers.

Transnational criminal organizations have also exploited low and high technologies in many of the same ways as business has done: computers have streamlined organization and tasking, and have facilitated

¹⁰⁵ Wildlife Conservation Society, "Wildlife Trafficking's New Front: Latin America," *Medium*, October 2018. <https://medium.com/@WCS/wildlife-traffickings-new-front-latin-america-a38a89ea8314>.

¹⁰⁶ Defenders of Wildlife, "Analysis of Illegal Wildlife Shipments from Latin America Seized in the United States, 2007-2017," *Defenders Organization*, 2017.

¹⁰⁷ Defenders of Wildlife, "Analysis of Illegal Wildlife Shipments from Latin America Seized in the United States, 2007-2017," *Defenders of Wildlife Website*, February 2019. https://defenders.org/sites/default/files/2019-06/wildlife-trafficking-trade-analysis_0.pdf.

¹⁰⁸ Wildlife Conservation Society, "Wildlife Trafficking's New Front: Latin America," *Medium Online Publication*. <https://medium.com/@WCS/wildlife-traffickings-new-front-latin-america-a38a89ea8314>. 11 October 2018.

¹⁰⁹ EUROPOL, "Wildlife Trafficking and Environmental Crime on the Agenda in Latin America," *European Police*, October 2019, <https://www.europol.europa.eu/newsroom/news/wildlife-trafficking-and-environmental-crime-agenda-in-latin-america>.

¹¹⁰ Dan Collins, "Latin America's First High-Level Conference to Combat Wildlife Trade," *China Global Television Network*, October 2019, <https://news.cgtn.com/news/2019-10-06/Latin-America-s-first-high-level-conference-to-combat-wildlife-trade-Kz8fymlQnu/index.html>.

¹¹¹ Interpol, Red Notices, *International Police*, 2019. <https://www.interpol.int/en/How-we-work/Notices/Red-Notices>.

¹¹² United Nations, "South America- Human Trafficking Report," *United Nations*, 2018. https://www.unodc.org/documents/data-and-analysis/glotip/2018/GLOTIP_2018_SOUTH_AMERICA.pdf.

¹¹³ *Ibid.*

document forgery; satellite phones and subsequently mobile digital phones and Skype have enhanced communications, and the ubiquity of the Internet has facilitated new forms of crime that exploit the dark web. Moreover, technology continues to offer new opportunities for entrepreneurial exploitation. Increasingly efficient drones, for example, can aid in cross-border smuggling as easily as they can facilitate Amazon deliveries. Indeed, if it is good enough for Amazon, it should be good enough for Latin American drug trafficking organizations. Similarly, 3-D printers are likely to be a highly disruptive technology in all sorts of barely discernible ways, and it is unlikely that the disruption will be confined to licit markets. Technologies will also influence the evolution of illicit markets, such as narcotics, where synthetics are looming increasingly large. They will also create and facilitate hybrid crimes that have both virtual and real-world elements within them. Specifically, Bitcoin and block chain technology will offer new opportunities for money laundering at least in the short term.¹¹⁴ If some technologies help criminals to obfuscate their activities, however, surveillance technologies could increase transparency. In other words, it is uncertain whether net effect of technology will be to increase or decrease the risks confronting criminal organization

Another important trend related to strategic entrepreneurialism in highly competitive markets is what has been described as “a strong process of dispersion and fragmentation of criminal networks.”¹¹⁵ Growing disputes between criminal factions that compete using violence are one dimension of this. Indeed, diversification into new markets that are not clearly dominated by one organization has almost invariably brought with its new triggers to violence. In a brilliant analysis of what he termed the rebellion of criminal networks, Juan Carlos Garzón Vergara argues that there has been an increase in “criminal density and the “social accumulation of illegality and violence” in which the rule of law is ignored and, as discussed above, violence is socially tolerated.¹¹⁶ Moreover, government efforts to counter all too often inadvertently “provide an opportunity for the renovation of criminal structures and the emergence of previously subordinate illegal factions.”¹¹⁷ Government offensives against criminal organizations—whether intended to amputate, decapitate, or eliminate select organizations—almost invariably create “vacancy chains,” disrupt equilibrium in the criminal world and thereby accentuate succession struggles within organizations, as well as factionalism, fragmentation, and feeding frenzies.¹¹⁸

The other trend in criminal threat networks is towards the provision of alternative governance. In this connection, Vanda Felbab-Brown argues that organized crime is not simply an “aberrant social activity to be suppressed” but is also “a competition in state-making.”¹¹⁹ Where the state is strong, legitimate and engages effectively in social provision, “the non-state entities cannot outcompete the state.” But in areas where there are capacity gaps and functional holes, “non-state entities do often outcompete the state and

¹¹⁴ Dion-Schwarz, Cynthia, David Manheim, and Patrick B. Johnston, *Terrorist Use of Cryptocurrencies: Technical and Organizational Barriers and Future Threats*, (Santa Monica, Calif.: RAND Corporation, RR-3026, 2019) https://www.rand.org/pubs/research_reports/RR3026.html.

¹¹⁵ Damián Zaitch I & Georgios A. Antonopoulos, “Organised crime in Latin America: an introduction to the special issue” *Trends in Organized Crime* (2019) 22:141–147 at p. 142.

¹¹⁶ Juan Carlos Garzón Vergara, *The Rebellion of Criminal Networks* (Washington DC: Wilson Center, March 2012), p. 2. https://www.wilsoncenter.org/sites/default/files/Garzon.Rebellion.ENG__1.pdf.

¹¹⁷ Juan Carlos Garzón Vergara, *The Rebellion of Criminal Networks* (Washington DC: Wilson Center, March 2012), p.3.

¹¹⁸ H. Richard Friman, “Forging the vacancy chain: Law enforcement efforts and mobility in criminal economies,” *Crime, Law and Social Change* 41, no. 1 (February 2004), 53–77.

¹¹⁹ Vanda Felbab-Brown, Conceptualizing Crime as Competition in State-Making and Designing an Effective Response, *Brookings*. May 21, 2010. <https://www.brookings.edu/on-the-record/conceptualizing-crime-as-competition-in-state-making-and-designing-an-effective-response/>.

secure the allegiance of large segments of society.”¹²⁰ Indeed, in some parts of Latin America, in both rural areas and parts of cities, alternative governance is the only form of governance that exists.

This is not necessarily to argue that alternative governance is altruistic. Acts of paternalism and philanthropy are rooted in the desire to obtain public support, launder reputations, and create a relatively low risk environment.¹²¹ Even if it is done out of self-interest, however, the provision of governance by criminals can play a positive role when the state is absent. At the same time, it has to be recognized that there are both constricted and expanded forms of alternative governance. The most constricted, albeit still essential form of governance is when a criminal organization provides a degree of security and order, in effect inhibiting and preventing free for all violence. Some areas under PCC control “have gradually seen the substitution of an inefficient state monopoly of force by a violent non-state actor operating with a parallel law respected, and sometimes feared, by the population, who sees the group as more reliable than an oppressive state represented by police.”¹²² Conversely, when there are multiple criminal organizations competing for control over the territory, governance is fragile at best and often overtly and violently contested.¹²³

In some cases, however, alternative governance goes beyond simply the provision of security and is extended to forms of paternalism that are often as welcome as they are unexpected. This is not new – Pablo Escobar initiated a house building program called Medellín without slums.¹²⁴ In some instances, however, it can have positive consequences, especially in localities deprived of basic services. One of the best examples of this was the Lorenzana family in Guatemala, which was heavily involved in drug trafficking but provided jobs, flood relief, medical clinics, and Christmas gifts for children in the areas it controlled.¹²⁵ This is clearly an area, therefore, where more research needs to be done in order to identify the geographic scope (community, town, or region) and the functional layers of governance (security, economic, and social provision). At the same time, it is worth noting that, as discussed below, there is some evidence that gangs, and especially some Mara Salvatrucha (MS-13) cliques (*clicas*), are also moving—at least to a limited degree—into the governance business.

Transnational Gangs

In dealing with the gang problem in Latin America generally, but most specifically in Central America, it is important both to separate fact from mythology and to recognize that *mano dura* policies have had the inadvertent consequence of making the gangs more institutionalized, more criminalized, and better

¹²⁰ Vanda Felbab-Brown, Conceptualizing Crime as Competition in State-Making and Designing an Effective Response, *Brookings*. May 21, 2010. <https://www.brookings.edu/on-the-record/conceptualizing-crime-as-competition-in-state-making-and-designing-an-effective-response/>.

¹²¹ Tereza Kuldova, “When elites and outlaws do philanthropy: on the limits of private vices for public benefit” *Trends in Organized Crime* Vol. 21 (2018): pp. 295–309.

¹²² Ferreira, p. 156.

¹²³ This theme is brilliantly developed in Enrique Desmond Arias, *Criminal Enterprises and Governance in Latin America and the Caribbean*, (Cambridge: Cambridge University Press, 2017).

¹²⁴ See Alex Warnock Smith, “Story of cities #42: Medellín escapes grip of drug lord to embrace radical urbanism” *The Guardian*, May 13, 2016, <https://www.theguardian.com/cities/2016/may/13/story-cities-pablo-escobar-inclusive-urbanism-medellin-colombia>.

¹²⁵ For a fuller analysis see Phil Williams, “The Global Crisis of Governance” in Hilary Matfess and Michael Miklaucic, *Beyond Convergence: World Without Order* (Washington, DC: National Defense University and Peacekeeping and Stability Institute, US Army War College, 2016). pp.21-45 at pp.35-36.

resourced.¹²⁶ The visceral conflict between MS-13 and Barrio 18—a conflict that is central to the identity of both gangs—has worked in the same direction. Following this, it is necessary to recognize that there have been other important shifts in the ways that gangs operate—some of which can be traced back to the truce negotiations in El Salvador in 2012, which gave MS-13 and Barrio 18 sense that they could exert some degree of political power at the national level (based on the capacity to raise or lower homicides) rather than just coercive power at the local level.¹²⁷

The extent of these shifts and the level of threat gangs pose to states in Central America – and to U.S. interests in Latin America more generally – are a matter of considerable debate. There are, however, some points of convergence. The first is the importance of prisons. Large-scale incarceration of the maras has transformed prisons into what Paul Kan terms “strategic spaces” from which gangs can “export their authority.”¹²⁸ Similarly, José Miguel Cruz describes prisons as “alternative spaces of organization for gangs.”¹²⁹ Indeed, in the Northern Triangle of Central America prisons have emerged as the command and control centers for widespread extortion— especially of local transportation, taxi and bus companies—with threats generally made by cell phone. Moreover, the separation of rival gangs into different prisons helped them organize and network, while low pay for correction officers also makes them an easy target for corrupt blandishments by the gangs.

Not surprisingly, therefore, some observers have gone even further and suggested that throughout much of Latin America, prisons have become the de facto corporate headquarters. As Lessing, in particular, argued very persuasively, “prison gangs, their ranks swelled by mass incarceration, transform the core of the coercive apparatus into a headquarters for organizing and taxing street level criminal activity, supplanting state authority in communities, and orchestrating mass violence and protest.”¹³⁰ They are able to do this partly because “gang control over prison life” combines with the possibility of imprisonment for gang members on the outside in ways that allow the gangs to “project power” into the broader community.¹³¹ Lessing also noted that this poses a challenge to governments since “prison gangs cannot be directly neutralized through repressive force, since most of their leadership is already incarcerated. Indeed, common hardline state responses like aggressive policing, anti-gang sweeps, and enhanced sentencing can inadvertently swell prison gangs’ ranks and strengthen their ability to coordinate activity on the street.”¹³² Indeed, this has happened in El Salvador, Honduras, and Guatemala as shown in the following chart on rising prison populations.

¹²⁶ See José Miguel Cruz, “Maras and the Politics of Violence in El Salvador” in Jennifer M. Hazen and Dennis Rodgers, (eds.) *Global Gangs: Street Violence across the World* (Minneapolis: University of Minnesota Press, 2014).

¹²⁷ Douglas Farah and Kathryn Babinou, “The Evolution of MS 13 in El Salvador and Honduras” *Prism* Vol, 7 No 1 (2017) pp. 59-73 at p. 61. See also José Miguel Cruz and Angélica Durán-Martínez. “Hiding violence to deal with the state: Criminal pacts in El Salvador and Medellín.” *Journal of Peace Research* 53, no. 2 (2016): 197-210.

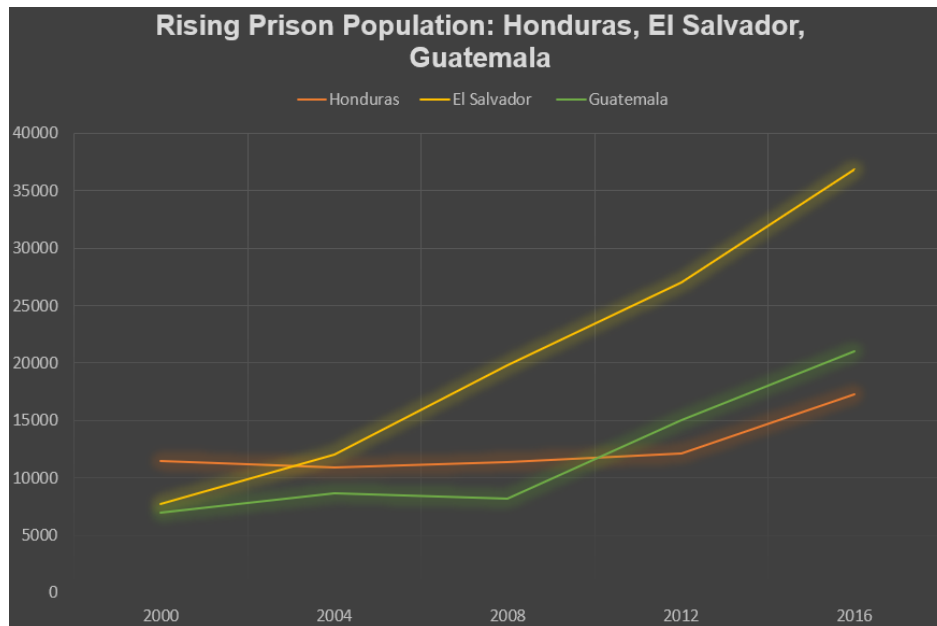
¹²⁸ Paul Rexton Kan, “Busted: The Micropower of Prisons in Narco-States,” *Small Wars Journal*, December 5, 2016.

¹²⁹ José Miguel Cruz, “Government Responses and the Dark Side of Gang Suppression in Central America” in Thomas Bruneau, Lucía Dammert, and Elizabeth Skinner Maras: *Gang Violence and Security in Central America* (Austin, TX: University of Texas Press, 2011). See also José. Miguel Cruz, “Central American maras: from youth street gangs to transnational protection rackets.” *Global Crime* 11, no. 4 (2010): 379-398.

¹³⁰ Benjamin Lessing, *How to Build a Criminal Empire from Behind Bars: Prison Gangs and Projection of Power*, p.1 May 5, 2014, available at http://www.iza.org/conference_files/riskonomics2014/lessing_b9947.pdf.

¹³¹ Benjamin Lessing, *How to Build a Criminal Empire from Behind Bars: Prison Gangs and Projection of Power*.

¹³² Benjamin Lessing, *How to Build a Criminal Empire from Behind Bars: Prison Gangs and Projection of Power*.



If there is broad agreement on the fact that some prisons have become command and control centers for the maras throughout Central America, however, there are divergent assessments on the threat posed by the maras in general and by MS-13 in particular, which has emerged as the dominant gang even though Barrio 18, despite splitting into two separate organizations in El Salvador, continues to provide serious competition.

On the one side, Steven Dudley argues that MS-13 is “a social organization first, and a criminal organization second. The gang is not about generating revenue as much as it is about creating a collective identity that is constructed and reinforced by shared, often criminal experiences, especially acts of violence and expressions of social control.”¹³³ Dudley contends that instead of a centralized power structure there is a federal structure involving “layers of leaders who interact, obey and react to each other at different moments depending on circumstance.”¹³⁴ Consequently, decisions are made largely at the level of the *clica*. This he claims, inhibits entrepreneurialism and keeps MS-13 “relatively impoverished” with a “hand-to-mouth criminal portfolio” based largely on extortion.¹³⁵ Dudley also argues that “the MS13 is a transnational gang, not a transnational criminal organization (TOC). While the gang has a presence in two continents and at least a half-dozen nations, the gang is a small, part-time role player in international criminal schemes.”¹³⁶ MS-13 does not have specialists. What it does have however, is territory, and, like traditional mafias, within its territories it provides private protection, or less euphemistically engages in extortion of local businesses.

¹³³ Insight Crime, *MS13 in the Americas: How the World’s Most Notorious Gang Defies Logic, Resists Destruction*, p. 3.

¹³⁴ Insight Crime, *MS13 in the Americas: How the World’s Most Notorious Gang Defies Logic, Resists Destruction*, p. 4.

¹³⁵ *Ibid.*, p. 5.

¹³⁶ *Ibid.*, p.5.

At the same time, the analysis acknowledges the dynamic nature of the *maras*. In spite of the lack of a centralized structure, MS-13's criminal proceeds have increased, and the gang has bought "businesses with significant cash flow, such as car wash services, hotels, restaurants and car dealerships. The increased cash flow has also been used to corrupt parts of the judicial system and buy political influence."¹³⁷ At the same time "the gang has become a job provider and sometimes a purveyor of local services," and in some localities has built "social capital or trust with the local community."¹³⁸ Dudley also accepts that "technological advances and a proliferation of communication channels" have had "a profound effect on the dynamics of the gang" and enabled it to commit more transnational crimes, including drug transportation, albeit on a small scale.¹³⁹ Indeed, Dudley acknowledges that some *clicas* in "El Salvador have provided protection services" for transportista organizations as well as international drug trafficking organizations.¹⁴⁰ In his view, though, these are isolated examples rather than "part of a larger plan by any leadership structure on a regional level. This is mostly because there is no leadership structure that is capable of controlling and disciplining its members across a vast geographic expanse."¹⁴¹ For Dudley, "the same organizational qualities that make the gang a formidable criminal structure - independent cells that respond as much or more to their local leadership, and that can quickly reproduce - are what inhibit it from developing into a sophisticated criminal organization capable of creating a vertically integrated drug trafficking organization."¹⁴² Moreover, he suggests that although "other criminal organizations see in the gang a large army with infrastructure, weapons and geographic reach... they also see the gang as a disorganized, irresponsible, highly visible group that will put their operations in legal jeopardy."¹⁴³ Consequently, there are "very few examples of alliances between the gang and transnational criminal organizations... and notably, those that have arisen have unraveled quickly."¹⁴⁴

On the other side, Douglas Farah and Kathryn Babinou present a picture of MS13, particularly in Honduras, that suggests a more fundamental transformation is occurring. In their judgment, MS-13 in Honduras has become more professional and sophisticated. This was reflected in "the countrywide decision to stop extorting small businesses that operate in the communities that the gang controls. The decision removed an important source of revenue for the gang; however, it also bought the gang significant political goodwill by removing the most hated facet of the gang's presence in those neighborhoods."¹⁴⁵ MS-13 continues to extort large companies but is no longer seen as a scourge on local communities and, in fact, has provided at least some communities with a higher degree of security than they have enjoyed in the past. In other words, MS-13 has gone into the business of alternative governance. Moreover, in some instances the scope of alternative governance seems to have increased beyond the provision of security. In part of San Pedro Sula, for example, Farah and Babinou note that the gangs have:

¹³⁷ Ibid., p.42.

¹³⁸ Ibid., p.47 and p.49.

¹³⁹ Ibid., p.60.

¹⁴⁰ Ibid., p.65.

¹⁴¹ Ibid., p.65.

¹⁴² Ibid., pp. 65-66.

¹⁴³ Ibid., p.58.

¹⁴⁴ Ibid., p.58.

¹⁴⁵ Douglas Farah & Kathryn Babinou, "The Evolution of MS 13 in El Salvador and Honduras" *Prism* Vol, 7 No 1 (2017) pp. 59-73, esp., p. 60.

- created “rudimentary literacy programs, primarily designed to help their members to be able to communicate with each other with cellular telephones, but open to some others in the community,”¹⁴⁶
- provided simple forms of justice and conflict resolution through “hearings held twice a week to resolve local disputes (charges of domestic violence, property theft, vandalism, violating gang rules.”¹⁴⁷
- kept “the neighborhood relatively violence free and crime free from groups not under the control” of MS-13 – whether rival gangs or police.¹⁴⁸
- funded” small scale social programs, such as bowls of soup and a slice of bread as lunch or school children and the elderly”¹⁴⁹
- provided “small employment opportunities in the informal labor market, primarily by helping families run hundreds of small mini *maquilas* that mass produce t-shirts, underwear and other clothing items.”¹⁵⁰

While the degree of paternalism remains modest, the fact that MS-13 in San Pedro Sula has moved beyond the purely predatory is significant.

According to Farah and Babinou, this strategic shift has been made possible by MS-13’s growing involvement in the drug trade. In part, this has resulted from the success of the Honduran government, supported by the United States, in dismantling many of the traditional *transportista* organizations that moved cocaine through Central America to Mexico. As a result, MS-13 “now controls cocaine HCL laboratories in and around San Pedro Sula and has expanded its reach into the coastal areas of Puerto Cortés - a significant point of entry for precursor chemicals for the production of cocaine, heroin and methamphetamines. Combined with its efforts to take over rural, coastal territory, the MS 13 is increasingly using fishing fleets to receive cocaine from Colombia and move it on to Mexico via Belize, a significant increase in the group’s engagement in the cocaine transport business.”¹⁵¹ MS-13 has moved into rural areas and taken over control of border crossing points into Guatemala and has established at least a modest presence in Nicaragua.¹⁵² The result of all this is that MS-13, in effect, become a *transportista* organization in its own right and reportedly has some links with the Sinaloa Federation.¹⁵³

Important as these developments are, Farah and Babinou suggest that MS-13 in the 2017 election, also made a “seismic shift” by supporting Nasralla against Hernandez for President and seeming to embrace Bolivarianism and its anti-American sentiments.¹⁵⁴ Yet in some ways this can be understood as part of the natural evolution of organized crime through the three stages elaborated by Peter Lupsha as predatory,

¹⁴⁶ Ibid., pp. 65-66.

¹⁴⁷ Ibid., p.65.

¹⁴⁸ Ibid., p.65.

¹⁴⁹ Ibid., p.66.

¹⁵⁰ Ibid., p.66.

¹⁵¹ Douglas Farah & Kathryn Babineau, *The Rapid Evolution of the MS 13 in El Salvador and Honduras from Gang to Tier-One Threat to Central America and U.S. Security Interests* (Perry Center Occasional Papers) March 2018, p. 10.

¹⁵² Ibid., p. 26.

¹⁵³ Ibid., p. 24.

¹⁵⁴ Ibid., pp. 16-19.

parasitic and symbiotic.¹⁵⁵ At the very least MS-13 in Honduras seems to have moved beyond the predatory and into the parasitic phase. Two questions remain: First, is this simply an anomaly or will MS-13 in El Salvador and perhaps even Barrio 18 in Guatemala develop in the same way? Second can we expect MS-13 to develop to the point where it has a symbiotic relationship with the state and the political and business elites?

External State and Non-State Influences

The United States has long enjoyed unchallenged primacy in Latin America. As great power competition has re-emerged, however, Russia, China, and Iran have tried to diminish U.S. influence and counter U.S. interests in the region. Most susceptible to Russia and Iran's maneuvers are authoritarian figureheads who propagate anti-U.S. sentiment and embrace Bolivarianism as a political tactic to sustain power. Undeniably, 2018 and 2019 were eventful year in Central and South America as Nicaragua and Venezuela experienced political uprisings against oppressive governments. The regimes met protestors with significant violence leading countries and international organizations to review human rights violations.¹⁵⁶ Russia and Iran openly supported the Nicaraguan and Venezuelan regimes through public diplomatic events, meetings, and economic trade negotiations worth large sums of money.¹⁵⁷ They also helped to ensure that the uprisings in these countries did not lead to political change or effective negotiations. Instead, the instability had detrimental economic consequences.

Similarly, China's growing interest in LAC during the last decade was evident by increased Chinese foreign direct investments.¹⁵⁸ Chinese entities significantly invested in mining activities in the region, which is a vulnerable economic sector from environmental and human rights perspectives.¹⁵⁹ To conduct mining operations, Chinese firms engaged in business with various countries, including oppressive regimes in Nicaragua and Venezuela.¹⁶⁰ Not only are populations in these countries facing political turmoil from their leadership, several indigenous communities have also succumbed to the violence of criminal groups and unethical working conditions in extraction sites.¹⁶¹

For its part, Iran developed close relations with Venezuela and Cuba.¹⁶² Although some of the cooperation has been overblown with commentators concerned that joint venture factories were covers for weapons development, in many cases the joint ventures were more mundane and legitimate but were hindered by the Venezuelan regime's inefficiencies as well as its reluctance to pay its bills. This is not to ignore Iran's

¹⁵⁵ The Lupsha typology is discussed more fully in Jorge Chabat "Criminally Possessed States: A Theoretical Approach."

¹⁵⁶ Human Rights Watch, "Nicaragua Events 2018," *Human Rights Watch*, 2019. <https://www.hrw.org/world-report/2019/country-chapters/nicaragua>; 2018; United Nations Human Rights, "Human Rights Violations and Abuses in the Context of Protests in Nicaragua," *United Nations Human Rights Office of the High Commission*, 2018. https://www.ohchr.org/Documents/Countries/NI/HumanRightsViolationsNicaraguaApr_Aug2018_EN.pdf; Ibid.

¹⁵⁷ Cynthia Arnson, Esfandiari, Haleh & Stubits, Adam, "Iran in Latin America: Threat or Axis of Annoyance," *Wilson Center*, 2019. https://www.wilsoncenter.org/sites/default/files/Iran_in_LA.pdf.

¹⁵⁸ Tulchin, Joseph, "China's Rising Profile in Latin America," *The Asia-Pacific Journal*, 2019. <https://apjif.org/2019/02/Tulchin.html>.

¹⁵⁹ Koop, Fermin & Soutar, Robert, "Latin America demands respect for rights, but will China listen?" *Indigenous People Major Group for Sustainable Development*, <https://indigenouspeoples-sdg.org/index.php/english/tt/890-latin-america-demands-respect-for-rights-but-will-china-listen>.

¹⁶⁰ Atlantic Council, "Chinese FDI in Latin America," *Atlantic Council Adrienne Arsht Latin America Center*. <https://publications.atlanticcouncil.org/china-fdi-latin-america/>.

¹⁶¹ Koop, Fermin & Soutar, Robert, "Latin America demands respect for rights, but will China listen?" *Indigenous Peoples Major Group For Sustainable Development*. <https://indigenouspeoples-sdg.org/index.php/english/tt/890-latin-america-demands-respect-for-rights-but-will-china-listen>.

¹⁶² Douglas Farah, *Iran and Latin America Security Issues* Defense Threat Reduction Agency: Advanced Systems and Concepts Office, Report Number ASCO 2011 013 (May 2011) See also Reuters. *Iran Says Will Open New Chapter in Relations with Cuba*. <https://www.reuters.com/article/us-cuba-iran/iran-says-will-open-new-chapter-in-relations-with-cuba-idUSKCN10X1ST>. August 2016.

use of Venezuela as a springboard from which Tehran could extend its influence elsewhere in Latin America. The Venezuela relationship provided Iran with both legitimacy and logistics. It also created a framework for economic cooperation within which other countries could be receptive to Iran's overtures. Venezuela's crisis of governance, economic inflation, decline of the oil industry, and increased repression, however, might have offset this. Even so, it is clear that Iran and Venezuela worked closely together in order to evade U.S. sanctions. The creation of joint Banks was one effort, but this was quickly dealt with by US Treasury. Some other schemes were probably more successful. One of these known as the Project was led on the Iranian side by Stratus Group, an Iranian conglomerate controlled by Mohammad Sadr Hasheminejad, one of the country's leading industrialists. The scheme involved major housing projects in Venezuela, with payments to Iran in the millions of dollars. In March 2018, Mohammad Sadr Hasheminejad's son Ali Sadr was arrested and charged with conspiracy to evade sanctions against Iran, to commit money laundering, and to commit bank fraud in connection with receiving \$115 million in payments through U.S. banks for the housing project.¹⁶³ The indictment alleged that Sadr systematically evaded U.S. sanctions on Iran. He did so by using a United Arab Emirates address and a passport provided by St. Kitts and Nevis to incorporate two entities in Turkey and Switzerland which receive payments for the housing deal. This was done to obscure the fact that the money was ultimately destined for Iran. The subsequent flow of Venezuelan gold to Turkey—almost \$1 billion has also raised concerns that at least some of it is destined for Iran. Russia has likely been another recipient of Venezuelan gold. Most observers believe that the gold has been exchanged for hard currency that has kept the Maduro regime afloat in the face of U.S. sanctions.¹⁶⁴

The connections between Russia, China, Iran, and Venezuela exemplify how external state influence erodes political stability in countries in the region. Criminal organizations thrive amidst political upheaval and economic dislocation. To enhance its prospects for survival the Maduro regime has facilitated illegal mining operations in Venezuela's mining arc, Arco Minero del Orinoco (AMO) in order to maximize the opportunities to exchange gold for hard currency.¹⁶⁵ In March 2019, it was reported that both the National Liberation Army (Ejército de Liberación Nacional—ELN) and FARC had a presence in the AMO and were engaged in illegal gold mining operations.¹⁶⁶ Not surprisingly, violent confrontations between locals, gangs, and other criminal organizations in the area significantly increased.¹⁶⁷ Moreover, in August 2019, former FARC rebels announced a "new phase of the armed struggle" and issued a call to arms suggesting that their involvement in the AMO increased their ability to raise funds for their continued operations.¹⁶⁸

¹⁶³ U.S. District Court Eastern District of Virginia – (Alexandria) Criminal Docket for Case #: 1:18-mj-00143-IDD All Defendants, Case title: USA v. Nejad.

¹⁶⁴ Meduza News. Journalists Say Moscow Helped Sell Venezuelan Gold, but Russia's Central Bank Deny It. <https://meduza.io/en/feature/2019/01/31/novaya-gazeta-reports-russia-helped-venezuela-sell-gold-for-maduro-s-sake-russia-s-central-bank-denies-it>. January 2019.

¹⁶⁵ Reuters, "Venezuela army clashes with illegal miners, 18 reported dead," *Reuters World News*, February 2019. <https://www.reuters.com/article/us-venezuela-miners/venezuela-army-clashes-with-illegal-miners-18-reported-dead-idUSKBN1FVOXV>.

¹⁶⁶ Insight Crime, "Southern Venezuela: A 'Gold Mine' for Organized Crime," *Insight Crime*, March 2019. <https://www.insightcrime.org/news/brief/southern-venezuela-south-america-organized-crime-gold-mine>.

¹⁶⁷ El Nuevo Herald, "Así es como la fiebre del oro en Venezuela envenena a los indígenas y destruye comunidades," *El Nuevo Herald*, July 2019. <https://www.elnuevoherald.com/noticias/mundo/america-latina/venezuela-es/article232465362.html>; *Insight Crime*, "Battle Over Venezuela Gold Behind Killings of Miners," *Insight Crime*, March 2018. <https://www.insightcrime.org/news/analysis/battle-over-gold-between-venezuelan-military-and-pranes-is-behind-massacres-of-miners/>.

¹⁶⁸ BBC. Colombia ex-Farc rebel Iván Márquez issues call to arms. <https://www.bbc.com/news/world-latin-america-49508411>. August 2019.

Politically destabilizing tactics by adversarial state actors have undoubtedly contributed to threat networks' abilities to adapt through several means, including the attempt to influence societal perceptions about highly corrupt governments- as noted in the case of former Ecuadorian President Correa's talk show on Russia's Actualidad RT. Specifically, malign countries and their proxies will continue to be a regional issue, particularly in the cyber domain through information operations. According to the Center for Strategic and International Studies' report on significant cyber incidents, in August 2018 Facebook identified multiple simultaneous disinformation campaigns by cyber proxies sponsored by Russia and Iran.¹⁶⁹ Latin America was one of the targets for the August 2018 operation, which occurred the same month disputed Venezuelan President Nicolás Maduro was nearly attacked by a drone during a public demonstration. Russia and Iran supported Nicolás Maduro's disputed administration and continue efforts to influence the worldview of populations in the Western Hemisphere to meet their tactical interests.

An important side effect of such operations is that they enable illicit networks to create considerable harm, yet function with a high degree of impunity. In Venezuela, indigenous communities living in mining zones are harmed by violent confrontations between criminal groups, deplorable working conditions, and mercury contamination in their water supplies. Yet, major political figures in the country, who are supported by Russia, Iran, and China, publicly advocate the rights of indigenous populations for public appeal, while allowing these rights to be trampled.¹⁷⁰ Indeed, the interconnectedness between external state influences in the region, (in both the physical and cyber domains) and criminal operations, has buttressed entities that are hungry for power and profit.

While Latin America has exported a great deal of organized crime, it has also imported foreign influence—both licit and illicit. Lebanese Hezbollah, a non-state transnational actor, is unique as the group operates as a political party in Lebanon and as a terrorist organization (and an Iranian proxy) outside the country. It is apparent that there is continuing support for Hezbollah within the Lebanese diaspora in Latin America.¹⁷¹ Moreover, illicit proceeds from Lebanese traffickers in the region that were sent back to Lebanon were usually taxed by Hezbollah. Recent examples include Chekry Harb, who seemed reluctant to pay, and Ayman Jouma, who had a much closer relationship with the organization. It is also possible that a new generation of Lebanese drug traffickers is emerging in Colombia and Mexico.

Hezbollah's major hub for its financial operations in Latin America, however, has been the tri-border area between Argentina, Brazil, and Paraguay. In August 2018, shortly after Paraguay's new president, Mario Abdo Benítez, took office "a Paraguayan prosecutor issued an arrest warrant for Assad Ahmad Barakat, a Hezbollah financier sanctioned by the United States in 2004" and who had also been targeted by Argentina.¹⁷² "Within days, the prosecutor issued another warrant, this time for Sobhi Mahmoud

¹⁶⁹ Center for Strategic and International Studies, "Significant Cyber Incidents," *Center for Strategic and International Studies*, June 2019. <https://www.csis.org/programs/technology-policy-program/significant-cyber-incidents>.

¹⁷⁰ Infoamazonia, "Derecho de los pueblos indígenas," *Digging into the Mining Arc Infoamazonia*, 2016. https://arcominero.infoamazonia.org/PROVEA_Derechos-Pueblos-Indigenas_2016-767ce8853a971eb3fccc318b60e5ea20.pdf; Factbox: Venezuela's indigenous groups and their struggles; <https://www.reuters.com/article/us-venezuela-indigenous-factbox/factbox-venezuelas-indigenous-groups-and-their-struggles-idUSTRE75901M20110610>; 09 June 2011.

¹⁷¹ Ottolenghi, Emanuele. From Latin America to West Africa, Hezbollah's Complex Web of Connections is Fueling its terrorist activity, *Foundation for Defense of Democracies*. <https://www.fdd.org/analysis/2019/08/29/from-latin-america-to-west-africa-hezbollahs-complex-web-of-connections-is-fuelling-its-terrorist-activity/>. August 2019.

¹⁷² BBC, "Hezbollah treasurer' Barakat arrested in Brazil border city," *BBC*, September 2018. <https://www.bbc.com/news/world-latin-america-45610738>.

Fayad, a second Hezbollah financier...In September, Brazilian police arrested Barakat on their side of the border, where he remains in detention while awaiting extradition to Paraguay.”¹⁷³ It seems the Abdo government was keen on reducing the group’s influence in the region.

Even when some opportunities close, however, others remain open. In recent years, Hezbollah—like its sponsor Iran—has enjoyed a close relationship with the regimes of Chavez and Maduro in Venezuela. Hezbollah supporters and even Hezbollah operatives have become well entrenched in what appears to be a safe haven for the organization. Some commentators have suggested that even with regime change, it would be very hard to dislodge Hezbollah from Venezuela and that financial and ideological support structures will continue to function.¹⁷⁴

Threat Networks and Illicit Finance

In recent decades, globalization has emerged as a major facilitator for threat networks. Indeed, both transnational criminal organizations and, to a lesser extent, terrorist operational and support organizations can operate efficiently by exploiting the global financial system and the global trade system. Moreover, the premium on speed, efficiency and low-cost transactions that have become an important part of globalization, mean that national security has been tacitly downgraded. Detection and interdiction have been made far more difficult by the volume and complexity of both financial transactions and trade flows. This is an environment in which money laundering and illicit financial flows

Money laundering is a complex series of financial activities designed not only to conceal illicitly acquired money but also make it appear legitimate using various methods including shell companies, as illustrated by the Panama Papers scandal, which enabled wealthy individuals to launder money, avoid taxes, and sanctions.¹⁷⁵ The international economy enables illicit actors to conduct transactions using various jurisdictions on a global scale with the aim of concealing originating sources of the money. Most standard accounts of money laundering suggest that it occurs in three sequential phases, known as placement, (putting it in the system), layering (actions to obscure the trail), and integration (where illicit money is mingled with licit finance).¹⁷⁶

The difficulty is that this framework implies greater rigidity in the process than is warranted. In many cases, for example, money has already been layered and even integrated before it goes into the financial system - it is already disguised as licit proceeds of legitimate business. In other cases, particularly involving terrorist or their support networks, the important objective is not to legitimize the money but simply to prevent it being seized by law enforcement. Moreover, money laundering constantly adapts to new regulations and enforcement efforts. Even so, there is considerable continuity in money laundering in Latin America, with money being laundered through the financial system via bank transactions and

¹⁷³ Stein, J.L. & Ottolenghi, E, “Trump Should Cut Hezbollah’s Lifeline in the Americas,” *Foreign Policy Magazine*, December 2018. <https://foreignpolicy.com/2018/12/12/trump-should-cut-hezbollahs-lifeline-in-the-americas/>.

¹⁷⁴ Colin Clarke. “Hezbollah Is in Venezuela to Stay.” *Foreign Policy Magazine*. February 2019. <https://foreignpolicy.com/2019/02/09/hezbollah-is-in-venezuela-to-stay/>.

¹⁷⁵ BBC. *Panama Papers Q&A: What is the scandal about?* <https://www.bbc.com/news/world-35954224>. April 2016.

¹⁷⁶ United Nations Office on Drugs and Crime, “Money Laundering Cycle,” *United Nations*. <https://www.unodc.org/unodc/en/money-laundering/laundrycycle.html>.

money transfers often through offshore financial centers and bank secrecy havens; through trade transactions and the Black Market Peso Exchange system; and though the physical movement of cash.

According to a report from the Financial Action Task Force of Latin America (GAFILAT) that focused on the 2015-16 period, the analysis of 93 convictions for money laundering and 82 cases reported by Financial Intelligence Units in the region from 2009 to 2016, revealed three major mechanisms for laundering: “the creation and use of legal persons and arrangements the use of front men and smurfing.”¹⁷⁷ Legal persons were involved in nearly 61 percent of the cases, front men in almost 51% and smurfing in just under 48%.¹⁷⁸

The first mechanism, typically designed to make the laundering process more complex and difficult to trace, often operated internationally and involved the creation of corporations or licit businesses that provided some ostensibly legitimate cover for the financial transactions.¹⁷⁹ Threat networks also used front men “to distance themselves from property obtained with illicit money, through the registration of real estate, vehicles, and other assets in the name of third parties.”¹⁸⁰ Smurfing typically involved moving and often depositing “small amounts of money” into a variety of accounts under different names in the hope that this would avoid either triggering cash transactions reports or raising concerns about the illicit origins of the money and sparking suspicious transaction reports.¹⁸¹ Often this involved cross-border transportation of cash for use in the “destination country.”¹⁸²

When the financial sector was identified in the cases, banks were the most commonly used, followed by real estate companies (29%), money transfer companies (18%) and bureaux de change (18%).¹⁸³ Purchasing real estate was a common way of laundering assets while *casas de cambio* were used to exchange currencies and obtain higher denomination bank notes.¹⁸⁴ Notaries were also a point of vulnerability for money laundering.¹⁸⁵

GAFILAT also analyzed the 82 cases from 2009 to 2016 in order to identify core topics, or what might be described as recurring themes in money laundering through the Latin American region. These are summarized in the table below.¹⁸⁶

¹⁷⁷ GAFILAT, *Report of Regional Threats on Money Laundering*,

<https://www.gafilat.org/index.php/es/biblioteca-virtual/gafilat/documentos-de-interes-17/estudios-estrategicos-17/1261-gafilat-regional-threat-assessment-2017-update/file>, p. 26.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid., p. 43.

¹⁸⁰ Ibid., p.4.

¹⁸¹ Ibid., p.26.

¹⁸² Ibid., p. 44.

¹⁸³ Ibid., p.27.

¹⁸⁴ Ibid., p.27.

¹⁸⁵ Ibid., p.6.

¹⁸⁶ Ibid., p.25.

Number of cases per core topic.

| Core Topic | No. of Cases |
|---|--------------|
| Use of formal and informal remittance and currency exchange services, and physical cash movement. | 21 |
| ML through corporate vehicles and legal arrangements. | 18 |
| ML through designated non-financial businesses and professions. | 16 |
| Use of foreign trade transactions and smuggling. | 8 |
| ML through diversion of funds, tender processes and other corrupt practices. | 7 |
| Inexplicable wealth increase of individuals and use of front men. | 4 |
| Use of factoring and leasing activities. | 4 |
| Use of new payment services and products. | 2 |
| Terrorist financing. | 2 |
| General total | 82 |

Although this breakdown of trends is helpful a few caveats are required. The category with most cases, for example, combines use of remittance and exchange services and physical cash movement. Second, there are acknowledged gaps in the reporting and disclaimers about a lack of information from Mexico, Brazil, and Uruguay with regard to convictions for money laundering.¹⁸⁷ Third, these are snapshots taken from what is a moving and constantly changing target that is illegal and inherently difficult to measure. Fourth, according to the report, the use of new payment services is fairly modest, but this might be a result of a lag between innovation in money laundering and their recognition by regulators and law enforcement. It is also worth emphasizing that this is solely about the number of cases that fall into each category and offers no indication about the scale of laundering through each of the channels identified

One area that certainly deserves more attention is trade-based money laundering, which, according to the typologies report comes in as the fourth most frequently used method of money laundering. In this connection a study by Global Financial Integrity (GFI) on trade mis-invoicing in Colombia in 2016, found “a gap of \$10.8 billion between the values reported by Colombia and those reported by all its trading partners” and concluded that the Colombian government lost approximately US\$2.8 billion in revenue – “roughly 5.2 percent of total Colombian tax revenues collected that year.”¹⁸⁸ While some of this can be attributed to official corruption, the report also quoted one researcher who noted that “Colombian drug traffickers have historically repatriated their illicit money through five preferred mechanisms: smuggling; overstatement of remittances from workers abroad; trade mis-invoicing; overstated foreign capital inflows; and cash couriers.”¹⁸⁹ Although the report suggests that contraband smuggling tops the preference list, it is sometime combined with trade-based money laundering (TBML). The big advantage of using trade is that it receives less scrutiny than the financial system, there are fewer mechanisms and procedures in place for detecting anomalies or suspicious activities. Moreover, as the GFI report notes,

¹⁸⁷ Ibid., p. 52.

¹⁸⁸ Global Financial Integrity, *Illicit Financial Flows & Colombia*, October 2019, p. 1.

¹⁸⁹ Ibid., p. 9.

it is possible to buy merchandise with drug proceeds “in a country with poor legislation, transparency and enforcement of foreign trade such as Panama, and then sell that merchandise in Colombia.”¹⁹⁰ The commodities can then be smuggled in or brought in formally but with their value under-stated.

If financial threat networks have a preference for tried and successful methods of money laundering, they are also highly adaptable in the event that certain methods and channels start to incur higher risks. It is possible, for example, not only that Trade Transparency Units will not only become more common, but also that they will increasingly exploit big data combined with artificial intelligence to detect anomalies in commodity prices and thereby identify TBML schemes. It is against this background that we are likely to see threat networks in Latin America increasingly look to exploit new technologies for innovative money laundering schemes; particularly as the European Union’s law enforcement agency noted that criminal organizations are increasingly attracted to digital currency (e.g., bitcoin), which has yet to be fully regulated by many governments and by the international community.¹⁹¹ The anonymity associated with cryptocurrency, however, is not nearly as absolute as often assumed. Indeed, some observers see blockchain technologies on which bitcoin and other cryptocurrencies are based as likely to increase rather than reduce financial transparency. In the short term, however, some crypto-currencies promise increased anonymity and facilitate money transfers without information that would help identify individuals, locations, and businesses involved in criminal activities.¹⁹² Moreover, each country has its own laws pertaining to the value of digital currency, which makes it feasible to launder money through these variable exchange rates.¹⁹³ These are certainly opportunities that threat networks in Latin America will explore as the technology becomes more readily available. Whether they will supersede or simply accompany established low-tech methods of money laundering, however, remains to be seen. Certainly, this is one area where threat networks in Latin America, for the most part, have not been early adopters.

Although the financial dimension of threat networks cannot be ignored the consequences of money laundering might not be as negative as is often suggested. While an influx of dirty money can create inflationary bubbles in local economies, it can also provide multiplier benefits and wealth distribution in local communities. This comes back to the paradoxes of threat networks: they create insecurity and inflict massive environmental damage, use violence and intimidation against innocent people, and challenge the legitimacy of the state, but they also provide protection and offer a degree of social and economic mobility that would otherwise be unavailable. Moreover, as long as states in Latin America exhibit high levels of corruption and incompetence, fail to take measures to fill capacity gaps and functional holes, take steps to reduce massive inequalities, or seek to enfranchise those marginalized individuals who have been expelled from the formal economy, threat networks will continue to flourish. Suppression of criminal networks and gangs works has limited impact. Consequently, more attention needs to be given to

¹⁹⁰ *Ibid.*, p.10.

¹⁹¹ European Police, “The Internet Organised Crime Threat Assessment (IOCTA) 2015”, *EUROPOL*, 2015. <https://www.europol.europa.eu/activities-services/main-reports/internet-organised-crime-threat-assessment-iocta-2015>; Malik, Nikita. “How Criminals and Terrorists Use Cryptocurrency: And How to Stop It,” *Forbes*, August 2018. <https://www.forbes.com/sites/nikitamalik/2018/08/31/how-criminals-and-terrorists-use-cryptocurrency-and-how-to-stop-it/#184da4143990>.

¹⁹² Coin Telegraph, “Crypto Crime Trends Evolving as Users Wise Up: Exchange Hacks, Darknet and Money Laundering,” *Coin Telegraph*, 18 February 2019. <https://cointelegraph.com/news/crypto-crime-trends-evolving-as-users-wise-up-exchange-hacks-darknet-and-money-laundering>.

¹⁹³ The Law Library of Congress, “Regulatory Framework for Cryptocurrencies: Application of Tax Laws, Anti-Money Laundering/Anti-Terrorism Financing Laws, or Both,” *The Law Library of Congress*, June 2018. <https://www.loc.gov/law/help/cryptocurrency/world-survey.php#americas>.

reducing both opportunities and incentives for criminal activities. Without fundamental efforts to reduce corruption, enhance state legitimacy, make elites less self-serving, and provide more effective forms of governance, it will be increasingly difficult to contain threat networks throughout Latin America.

Conclusions

Several clear themes emerge from the analysis of threat networks in Latin America. The key, however, is whether these networks coordinate and collaborate in ways that amplify the threats they pose or remain largely independent of one another. If there are increased growing interactions among the networks, this would create what for the United States could only be described as highly complex threat matrix, a web of confounding challenges. This could happen. In a new era of continued, if stuttering globalization and resurgent geopolitical competition Latin America is once again a vulnerable underbelly of United States national security. On the one side the Monroe Doctrine seems to have been relegated to history; on the other there is a growing possibility that indigenous threat networks will receive encouragement, tacit support, and even active assistance from external state networks that have penetrated the region, exercising growing influence, and undermining United States policies. Venezuela seems to offer a burgeoning example of this, with a repressive regime that has maintained its power through a highly criminalized economy, state support for and even involvement in drug trafficking networks, the exploitation of illegal gold mining, and the assistance of U.S. adversaries Russia and Iran as well as a supposed U.S. ally in Turkey in sanctions evasion.

At the same time, the challenges posed by threat networks have their roots in an environment, where many states have capacity gaps, functional holes and low levels of legitimacy—and political elites do not appear overly concerned with rectifying these problems. As a result, corruption, criminality, and narrow elite conceptions of self-interest have merged in ways that perpetuate the systemic weaknesses of the Latin American state. This has simultaneously enabled external actors to develop enclaves of influence in the region and indigenous threat networks to expand and to increase the resilience of their structures and activities.

Criminal and drug trafficking networks have also consolidated their pernicious forms of resilience by implementing entrepreneurial diversification strategies. Their influence and resilience have been enhanced by the growing, but far from altruistic, involvement in alternative governance, which in much of the region has emerged as the only alternative to absent governance and fragmented security. Alternative governance is partial but at the local level and for the marginalized and impoverished, it offers protection and even provision in ways that the self-absorbed state and predatory enforcement agencies do not. When MS-13 in San Pedro Sula has moved into social welfare—even at a rudimentary level—it indicates that something is amiss.

In the final analysis, threat networks in Latin America are a symptom of deeper problems. Yet the situation could get worse as the drug business is increasingly dominated by synthetics rather than by botanicals. Indeed, to the extent that drug economies are recognized not merely as security threats but as providing safety nets for many countries in Latin America, then it could be anticipated that such a

transformation would create far-reaching economic dislocation throughout the region. At one level, it would be the ultimate irony if the war on drugs in Latin America was finally won, only for it to be a pyrrhic victory as the locus of the drug business moved elsewhere. Ironically, if this were to happen, many governments in the region might look to Russia, China and even Iran and accept the growing influence that comes with increased foreign investment in the region. The irony is that this might be less likely to the extent that the indigenous threat networks have diversified their criminal enterprises to the point where they are recession proof.

There are multiple scenarios that range from a convergence of networks that creates a formidable threat matrix to a continued gap between classical geopolitical competition and transnational threats that would be much easier to handle. The danger of worst-case assessments is that they would encourage self-fulfilling prophecies; the danger of ignoring extreme contingencies is that the United States would be a victim of strategic surprise. The challenge for the United States, therefore, is to steer a course that minimizes both sets of risk. To do this, however, the U.S. has to develop a deeper understanding of the nature of governance in much of Latin America, and how this might be enhanced not by a top down strengthening of the state but by a bottom up approach that is organic, focuses on civil society, and deals at a more fundamental level with the challenges of corruption and violence.

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