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A Strategic Overview of Latin America: Identifying New Convergence Centers, Forgotten Territories, and Vital Hubs for Transnational Organized Crime

by Douglas Farah and Kathryn Babineau



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Cover: "Pallaqueras" (female gold scavengers) search waste rock from gold mine in La Rinconada, Peru, September 29, 2009
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The United States must do more to dismantle transnational criminal organizations (TCOs) and their subsidiary networks. Some have established global supply lines that are comparable to Fortune 500 corporations. . . . TCOs are motivated by profit, power, and political influence. They exploit weak governance and enable other national security threats, including terrorist organizations. In addition, some state adversaries use TCOs as instruments of national power, offering them territorial sanctuary where they are free to conduct unattributable cyber intrusions, sabotage, theft and political subversion.

—National Security Strategy of the United States of America

December 2017



Map courtesy of Nations Online Project

Executive Summary

This paper outlines a number of critical strategic challenges in Latin America for U.S. policymakers, which were directly identified in the December 2017 National Security Strategy.¹ However, despite this recognition, these issues are seldom featured in policy discussions about the region.

Through the framework of the convergence paradigm, which contends that multiple criminal/terrorist groups work collaboratively when such cooperation is mutually convenient, we consider a number of territories, key commodities, and new money-laundering methodologies that have allowed transnational organized crime (TOC) networks to flourish in seemingly marginal regions of the hemisphere. Long considered to be a critical challenge in Latin America, regional TOC groups, often under the direct protection of state actors, are able to adapt and thrive when policymakers do not understand the evolution of their operations, recognize the roles criminalized states often play, or develop innovative tools to combat TOC adaptations.² Through examination of these evolving challenges, this analysis seeks to raise awareness among policymakers and to demonstrate how relatively few strategically targeted, well-placed resources can curb the financial and territorial reach of TOC groups. Furthermore, the analysis shows that continuing neglect of these challenges can enable the growth of criminalized, anti-U.S. regional powers, and hamper the ability of key U.S. allies to promote the rule of law and democratic growth throughout the region.

This analysis begins with a study of convergence in the illicit gold trade, drawing on fieldwork in Puerto Maldonado, Peru. It then considers three countries—Paraguay, Bolivia, and Nicaragua—that receive little attention from policymakers but are key players in the emerging drug trafficking, gold trade, money-laundering, and extra-regional illicit networks in Latin America. The discussion of both Bolivia and Paraguay features a brief study of the activities of the Primeiro Comando da Capital (First Command of the Capital), based in Brazil but rapidly expanding its operations across South and Central America. Despite being one of the largest and fastest-growing criminal gangs in the hemisphere, it is seldom viewed as an important consideration for regional trends. Finally, an overview of the Ramiro Network, a massive regional state-sponsored money-laundering structure based on fictitious oil sales, highlights a key convergence point for TOC activity in El Salvador, Venezuela, Nicaragua, and Colombia—including the Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia or, FARC), FARC “dissidents,” and Russia.

Many trend lines in Latin America are worrisome, and the actors discussed here are directly tied to the more visible crisis in Venezuela and the growing threat in Colombia. Ties between the FARC secretariat in Colombia—recently demobilized after a historic December 2016 peace agreement—and FARC dissident structures that remain engaged in cocaine trafficking and other illicit activities are now clearly documented and demand serious responses in order to ensure the continued security of Colombia, a close U.S. regional ally.³ Leaving the actors in these new regions of convergence to grow unchecked presents a serious security risk to the United States and the region.

Introduction

New centers of convergence in Latin America, often on the periphery of the main geographic and thematic policy discussions, represent an ongoing and growing challenge to the security of the United States and the survival of democratic governments in the region. This study seeks to address some of those gaps in current knowledge, and identifies groups, areas, and issues of interest, as well as connections among dangerous actors that have not been seriously considered.

The case studies presented here on Paraguay, Bolivia, and Nicaragua play different roles in regional transnational organized crime (TOC) structures. Nevertheless, each plays a vital part in the weakening of the rule of law and democratic governance in the hemisphere. This weakness, in turn, gives openings to highly sophisticated criminal groups like the Primeiro Comando da Capital (First Command of the Capital or, PCC), which are now capable of exercising territorial control while taking over parts of the cocaine trade and multiple other criminal enterprises. Every action by the PCC and similar groups highlights the ineffectiveness of nation-states and delegitimizes the governments in the eyes of the governed.⁴

In nations like Bolivia and Nicaragua, where the government actively seeks partnerships with criminal and terrorist groups as state policy aimed at harming the United States, this dynamic also opens spaces for extra-regional actors including Russia and Iran. The growing Russian presence, including that of Russian organized crime, further weakens U.S. policy goals in the region and creates an environment hostile to U.S. values and strategic interests.

The importance of Bolivia and Nicaragua within the Bolivarian Alliance, a regional bloc founded by Venezuela's late president Hugo Chávez, is increasing as the regime of President Nicolás Maduro in Venezuela implodes and allies elsewhere in the region suffer crippling electoral defeats.⁵ Both nations, acting as part of a criminal enterprise directed from the highest levels of their governments, are playing larger roles in both cocaine trafficking and the laundering of large sums of money through the illicit gold trade, state-sanctioned front companies, and phantom investments. Illicit gold movements are a central part of money-laundering operations by multiple illicit actors. Paraguay, though not a member of the Bolivarian Alliance, exercises virtually no control over its borders, allowing de facto free-fly zones that traffickers use to move Bolivian and Peruvian cocaine to Brazil and Argentina, then onward to more lucrative markets. Given its central role in the region's contraband operations due to lax control over money movements and its borders, Paraguay has also become a new regional center for laundering illicit proceeds from multiple countries, including Central America. It is also the home of the Ejército

del Pueblo Paraguayo (Paraguayan People's Army or, EPP), a small but dangerous rural insurgency with close historic—and possibly current—ties to the Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia or, FARC) in Colombia. According to Paraguayan and U.S. officials in Paraguay and the region, the radical Shia activities in the Tri-Border Area (TBA), benefiting Hizballah directly, continue unabated.

Traditionally viewed as an internal Brazilian problem, the PCC is now central to the new dynamics of drug trafficking and TOC in the region. The Brazilian gang has rapidly expanded by taking over drug trafficking routes traditionally controlled by the FARC and has pushed deeply into the cocaine trafficking centers in Bolivia and key transit routes in Bolivia, Paraguay, and Argentina. While primarily working in cocaine production and retail, the gang is also investing in illegal mining and weapons trafficking in an attempt to diversify and increase its overall revenue stream. The PCC, which is actively recruiting FARC combatants, has carried out a series of spectacular bank robberies in Bolivia and Paraguay in recent months, netting tens of millions of dollars as it seeks to become the dominant cocaine cartel in the hemisphere.

Given the press of global conflicts in which the United States is involved, it is not surprising that simmering and ill-defined threats, even those close to the Homeland, are not considered a priority. However, the growing number of convergence points in Latin America for TOC, extra-regional state actors, and terrorist groups, where they can engage in mutually beneficial efforts to counter U.S. interests and possibly harm the United States, should be a significant concern.⁶ Rather than looking at individual threats in isolation (Venezuela, the MS-13 gang in Central America, the Sinaloa Cartel), the connectivity among these groups must be studied. The criminalization of the Bolivarian Alliance means that Venezuela cannot be understood in isolation but as part of a multistate joint criminal enterprise. The MS-13 in Central America's Northern Triangle can only be understood as part of a broader convergence of criminal and political interests in Central America. The dynamics of the Sinaloa Cartel are directly tied to the FARC demobilization process in Colombia.

These overlapping networks and points of convergence are not isolated and singular entities and events, but part of a mosaic of actors and interests that pose a significant threat to the United States. These networks must be understood more fully in order to take countervailing measures to mitigate the threats they pose.

This report draws primarily on original field research conducted by IBI Consultants throughout 2016 and 2017, including field visits; interviews in the field with academics, journalists, and experts; and a review of open-source reporting in both English and Spanish. The research was carried out in support of the Office of the Deputy Assistant Secretary of Defense

for Counternarcotics and Global Threats through the Center for Strategic Research, Institute for National Strategic Studies, at the National Defense University in order to improve understanding of the changing nature of the emerging threats and new modalities of drug trafficking in the Western Hemisphere.

Growth of the Illegal Gold Trade and Transnational Organized Crime

Traditionally, U.S. policy in Latin America has focused almost exclusively on cocaine and drug trafficking in its efforts to combat TOC. A new commodity, however, has proved to be a critical export for TOC in recent years. Illegally mined gold, extracted all over Latin America with devastating environmental effects, is now a top commodity for regional TOC groups as both a source of income and a vehicle for money-laundering.⁷

Some observers in recent years have claimed that the informal mining sector throughout much of South America is characterized by small-scale, disorganized, individual miners operating in the Amazon region. However, IBI Consultants field research and open-source reporting indicate that the scale of the mining industry in the Madre de Dios region shared by Bolivia and Peru is quickly growing beyond these humble roots. Research further indicates that by 2010 or 2011, the proceeds from illegally mined gold had already exceeded those from narcotics trafficking.⁸

Gold trafficking is also a major concern because of its great potential as a money-laundering vehicle for TOC groups, including extra-regional actors such as Russian organized crime groups operating throughout South and Central America. As a recent U.S. criminal complaint, filed against NTR Metals in Florida, stated:

Criminals frequently trade illegal gold through illicit shell or front companies using false or incomplete documents, often smuggled through third-party countries, and then sold to refineries in the U.S., in an effort to hide the true source, ownership, and origin of gold from foreign and U.S. law enforcement. . . . In general, gold is a good medium for money laundering because it has universal and readily ascertainable value and is difficult to trace . . . millions of dollars [were] paid in the U.S. to Peruvian narco-traffickers [for cocaine sales]. The narco-traffickers then physically smuggle the cash payments back to Peru where it is used to purchase illegally mined gold, and the gold is then sold [effectively laundering the narco money].⁹

Like other illicit economies, illegal gold mining fits into a broader network of illicit goods and trafficking networks, all of which help to strengthen TOC groups and fray the social fabric of affected communities. These economies that “complement” illegal gold are critical to understand in order to have an accurate picture of the overall scale of criminalization. Furthermore, these conditions create the perfect environment for nonstate armed actors and TOC groups to take deep root, particularly given the lack of government presence or willingness to curtail the biggest players.

There is a direct link between illegal gold operations and human trafficking, as TOC groups create demand for both laborers and prostitution in the remote areas where illegal mining is conducted.¹⁰ There is little understanding of TOC roles in these “supply” chains, but it is clear that laborers and sex workers are often lured to illegal mining areas with promises of employment, but then trapped into staying and working for no wages under a system of debt peonage.¹¹ For example, an environmental ministry official in Puerto Maldonado, Peru, indicated that these mining groups in the Madre de Dios region control every facet of the industry within their respective spheres of influence. The same entities are employing miners and transporting/selling gold, running prostitution and sex trafficking rings, and opening bars in mining outposts where miners can spend their wages. Others confirmed this assertion, adding that these individuals also control fuel stations and deploy protection gangs for security.

In Colombia, illegal wildcat mining operations have direct impacts on national security, as both FARC dissident leaders and other criminal groups vie for control of the highly lucrative commodity. A 2016 report from the Global Initiative Against Transnational Organized Crime notes that approximately 80 percent of all gold mined in the country is produced illegally through a large network of unlicensed miners.¹² Not coincidentally, illegal mining is concentrated in areas with a significant criminal presence, including parts of Antioquia, Bolívar, Cauca, Chocó, Córdoba, and Nariño. In illegal mining areas controlled by criminal groups, in particular FARC dissidents, criminal groups reap financial earnings via direct control of mines, imposing a *vacuna* (tax) on wildcat mining operations, or running operations that launder and move illegal gold to market. Revenues from these operations are remarkably lucrative; the same Global Initiative report referenced above estimated that monthly *vacuna* revenues for the FARC total approximately \$1.2 million.¹³ Other armed criminal groups, including the Ejército de Liberación Nacional (National Liberation Army or, ELN) and *Bandas Criminales* (which includes *Los Rastrojos* and *Los Urabeños*) appear to be running similar operations. In fact, these groups are finding illegal mining so profitable—the business generates \$2.4 billion a year for criminal groups in Colombia alone—that they are clashing over key mining territories.¹⁴ In Venezuela,

battles between the military and criminal groups, both of which are reportedly vying for control of key mining regions, have led to major spikes in violence, including a March 2018 massacre by the Venezuelan military that left 18 miners dead.¹⁵

Like much of South America, Ecuador has also emerged as a key illegal gold producer, producing an estimated 15 to 20 tons of illegal gold each year, employing up to 10,000 miners and attracting significant participation from FARC dissidents, among others.¹⁶ The uptick in criminal activity in the sector has been accompanied by a corresponding increase in violence in illegal mining areas.¹⁷

When considering the strategic challenges in Latin America that do not receive the attention they deserve, it is essential to include the study of the illicit gold trade. The trade is a growing and critical linchpin of the regional economy of TOC. As outlined below, the case of Puerto Maldonado presents one example of how gold can serve as both a highly profitable commodity and a driver of new money-laundering modalities for criminal economies throughout the region.

Understanding Gold Mining and Laundering Operations: The Case of Peru

Peru's Puerto Maldonado—the capital city of the Madre de Dios region and a town deep in the Amazon—has from its founding functioned largely outside the control of the national government. Now a major center for illegal gold mining and trafficking, the Madre de Dios region has emerged from obscurity as a central node in Latin America's illicit gold trade.

According to sources in Peru, the gold industry in Madre de Dios appeared to take off after 2010, when the number of registered gold trading companies in Peru skyrocketed. Gold interdictions by the Superintendencia Nacional de Administración Tributaria (National Superintendency for Tax Administration or, SUNAT) also jumped significantly, from approximately \$1.5 million in gold seized in 2009 to over \$1 billion in 2012.¹⁸ Judicial documents pertaining to these multimillion-dollar operations reveal that these corporations—which were purchasing illegal gold—negotiated the purchase of Amazonian gold with the so-called lords of illegal mining, as well as others who have been co-opted by organized crime, such as the owners of phantom export companies and landowners who pretended to be businessmen. Also involved were money traffickers; currency exchange houses; controversial Russian and Chinese investors; Peruvian, Bolivian, and Brazilian contraband-runners; business leaders from tax havens in the Caribbean; and even some people under investigation by the U.S. Drug Enforcement Administration.¹⁹

This investigation, which found that U.S. and Swiss refineries were complicit in these illegal operations, has been followed by a recent criminal complaint filed by the U.S. Department of Justice against NTR Metals (based in Miami), which is accused of financing and purchasing billions in illegal gold.²⁰

On September 5, 2017, Samer Barrage and Juan Granda pleaded guilty in U.S. Federal court to importing illegally mined gold as part of a money-laundering conspiracy on behalf of NTR Metals. Along with one other defendant in the case, Barrage and Granda were sentenced in January 2018 to prison time in the United States.²¹ One recent report succinctly outlined the premise of the case, which demonstrates the overall danger that illegal gold trafficking poses to efforts to combat transnational organized crime:

*Prosecutors assert the three defendants bought billions of dollars' worth of gold from illegal mines in the Amazon rain forest, arranged to refine the precious metal, sold the gold and then wired the proceeds back to drug traffickers and other criminals in South America. . . . Narco-traffickers and other criminals financed the clandestine operation to convert their cocaine profits into cash.*²²

As the gold moves from the point of extraction up the supply chain to international buyers, the major gold purchasers in Puerto Maldonado utilize a number of strategies to lend the appearance of legitimacy to their illegal purchases. For instance, smaller *acopiadores/comercializadores* (“middle men” or “traders”) purchase smaller quantities of gold from storefronts in Puerto Maldonado. It is unclear how these small operations are linked to larger markets, and sources were unable to clearly map this value chain. SUNAT officials, however, confirmed that these businesses are often front companies for much larger multinational criminal enterprises that will ultimately export the gold.

While gold traders are required to verify the legal documents of individuals wishing to sell gold, virtually all interviewees stated that these requirements are habitually ignored; many gold shops purchase either with the full knowledge that the gold was extracted illegally or without verifying any documentation. Money exchange businesses are a common front company; IBI Consultants observed a number of money exchange businesses in Puerto Maldonado, all of which were located very far from the tourist centers in the city that might use such services.

One of the greatest challenges of identifying and mitigating illegal mining is the difficulty of understanding commodity chains, and the transactions that move illegal gold from the point of extraction to international market sales. In the case of the illegal mines in and around

Puerto Maldonado, gold is moved by several key types of actors and a number of different transportation methods including Callao Airport (located just outside of Lima, Peru), a major regional hub with significant flight traffic; highway travel from Puerto Maldonado via the Carretera Central (the new transcontinental highway) to Cusco and Juliaca; transport by *mochilero* (“backpackers”), a mode traditionally used for cocaine from the Valle de los Ríos Apurímac, Ene y Mantaro, to Bolivia; and shipment from the Pacific port of Callao, a major transit point for multiple illicit goods from Peru to international markets.

Another complication in the effort to dismantle illegal gold mining networks is the difficulty of identifying the individuals and networks involved in mining. In the case of Peru, IBI Consultants field research indicates that there are a handful of powerful families or organizations that operate large illegal mining areas in Madre de Dios; they also appear to have developed methods to transport gold out of the area. According to Peruvian authorities, these criminal syndicates exercise control over a particular sector or geographic area of the gold trade.

In addition to the mining activities outlined above, IBI Consultants found a growing role of nonstate armed groups at various stages of the mining industry. As one official in Peru noted, most of the areas where illegal mining occurs have virtually no state presence. As a result, “mafias” have moved into these areas, operating as enforcers and assassins in illegal mining territory or running extortion schemes along transportation routes.

These mafias are often run by top drug bosses from the main coca-growing region of Peru, who have come to take over transportation routes for gold out of La Pampa (one of the key mining areas) by organizing security. In 2017, sources indicate that over 15 armed groups operate in the area, in charge of dispensing “justice” to those who break the “rules” regarding extortion, extraction, and payment. Many of the groups often have military or police experience. According to one source, assassins and other violent groups also operate along narco-trafficking routes to Bolivia and Brazil, which miners use to transport gold by negotiating with drug trafficking groups.

While much is still not understood about the illicit gold trade throughout Latin America, it is clearly a growing and exceptionally profitable commodity for TOC groups operating throughout the region. The trade, therefore, merits further serious study to develop measures that can effectively counteract its spread.

Paraguay: The New Regional Convergence Center

In recent months, Paraguay’s growing role as a new convergence center for TOC groups, nonstate armed actors, and terrorist groups has become more visible. The small landlocked

nation is one of the most isolated in the hemisphere. Long known as a smuggling hub for cigarettes, vehicles, and electronics, and its widespread corruption, Paraguay is not generally considered a key node in the region's TOC structures.

Yet its geographic location—between a major cocaine producer (Bolivia) and two of the top per capita consuming nations in the world (Brazil and Argentina)—coupled with the lack of border controls, a sparse population, and the absence of financial regulations—make it an ideal center of operations for multiple groups.

The State Department's 2017 International Narcotics Control Strategy Report named Paraguay a "major money-laundering country" and noted that:

*Drug traffickers exploit the landlocked country's porous borders, clandestine airstrips, extensive internal waterways, and under-resourced, often corrupt, law enforcement and judicial institutions. International criminal organizations operating along the Paraguay-Brazil border also continue to engage in arms trafficking, money laundering, counterfeiting, and other illegal activities linked to narcotics trafficking.*²³

None of those circumstances enumerated by the State Department are new, but they have grown in importance as the regional drug trafficking panorama shifts southward and the Colombian FARC guerrillas cede formal control of cocaine routes and laboratories to others in the aftermath of the 2016 peace agreement with the government. A clear indicator of the growing importance of Paraguay as a transit center is the case of six Sinaloa Cartel members being arrested in Paraguay in December 2016 while attempting to establish a foothold in the country. Reports state the group was operating an industrial sugar cane mill as a storage and shipping point for Colombian cocaine destined for Europe.

Paraguayan authorities also seized 308 kilograms of cocaine on December 7, 2016, in Villa Elisa.²⁴ The leader of the operation, Jimmy Waine Galliel, is considered to be a close confidant of Joaquín "El Chapo" Guzmán.²⁵ The group reportedly entered the country under specific orders from Guzmán because the Sinaloa Cartel is considering new trafficking routes.²⁶ In subsequent months, authorities uncovered additional cocaine smuggling operations undertaken by the Sinaloa Cartel in Paraguay.²⁷

Germany has also noted an important increase in cocaine shipments originating in Paraguay, including a seizure of 1.6 tons in Hamburg in March 2017. German officials noted that the size of the cocaine loads coming from the Southern Cone had increased dramatically in

the past 18 months, from loads of about 100 kilograms to loads averaging between 300 and 600 kilograms.²⁸

In addition to the Sinaloa Cartel, there have been several important cocaine busts in the former Soviet republics that moved in vacuum-packed charcoal shipments originating in Paraguay, moving down the Paraguay and Paraná rivers and through Argentina to the Atlantic, then onward.

This movement of cocaine to Eurasia comes at a time when the Russian embassy is greatly expanding its presence in Asunción and exports of agricultural products and meat to Russia are skyrocketing. According to export data, Russia is the destination of 9.1 percent of Paraguay's exports, behind the leader, Brazil, with 31.7 percent and ahead of third-place Chile, with 7.1 percent.²⁹ Given the cost of shipping from Paraguay to Russia, as well as the lack of export controls, it is not surprising that cocaine shipments are increasing as well.

In addition to an uptick in cocaine trafficking activities, and despite the fact that Paraguay is not a member of the Bolivarian Alliance, it appears that the country has become an emerging center for the Alliance's money-laundering activities.

For example, in February 2017, *Veja* magazine published a report regarding a huge sum of Venezuelan bolívares that were seized in Paraguay. It was thought that the bills would be traded in Bolivia—one of the Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America or, ALBA) block countries that respects Venezuela's fictional exchange rate for its currency—for dollars. This exchange would represent an overvaluation of the original currency by approximately 400 times and would also allow the bolívares to sit in Bolivia, a friendly nation and relatively safe location, as the Venezuelan government careens toward collapse.³⁰

Well-known money-launderers from Central America are investing heavily in shopping malls and hotels in Asunción that are largely empty, as well as making other investments that have little market rationality in one of the poorest countries in the hemisphere. This coincides with reports that major money-launderers for the Ramiro Network and other members of the Bolivarian Alliance have created significant structures in which to conduct their business.

The Attractiveness of Paraguay

As the incidents above indicate, Paraguay is an increasingly attractive base of operations for groups like the Sinaloa Cartel and Eurasian TOC. IBI Consultants research indicates that this attractiveness lies in a number of key characteristics, including:

- The TBA, where Argentina, Paraguay, and Brazil meet. The TBA has for generations been a key hub in the region's informal economy, laundering billions of dollars a year through the proceeds of endemic and institutionalized contraband traffic. Reportedly the "largest illicit economy in the Western Hemisphere," the TBA, in which Paraguay plays an integral part, provides an ideal setting for multiple criminal and terrorist actors to meet in safety.³¹

- An almost complete lack of border controls, including no operational radars on the Bolivian or Argentine borders. This absence creates a de facto free transit zone rife with unmonitored airstrips, some which can accommodate large jets. These airstrips are in daily use by drug traffickers moving cocaine from Bolivia's Santa Cruz region and Peru to the Brazil market. Subsequently, cocaine moves by waterways through Argentina, then on to Europe and elsewhere. Paraguayan officials confirmed press reports that officials from the civil air authorities in the country are complicit in these trafficking deals, which use major airports to land and fly cocaine planes. In particular, the Augusto Roberto Fuster Airport, located in Pedro Juan Caballero, is a key trafficking stop. From here, cocaine moves through Paraguay, then onward to Brazil, where it is destined for both domestic consumption and the European market.

- A virtually unregulated, largely privatized riverine transit system that is one of the largest in the world. While riverine traffic is vital to the Paraguayan economy, the growth of vessels on the waterway has been huge and unmonitored, as are the private unregulated ports that operate along the banks.³² From 2005 to 2015, the number of river tugboats grew from 15 to 150, and the number of barges jumped from 100 to 3,000, giving Paraguay the third largest riverine fleet in the world, after the United States and China.³³ The most recent public records show 67 registered ports in the country, although there has been a sizable uptick in new private ports since then. Of those 67, 44 are private, 15 are government operated, and the final 8 are listed as "extra port tax deposits," with no information about their ownership or operation.³⁴

- Endemic corruption that reaches the senior levels of the Paraguayan executive, judicial, and legislative branches of government and impedes national or international efforts to coordinate drug enforcement actions or antimoney-laundering strategies. Both Paraguayan and U.S. officials characterized the police as being completely corrupt and unreli-

able, with the Secretaría Nacional Antidrogas (National Anti-Drug Secretariat) being only somewhat better.³⁵

- A complete lack of interest in combating even the most visible signs of growing money-laundering through the formal economy. This trend was evident during field investigations, where one can observe the construction of several new luxury shopping centers that carry high-end goods far beyond the reach of all but a tiny minority of Paraguayans; the construction of six new luxury hotels in Asunción, although there is no indication that tourism is climbing significantly and site visits showed most of them were almost empty; and the construction of luxury office towers that are unaffordable and empty. These investments are classic indicators of money-laundering. According to sources on the ground, antimoney-laundering efforts are hampered by a lack of coordination between agencies, as well as the fact that the Financial Intelligence Unit has no access to tax information.³⁶

- The EPP, a small but sporadically active insurgency, that has historically been close to the FARC in Colombia and trained by the FARC between 2008 and 2010.³⁷ The group has become active again in recent months, indicating that it may still be receiving support from the FARC or have resources from criminal activity. The group, estimated to number between 30 and 60 armed combatants with several hundred civilian sympathizers, recently released two Mennonite hostages for an estimated \$1.25 million in ransoms, and killed a third whose family was unable to pay the sum demanded.³⁸ Paraguayan intelligence and judicial officials believe the EPP has business dealings with the PCC near the Brazilian border to protect and move cocaine from near the Bolivian border through the Pedro Juan Caballero corridor.

Convergence Factors

As a direct consequence of these favorable circumstances, Paraguay now hosts a widening array of TOC and terrorist groups, who utilize the lax regulatory environment and diverse illicit economy to their economic and operational advantage.

Since the 1994 Iranian-sponsored bombing of the Asociación Mutual Israelita Argentina (Argentine Israelite Mutual Association) Jewish center in Buenos Aires, the TBA has been under scrutiny as a hub for radical Shia financial activities. The scrutiny was due to the role that Hizballah operatives in the region played in moving explosives and personnel for what remains the largest radical Shia terrorist act in the hemisphere.

A 2003 study by the Library of Congress's Federal Research Division, following the 9/11 attacks, cast a much broader net on terrorist activities in the region. The report stated that there was

substantial evidence for concluding that various Islamic terrorist groups have used the TBA . . . as a haven for fund-raising, recruiting, plotting terrorist attacks elsewhere in the TBA countries or the Americas in general, and other such activities. Islamic terrorist groups with a presence in the TBA reportedly include Egypt's Al-Gama'a al-Islamiyya (Islamic Group) and Al-Jihad (Islamic Jihad), al Qaeda, Hamas, Hizballah, and al-Muqawamah (the Resistance; also spelled al-Moqawama), which is a pro-Iran wing of the Lebanon-based Hizballah. Islamic terrorist groups have used the TBA for fund-raising, drug trafficking, money laundering, plotting, and other activities in support of their organizations.³⁹

Some government officials and academics who study the TBA share this assessment, but the threat level posed by these groups is a subject of significant debate within Paraguay among those who monitor the groups, both foreign and national. The general consensus is that Hizballah remains by far the most active of the terrorist groups in the TBA and that Hamas remains active among Sunni groups but that the other groups are no longer visibly active.

The leader of the radical Shia movement in the TBA is reportedly Mohamad Jaafar Khalil, who lives in Foz do Iguacu, on the Brazilian side of the TBA. According to recent Paraguayan intelligence, Khalil is the "chief of operations" of Iranian cleric Mohsen Rabbani (responsible for the 1994 AMIA attack in Buenos Aires), with the mission of "building mosques and creating Hizballah cells in the city of Pedro Juan Caballero (Paraguay) and Ponta Porã (Brazil), known as international drug trafficking centers."⁴⁰

U.S. law enforcement and Paraguayan authorities agree that Hizballah continues to raise significant revenues and launder the proceeds through the huge and unregulated TBA borders and that multiple businesses in Ciudad del Este, Pedro Juan Caballero, and Foz do Iguacu all send millions of dollars back to Hizballah in Lebanon and elsewhere.

Regional law enforcement officials and Paraguayan experts stated Hizballah's ties to the cocaine trade had increased over the past 18 months in part, they hypothesized, due to the need for increased cash flows as Hizballah greatly expands its military efforts in Iraq and Afghanistan. It is impossible to quantify how much money flows to Hizballah from the TBA; nevertheless, there is a general belief, based on observed banking transactions, that the transactions reach

multiple tens of millions of dollars a year—and possibly hundreds of millions of dollars. Given the proliferation of currency exchange houses in the TBA where all three national currencies (Brazilian, Argentinian, and Paraguayan) operate, and the lack of any regulation of those operations by any of the governments, the movement of funds back to Lebanon or elsewhere is easy to disguise and almost impossible to detect on an ongoing basis.

The activities of Hamas and other radical Sunni groups are even harder to quantify. Since the reports of al Qaeda leaders and other Sunni groups in the area in the early 2000s, there is little visible footprint of any group except Hamas. Their primary activities in the region reportedly center on financial transactions that appear to be money-laundering, with money flowing to banks around the world.

Role of the PCC

Experts state that having established virtually unchallenged power in many areas of Brazil, the PCC has turned its attention to an area that regional law enforcement refers to as the “Wild West”: the border areas between Brazil, Paraguay, Bolivia, and Peru.⁴¹

Lincoln Gakiya, a Brazilian prosecutor and PCC expert, recently noted in the *Wall Street Journal* that the “PCC is trying to wrest control of smuggling routes in Brazil from other criminal groups, cut out intermediaries, and work directly with Colombian suppliers to deliver cocaine to Brazil.”⁴² In addition to maintaining a strong presence in Pedro Juan Caballero, the PCC is also active in Ciudad del Este and Bella Vista Norte regions of Paraguay.⁴³ In trying to assess the impact of the group’s operations, the Paraguayan government estimates that the PCC moves 5 metric tons of cocaine monthly through Paraguay on approximately 20 flights, earning \$3.5 million. The flights from Bolivia and Peru use clandestine landing strips as well as the airport in Pedro Juan Caballero.⁴⁴

In recent years, rather than staying in the border regions, as had long been their custom, PCC members are carrying out murders and attacks in closer and closer proximity to the Paraguayan capital and other major cities long considered safe. This is due in part, according to officials in Paraguay and the region, to the PCC seeing an unprecedented opportunity to convert itself into the region’s premier drug trafficking structure.

As one prosecutor in São Paulo recently noted, the “goal is to take the whole country [all routes into Brazil] and much of the Southern Cone.”⁴⁵ In service of this goal, the PCC assassinated Jorge Rafaat Toumani, a drug trafficker and powerbroker, in the border town of Pedro Juan Caballero in June 2016.⁴⁶ With Toumani eliminated, some analysts are concerned that the

PCC will be able to control virtually all marijuana, cocaine, and weapons trafficking between Bolivia, Brazil, and Paraguay.⁴⁷

A combination of factors makes the PCC power play possible, according to one researcher who has studied the PCC for many years. These include:

- The PCC's formidable financial resources that have been husbanded for several years with the goal of regional domination in mind.
- The formal demobilization of the FARC in Colombia and its retreat from control of some of the major drug trafficking routes in the region, leaving a once-in-a-generation opportunity to remake the region's cocaine structures.
- The PCC's pipeline of high-end weapons, which they have purchased from the FARC as they demobilized. The guerrillas often turned in their older weapons and sold or kept the best.
- Access to major Atlantic routes that do not go to the United States but through the much more loosely controlled waters of West Africa or directly to Europe. The volume of unregulated containers that flow through private ports and outward to the Atlantic side of Brazil, Uruguay, and Argentina makes moving cocaine a low-risk, high-value proposition.

Over the past 2 years, the PCC has distinguished itself through its daring bank robberies in Paraguay, Brazil, and Bolivia. The heists have been carried out using heavy weapons, including rocket-propelled grenades and executed with military precision. The heists have netted the organization tens of millions of dollars.

In April 2017, the PCC carried out what the local media dubbed the "robbery of the century" in Ciudad del Este, robbing a reported \$40 million from an armored vehicle company. The PCC reportedly deployed 50 armed men with assault rifles and hand grenades to carry out a series of diversionary attacks while the company was robbed. Burning armored trucks were used to block the roadway as the assailants escaped with the cash in an armored vehicle and disappeared across the river into Brazil.⁴⁸

This type of robbery, one of several in the region, has allowed the PCC to quickly amass cash that both bolsters its military capabilities and allows it to buy and intimidate its way into the upper echelons of the regions' drug trafficking organizations.

Bolivia: Key Supporter of Bolivarian Alliance and Convergence Center

Paraguay has not turned into a TOC convergence center in a vacuum, and its extensive, porous border with Bolivia is one of the primary reasons that multiple illicit economies thrive in the region. Bolivia is a place where the U.S. intelligence and law enforcement communities have the least visibility in Latin America. It is routinely described as a “black hole” by U.S. officials since the 2008 expulsion of the DEA and downgrading of diplomatic ties (neither country has been represented by an ambassador for the past decade). According to field research by IBI Consultants, this opacity has allowed the government of President Evo Morales to expand his influence within the Bolivarian Alliance, particularly as Venezuela faces massive economic and political challenges. Within this context, senior officials in the Morales government are increasingly active in the cocaine trade that moves through Paraguay, Brazil, and Argentina. This government structure has gained control of much of the illicit gold trade as well.

This analysis is not an overview of the internal situation of Bolivia, but rather a look at ties within its territory to regional TOC groups. It also examines a trend of unusual economic activity, often mirroring the money-laundering structures of other members of the Bolivarian Alliance whose governments are highly criminalized and whose leaders use TOC groups as instruments of state policy. As discussed below, the PCC has also established a significant footprint in Bolivia—as in Paraguay—by entering the cocaine market, conducting high profile and high value robberies, and taking over cocaine production laboratories.

The New Locus of the Gold Trade

IBI Consultants research shows that, like the Albanisa and ALBA Petróleos structures used by the Bolivarian states in Nicaragua and El Salvador, the Morales government has engaged in a string of irrational and sometimes fictitious investments that are a key hallmark of money-laundering activities. Perhaps the biggest anomaly is the sudden quadrupling of gold exports from 2013 (about \$300 million) to 2014 (\$1.37 billion). Peruvian law enforcement authorities believe a significant part of this increase in Bolivian exports is due to better enforcement on the Peruvian side of the joint border regions, stating Peruvian traffickers move gold into Bolivia then re-export it as gold of Bolivian origin. As explained by SUNAT officials, Peruvian gold exports have dropped since more stringent gold export controls took effect, a drop that is largely explained by decreases in production from the informal/illegal gold trade—during the years that gold exports decreased, large and medium-scale mining exports have remained stagnant.

Multiple sources reported that Bolivia plays a critical role in the illicit economy of illegal gold, including the Central Bank of Bolivia, which is reportedly being used as a bank for drug traffickers and is also purchasing illegal gold. Two sources interviewed by IBI Consultants have suggested a link between the Bolivian government and illegal mining groups. SUNAT officials in Peru further confirmed that exports from Bolivia by two high-risk companies, Kaloti Precious Metals and NTR Metals, have increased dramatically since enforcement tightened in Peru.

In a twist of irony, gold that is trafficked from Peru to Bolivia and then exported from Bolivia to the international market often heads to the international market by way of the international airport in Lima. Multiple sources confirmed that customs officials at Jorge Chavez Airport are required to respect the sovereignty of products that pass through it. This means that products (including gold) coming from Bolivia cannot be searched, as they have been labeled for export by Bolivia and are merely passing through Lima's airport.

Kaloti: Growing Business and Growing Suspicions

In addition to its operations in Suriname, which IBI has already investigated in detail,⁴⁹ Kaloti is linked to 2013 investigation of illegal mining financing, along with other companies based in the United States and Switzerland.⁵⁰ Officials in Lima confirmed Kaloti, with its main office in the United Arab Emirates and an affiliate in Miami, to be one of the key companies under scrutiny by Peruvian investigative authorities since 2014.

The company was involved in a major illegal gold investigation by the Peruvian customs authority, which suspected the company of moving gold from Peru to its refineries in Florida. Evidence from multiple sources suggests that Kaloti was aware of what was happening with illegal mining; a report from *OjoPúblico* further states that Kaloti was directly financing the illegal mining operations.⁵¹ Despite these ongoing investigations, however, sources based in Puerto Maldonado indicate that Kaloti continues to purchase gold in the area.

Kaloti is also active in Bolivia. Recent open-source investigations indicate that Kaloti in Bolivia exported \$99 million in gold in 2014, or approximately 7.39 percent of all gold exports leaving Bolivia.⁵² Although Kaloti ultimately received the gold, it was exported by eight different local companies, some of which have ties to other firms known to export illegal gold.⁵³

Of the individuals known to be working with Kaloti in Bolivia, the Saavedra family is arguably the largest portion of their business; records suggest that a group of siblings and nephews work in the gold export business. Furthermore, investigative reporting showed that Ronald Saavedra Orosco is considered one of the top exporters from Bolivia to the United States, sending

14 tons of gold between 2011 and 2015.⁵⁴ Other entities dealing with Kaloti in Bolivia have also been the subject of international gold trafficking investigations.

Most of the gold was, at least on paper, sent to new markets where Bolivia had no history of exporting gold, including the United Arab Emirates, Italy, and India. As discussed below, the exports to UAE and the Kaloti Group are particularly worrisome, given the extensive suspected criminal activity the U.S. Government has found in that refining sector.⁵⁵

This 350 percent increase in Bolivian gold exports coincides with other major shifts in the regional gold trade tied to TOC activity and massive money-laundering. It was in this time period that the FARC in Colombia began to take over extensive illicit gold mining operations, finding the gold operations to be both less risky and more profitable than growing coca leaves and producing cocaine.

Taken together, all of these events highlight the growing role of the unregulated gold trade in money-laundering activities. Furthermore, the inexplicable jump in Bolivian gold exports indicates Bolivia is likely playing an important but relatively unstudied role in that trade.

Phantom Projects and Irrational Economic Spending

With the gold boom in Bolivia (2013–2014) came a boom of another type—the investment, on paper, of millions of dollars in state-run projects that never materialized and made little economic sense. This is a path well-trodden by other governments in the Bolivarian Alliance and one that usually indicates significant money-laundering activities. One Bolivian investigator monitoring the “ghost projects” estimated that the government has announced the appropriation of some \$2 billion in public expenditures toward such endeavors. The examples noted in the media include:

- A \$19.1 million airport modernization and expansion in the city of Oruro to meet international standards, dubbed the “airport with no passengers” and one with no sign of significant investment and no international flights.⁵⁶
- The Hugo Chávez soccer stadium in the coca-producing region of Chimoré, in the middle of the Chapare jungle, at a cost of \$2.7 million. While the stadium has a capacity for 15,000 fans, only 4,000 people live in the town.⁵⁷
- A bus terminal that on paper cost \$563,000, although the terminal had been built by the time the new project was announced.⁵⁸

- Two investments totaling \$462,000 to build a market where only a shed exists.⁵⁹

A further seemingly inexplicable economic decision, involving tens of millions of dollars, is currently being undertaken between the Morales government and the government of Salvador Sánchez Cerén in El Salvador, another member of the Bolivarian Alliance. Over the past 18 months, Bolivia has purchased some \$201 million in Salvadoran treasury notes (*letras de Tesoro*) that are scheduled to yield more than \$4 million in profits for the Bolivian government.⁶⁰ El Salvador is on the verge of insolvency, and Bolivia has seen only limited economic growth in recent years, making such a purchase on paper not a good fit for either government.

The initial purchase, undertaken in January 2017, was denounced by the limited political opposition that exists in both countries as being highly irregular and nonsensical. It seemed the purchase had not gone through when the Morales government announced it had fired the head of the Bolivian Central Bank for what were dubbed “treasury notes of the lowest quality.”⁶¹ However, the purchase did go forward, at least on paper, and Bolivia received its first payment with interest in June. Market analysts stated that this type of government-to-government transaction is often used to justify the movement of large sums of money in ways that make them appear to be legal.

The Role of the PCC

As in Paraguay, the PCC has gained a significant foothold in Bolivia, primarily in the Santa Cruz and Beni regions that border Brazil. The most visible evidence of this incursion is a series of high-profile bank robberies and the proliferation of cocaine laboratories under PCC control. As in Paraguay, the PCC presence has also created a significant increase in violence in areas that had remained relatively peaceful, despite the longstanding, widespread presence of more traditional and less violent TOC groups.

In the area of Santa Cruz, there has been a major uptick in the number of cocaine processing laboratories discovered and dismantled by authorities; in 2015, 59 laboratories were dismantled in Santa Cruz, including a number of large labs with foreign operators. While it seems that a number of the foreigners involved in the trade are Colombian, Brazilians were also reportedly part of the operations.⁶²

Another Brazilian gang and a key rival of the PCC, Comando Vermelho (Red Command), has been engaging in extortion in the same area, as well as running a high-profile kidnapping operation in Cobija in April 2017.⁶³ Bolivian government officials have expressed concern as Brazilian gangs begin to form a more permanent fixture in the country and the Andean region

as a whole. Bolivian Interior Minister Carlos Romero, commenting on recent criminal activity by Brazilian gangs in his country, stated that the groups “continue carrying out actions aimed at monopolizing the control of drugs.”⁶⁴

As in Paraguay, the PCC are also engaging in high-profile robberies to increase their cash flow. In a July 13, 2017, assault, PCC operatives robbed a Santa Cruz jewelry store using military-grade weapons.⁶⁵ This followed a March 2017 heist, when PCC affiliates (with Bolivian partners) attacked a Brinks Bank convoy, also in Santa Cruz. The convoy was carrying approximately \$1.3 million in cash.⁶⁶ All of this evidence suggests a gradual expansion process by the PCC and other growing TOC groups in Bolivia, a process that aims to control not only trafficking routes but also multiple levels of the supply chain of these illicit commodities.

When considering critical centers of TOC convergence that receive comparatively little attention, the evidence outlined here demonstrates that Bolivia is one of those key areas. The ability of the Morales administration to shield activities within the country from international scrutiny creates significant challenges to gaining a good understanding of Bolivia’s ties to TOC networks. Despite these obstacles, this analysis shows that it is nevertheless worthwhile to continue improving awareness of Bolivia’s role within both the Bolivarian Alliance and illicit regional commodity chains.

Nicaragua and the ALBA Structure

In contrast to the two case studies considered thus far, Nicaragua under President Daniel Ortega shows what a consolidated Bolivarian criminalized state becomes after most opposition is vanquished or bought and the stability of the regime is secured. Because of the reach of the government, the effectiveness of the Russian-assisted intelligence apparatus, and the lack of publicly available documentation (records have been illegally hidden under public records laws), carrying out research in Nicaragua is increasingly difficult, particularly as Ortega has escalated his anti-U.S. rhetoric and aggressively courted the Russians and Iranians as his primary allies.

Despite these difficult circumstances, IBI Consultants field researchers have compiled a great deal of information on the growing role of Nicaragua within the ALBA (the Bolivarian Alliance), as well as the key role the Ortega government plays as a facilitator for multiple TOC groups and extra-regional actors. These actors include Russian intelligence, the Ramiro Network, FARC, Sinaloa Cartel, and others. The information in this section is based on that field research unless otherwise cited.

Nicaragua, despite its small geographic and economic size, is a cornerstone of the Bolivarian Alliance; Ortega possesses proven revolutionary credentials, having successfully led the Frente Sandinista de Liberación Nacional (Sandinista National Liberation Front or, FSLN) revolution that toppled the Somoza dictatorship in 1979. He has a decades-long relationship with the FARC, numerous drug cartels, and international revolutionary movements, including Hizballah, the Basque separatist Euskadi Ta Askatasuna (Basque Homeland and Liberty or, ETA), the Comando Vermelho (Red Command), and others. Ortega's prominence in the Bolivarian bloc has only grown in recent months, as other key allies in El Salvador and Ecuador suffer serious electoral defeats. He has also moved aggressively to ensure the survival of his government by naming his wife, Rosario Murillo, as his vice president, a position from which she exercises considerable power.

However, Ortega and Murillo have also faced unexpected turbulence in April and May 2018. A series of mass protests against the government have gained momentum and the government's violent response has grown, leaving at least 47 dead by May 10, 2018. While the mass marches initially began to protest cuts in the nation's social security system, they quickly morphed into widespread demands that Ortega and Murillo resign. Perhaps most alarming for the Ortega government, the marches and violent protests, which have been rolling, weekly occurrences over the past 6 weeks, have been especially strong in León and other traditional Sandinista strongholds rather than confined to Managua, the capital.⁶⁷ It is the first time in a decade that the Ortega structure has faced significant and widespread discontent and, while unlikely to result in regime change, has significantly weakened his grip on power.

Yet Ortega has demonstrated a capacity to cling to power and ensure his legacy before. When Ortega suffered an unexpected electoral defeat in 1990 that ended his first decade in power, among his last acts in office was to grant citizenship to 990 foreign nationals, including dozens of wanted Spanish ETA and Red Brigade terrorists.⁶⁸ He also coined the phrase "governing from below" to describe the FSLN's strategy of sabotaging each successive government from his 1990 defeat to winning the presidency again in 2006. The strategy entailed crippling the legislative assembly and carrying out mass demonstrations that undermined his successors.

Given that Ortega controls the executive, judicial, and legislative branches of government, he has been able to carry out state-sponsored criminal activity with far less scrutiny than most of his allies. This has permitted him to set up a series of money-laundering and drug trafficking operations across the Pacific coast of Nicaragua, where they can operate with state-guaranteed impunity.

Nicaragua now exports significantly more gold than it produces, and numerous groups from Colombia, Russia, and elsewhere have paid above market rates for gold mines that produce very little gold. Such activities are consistent indicators of illicit economic activity and funds. Nicaragua is not the only Bolivarian Alliance nation to demonstrate this type of behavior. Suriname, as noted, also operates a massive state-sponsored money-laundering operation through a fictional gold refinery.⁶⁹ The two countries are natural allies in their pursuit of illicit activities; Ortega's political and territorial control allows him to act as a key facilitator and enabler of countries like Suriname.

Recent media reports indicate that such an alliance is in motion. Nicaragua and Suriname announced in August 2017 that the two governments were signing an "Agreement of Friendship and Cooperation, with the aim of improving bilateral commercial activity, among other objectives."⁷⁰ Given that bilateral trade between the two nations is less than \$500,000 a year and tourism is nonexistent, the promise of direct flights from Managua to Paramaribo is likely not related to legitimate economic ties. Senior officials from both governments promised to share their experiences in economic sectors where both countries were active, the primary one being gold.

The Role of Russia in Nicaragua

In addition to the facilitation of the criminal activities noted above, Nicaragua has recently overseen a growing and visible presence of Russian diplomats, businessmen, and military personnel. With the collapse of Venezuela, Nicaragua has become a central piece in Russia's regional strategy, at least as important as Cuba. Ortega, a staunch ally of the Soviets and Cubans during the Cold War, views Russia as his natural ally, particularly as his relationship with the United States has fractured over Ortega's increasingly autocratic governing style.

When Ortega and the FSLN reclaimed the presidency in 2006, the initial raft of bilateral agreements with Russia focused on food and agricultural aid and other elements of soft power. However, over time the relationship became almost exclusively based on military and security cooperation. Ortega's public attacks on the United States, a signature of his first years in power but largely muted in the first years following his re-election, have again escalated to a fever pitch, so much so that U.S. diplomats have walked out en masse from events where he has spoken. In July 2017, Ortega announced he would seek \$17 billion in restitution from the United States for American aid to Contra rebels during the 1980s, further souring relations.⁷¹

Instead, the Ortega government has made Nicaragua a Russia-friendly base of operations, where its military ships can dock, its military aircraft can land, and a permanent force of more

than 350 Russian troops can be embedded in different military units across the country.⁷² Key in establishing a Russian military foothold is port access. To that end, knowledgeable sources stated that while the much-publicized Nicaragua Canal is now dead,⁷³ a key component of the project will go through with Russian financing—the building of deepwater ports on both the Atlantic and Pacific coasts. These will give the Russian military permanent access to bases close to the United States. The sharp rise in the presence of Russian troops coincides with the decision to build the deepwater ports, and rotating units of Russian troops are permanently stationed at Puerto Sandino on the Pacific coast and Rosita on the Atlantic coast. “The economic cooperation was a façade,” one analyst told the *Washington Post*. “What the Russians really wanted was a military presence.”⁷⁴

Apart from its public weapons sales and high-level visits, Russia—through its relations with Nicaragua—has staked its boldest claim to providing a presence that directly challenges the United States in multiple spheres of influence. This includes the construction of a regional center for counternarcotics training, intended to be an alternative to the U.S. training and aimed at a primary U.S. interest in the region. There has been limited reporting on the growing Russian presence in Nicaragua and its actions, such as the \$80 million purchase of 50 T-72 tanks in a country in which tank warfare is unknown and impractical. Russia has also made gifts of military equipment to Nicaragua, most recently providing them with two Antonov turbo-prop military transport planes.⁷⁵ Although by no means a massive financial gift, these gestures on the part of the Russians have been increasingly well received in Nicaragua, and are another indicator of the growing bond between the two nations.

Russian Penetration in Nicaragua

Like most things Russian in Nicaragua, the public face of the counternarcotics training center, located on prime real estate in downtown Managua but showing few signs of being used, is deceptive. According to two sources with direct knowledge of events, the center, located about 100 yards from the construction site of the new Russian embassy, has two subterranean floors where only Russians are allowed to enter, and where Russian intelligence services operate state-of-the-art technology for regional espionage efforts. In bronze letters on the side of the building, in both Spanish and Russian, is a plaque proclaiming the building belongs to “the Ministry of Interior of the Russian Federation,” rather than the more traditional note that the building is a gift from Russia or built by the Russian state. “This clearly was meant to convey that this is a building, on foreign soil, of the Russian government,” stated one official familiar with the project. Russian government ownership of the building would allow Russian officials to control

access to the two basement floors. Since the building was inaugurated in early 2017, three diplomatic sources from countries friendly to the United States have begun experiencing numerous and new types of cyberattacks. A confidential analysis of the attacks by multiple embassies concluded that the attacks originated in the Russian compound and were aimed primarily at U.S. allies, including Spain—the leading North Atlantic Treaty Organization representative in Nicaragua—and Mexico, a country that closely coordinates with the United States on counter-narcotics efforts. “We have had three attacks in the first three months, and our communications were taken down on March 21 for more than two hours,” stated one diplomatic source. “We had never had a problem like that before. We were able to confirm it was the Russians who initiated the shutdown.”

Of equal interest is a compound of several buildings being built by the Russians, reported to be the regional headquarters of Globalnaya Navigazionnaya Sputnikovaya Sistema (Global Navigation Satellite System), the Russian GPS system that Russia is marketing on a global level as an alternative to U.S.-based systems. What is striking about the construction of the multistorey satellite tracking complex is that it is strategically positioned on the rim of the Nejapa volcano above the U.S. Embassy, and all the construction crews and equipment are from Russia. Field visits indicate that an elite Nicaraguan military unit heavily guards the area and that the site is walled off, with virtually no access for Nicaraguan citizens. The importance of the installations was signaled by the January 2017 visit of Russia’s Minister of Interior, police general Vladimir Kolokoltsev, who visited the site under construction as well as bases where Russian troops and police advisors are stationed, including spending the night at one installation.

Intelligence officials monitoring the Russian activity in Nicaragua believe the new Russian-controlled physical structures, in addition to the new embassy building being constructed near the counternarcotics center, represent the largest investment Russia has made in electronic surveillance in Latin America since the Lourdes listening station was built in Cuba.

Mutual Benefits

There are multiple benefits to both the Russians and Nicaraguans in this expanded relationship. The Russians will likely try to find ways to access the ARCOS-1 fiber optics cable that runs down the Caribbean coast of Central America from Miami, a main artery of hemispheric communications. The cable has landing sites in both Puerto Cabezas and Bluefields, in Nicaragua, near where one of the deepwater ports is being built. In addition, the new capabilities allow Russia to monitor regional electronic traffic of the United States and its allies, as well as create the capacity to disrupt those communications if desired. In turn, Ortega and his followers get

access to the most sophisticated Russian tools for monitoring their political enemies and feeding the growing state security apparatus.

As noted, the permanent Russian military presence has also been growing steadily in Nicaragua in recent years. The primary base of operations is within the motorized infantry brigade (BIM) in Managua. Within the BIM, the Russian troops have an air-conditioned (unlike their Nicaraguan counterparts) barracks known as El Hotelito. The BIM is the center of military-to-military coordination and is under the command of General Carlos Eduardo Duarte Orozco, a Soviet-trained confidant of Ortega who is the chief liaison with the Russian military.

The Russian military also maintains a smaller presence in Villanueva, in Chinandega Department (state), from where they have easy access to Puerto Corinto on the Pacific coast and where most of the Russian military and construction equipment arrives. There is another small permanent Russian presence, as noted above, in Rosita in the Northern Caribbean Autonomous Region, a well-worn cocaine trafficking region.

In addition to General Duarte, Nicaraguans that directly deal with the Russians include Laureano Ortega, son of the president and vice president; Jacinto Suárez; and Luis Alberto Molina. Suarez is a Soviet-trained intelligence professional who rose through the ranks in Ortega's first presidency to become the head of the "Fifth Directorate," the intelligence structure in charge of maintaining international relations with armed insurgencies in Latin America such as the FARC in Colombia, as well as the Red Brigade in Italy, ETA separatists in Spain, and Irish Republican Army in Ireland. Molina is a former ambassador to Moscow for the Ortega government. He studied in Kyiv during the Cold War and speaks fluent Russian. Molina is currently deputy foreign minister and acts as the point of contact for different Russian interests.

Additional Suspicious Activity

Two other unusual Russian activities in Nicaragua are worth further exploration but have not yet been fully researched. First, there have been odd statements by Nicaraguan and Russian officials that Russia is buying up large plots of Nicaraguan territory in order to grow food products for export back to Russia. In a March 30, 2016, speech to a forum on Russia–Latin America relations, Molina stated that Nicaragua had 4.9 million hectares (12.4 million acres) of arable land, of which only one-fifth was in production. "The rest is waiting for the Russians or other foreign investors to position themselves within our country," Molina stated. He added that Russia would be particularly attractive because, in 2012, the two governments had signed an agreement protecting investments in each other's counties.⁷⁶ There have been numerous Russian delegations surveying land for sale on the Atlantic, a coastal terrain that is hot, humid,

and historically unproductive for most agricultural products. Interestingly, most of the land the helicopter-borne delegations have surveyed is in the vicinity of the deepwater ports under construction for Russian ships. The likelihood, therefore, that the land is actually being purchased to produce agricultural products seems slim.

The second unusual development is the construction and inauguration of the nonfunctioning Mechnikov Biotechnology Plant in Managua. The plant—a joint Russian-Nicaraguan venture supposedly designed to provide vaccinations for the region—was inaugurated with great fanfare in October 2016 by Laureano Ortega. The Russian state reportedly invested \$14 million in the project while the Nicaraguan government invested \$7 million.⁷⁷

The \$50,000-inauguration party, hosted by Laureano at a luxury mansion in the Viejo Santo Domingo neighborhood of Managua, was to celebrate “putting Nicaragua on the world map for vaccinations.”⁷⁸ However, an investigation by *La Prensa* newspaper found that the equipment on display for the inauguration had been rented in an effort to portray the factory as operational when in fact it was not. In the end, as the report noted, the plant had “not produced even one pill over the course of a year.” Instead, Russia imported 60,000 doses of yellow fever vaccines to Nicaragua rather than get the plant operational.⁷⁹ Given the involvement of Laureano Ortega and the official publicity surrounding the plant, the fact that it is not producing anything visible is a significant blow to the prestige of the president, his wife, and his son. Key questions remain unanswered, including the project’s true initial purpose, and why the First Family has let the situation linger so publicly for so long. What is clear is that 10 months after its completion it remained idle. By October 2017, reports from the Nicaraguan press indicated that the plant was on the “verge of collapse” after the discovery and publication of a number of financial irregularities on the project.⁸⁰

Given the analysis outlined above, it is evident that Nicaragua has become a clear center of convergence of extra-regional actors and TOC. From a willingness to accept and support Russian influence in the region, to proving a willing partner in massive criminal money-laundering operations, the country—and in particular the leadership of Daniel Ortega—merits serious and continued consideration.

Connecting the Dots

The territories and commodities that this analysis discusses help to outline a number of key areas throughout the region that enable the growth of TOC groups: the facilitation of illicit activity within criminalized states like Nicaragua and Bolivia, the minimal or nonexistent state presence in the border regions of Paraguay and Peru, and the growing profitability of illegally

mined gold as a commodity and money-laundering modality. As is also clear from the analysis above, none of these issues can be understood without determining the linkages between them—how illegal gold mining in Peru can feed criminal operations in Bolivia, or how Nicaragua’s facilitation of the FARC network allows for a secure, reliable method to launder the former insurgency’s ill-gotten gains.

In the subsequent sections, we provide an overview of how these tools, when integrated into a sophisticated criminal structure, can be used to carry out a wide array of illicit activities. Over the past 5 years, IBI Consultants has researched the Ramiro Network—embedded in the highest level of the government of El Salvador—and its ties to transnational organized crime in Venezuela and Nicaragua, FARC groups, and allies in Colombia and elsewhere in Latin America.⁸¹ IBI Consultants now assesses that this network and its allies, aptly called a “network of networks,” is moving into a new and more sophisticated phase of operations that will be harder to research and more difficult for the U.S. Government to attack should it want to do so. Paradoxically, in a clear demonstration of the weaknesses of sophisticated criminal networks, the Ramiro Network is both expanding to new levels of sophistication and under unprecedented strain across the region. This analysis details the regional reach of the network, as well as the variety of internal and external factors that have weakened the network leaders in El Salvador and Nicaragua and undermined their standing in the region.

The Transition

Over the course of its research, IBI Consultants identified a triumvirate of state and quasi-state oil companies—Petróleos de Venezuela, S.A. (Petroleum of Venezuela or, PDVSA), El Salvador’s ALBA Petróleos, and Nicaragua’s Albanisa—that served as crucial nodes of the initial phase of the network’s primary criminal operation. The purpose of this was to move FARC funds from the jungles of Colombia into the international financial system in anticipation of the successful conclusion of the peace negotiations with the Colombian government. Importantly, all three entities, along with the leaders of the Ramiro Network and FARC, share a deep ideological belief in radical, anti-U.S. populism. The structure was also used to aid and abet the Venezuela regime in its criminal activities. Because the oil business could hide large sums of money moving through the international financial system, most of the laundering activity centered on fictitious oil exports from PDVSA to its partners in Central America.

All three oil companies shared a common ownership. PDVSA, under the leadership of Asdrúbal Chávez, cousin and confidant of former Venezuelan president Hugo Chávez, is the majority owner of both ALBA Petróleos (60 percent) and Albanisa (51 percent). This network of

shell companies, which has interlocking directorships and does hundreds of millions of dollars in business with the other annually, appears to have fulfilled its primary purpose: providing the financial architecture to move billions of dollars—much of it from the FARC—to safe harbor, largely through Panama and then to offshore jurisdictions further afield such as the British Virgin Islands, Gibraltar, and Bermuda. Given the vigor with which the Colombian attorney general has pursued FARC funds inside Colombia, holding the assets outside the country is far safer.⁸² Furthermore, it is evident that at least some key elements of the FARC remain enmeshed in TOC activities; as noted above, a senior FARC commander was recently detained for conspiring to sell 10 tons of cocaine after the peace agreement—cocaine provided by dissident groups of the FARC that failed to demobilize.

The structure's leadership included Tareck El Aissami (a designated drug kingpin by the United States) and Elías Jaua in Venezuela (a designated drug kingpin by the United States), Daniel Ortega in Nicaragua, and José Luis Merino in El Salvador. It has now virtually collapsed. After creating a paper empire of businesses, most of which engaged in little real commercial activity, the twin Alba structures in El Salvador and Nicaragua have simply disappeared.

This particular money-laundering structure was not designed to be permanent. IBI Consultants assesses that the structure moved some \$1.2 billion through the ALBA Petróleos corporate structure, and at least as much—and likely more—through the Albanisa structure in Nicaragua, although IBI Consultants does not have the documentation to identify the operation with the same granular detail as it has in the Salvadoran operation.

The financial figures for both enterprises are striking, given that there is little likelihood they are real economic earnings. On paper, the business model was designed so that PDVSA would sell ALBA Petróleos and Albanisa oil at a discounted price, with up to half the debt to be repaid over 20 years at 1 percent interest. When the businesses started in 2007, PDVSA was flush with oil and the market price was above \$100 a barrel. However, both companies' earnings continued to inexplicably grow strongly even as the price of oil plummeted and PDVSA ran out of oil to sell them.

As ALBA Petróleos shut down its businesses beginning in early 2017, it stated that it had loaned most of its earnings—\$1.1 billion of the \$1.3 billion it had generated—to a series of companies in Panama that the ALBA Petróleos leadership controlled. None of the companies in Panama showed any indication of economic activity. The money was then moved to Panama and then further offshore as loans to front companies.

In Nicaragua, IBI Consultants has reported on instances in which this methodology, a favorite of Ortega, was already used to great effect in state projects such as the nonexistent refinery

named El Supremo Sueño de Bolívar (Bolívar's Supreme Dream) to be jointly built with Venezuela at a cost of \$4.6 billion. The site of the "refinery" holds some old rusting fuel storage tanks, surrounded by a dilapidated fence guarded by a single watchman. There are no workers engaged at the project, yet over the past decade the Nicaraguan government claims to have spent more than \$600 million on the enterprise. IBI Consultants has found numerous other companies, controlled by confidants of the Ramiro Network, that bear similar hallmarks of being enterprises operating under state protection but actually designed to launder funds.

Since the dismantlement of the oil-based laundering scheme, a new laundering architecture, reportedly open to a broader group of illicit actors, has emerged. The new methodology focuses on a more sustainable operation that can absorb large incoming illicit revenue streams on an ongoing basis and can make them virtually impossible to distinguish or seize. Thus, the relatively simple petroleum-based architecture, while highly effective, is being replaced by a much more complex system. This new system incorporates ongoing illicit revenue streams from drug trafficking and other criminal activities. There are four sets of actors in the theater, who, while not new, are significantly changing the dynamics of operations:

- Venezuelan groups tied to Tareck El Aissami, often with extensive U.S. operations, which continue to operate largely without interference to move money and illicit products through the remaining oil export structures of PDVSA.
- Mexican drug tracking organizations, primarily the Sinaloa Cartel, which now maintain a physical presence and control laboratories in Colombia, Venezuela, and parts of the Northern Triangle of Central America, and bring a new style and discipline to cocaine production and movement.
- Groups of FARC "dissidents" who still reportedly maintain close ties to the FARC general secretariat. The secretariat had promised to fully demobilize under the terms of the 2016 peace agreement and turn over all the group's assets, but is in violation of both commitments. These groups control key coca producing and processing areas and gold deposits, both lucrative forms of ongoing financial gain.
- Russian business groups operating in the region, which have demonstrated a willingness to help use and repatriate the funds derived from illicit activities on behalf of the Ramiro Network and its allies.

The Ramiro Network's operations, both since their inception and in their current iteration, ably demonstrate the ways in which forgotten territories and commodities can be leveraged to generate and hide massive gain in criminal proceeds, especially when laundered with the complicity and under the protection of the state. It also exposes the particular challenges for U.S. policymakers in tackling this and similar illicit networks; when TOC groups are able both to form cooperative agreements with one another and to co-opt the institutions of the state to protect and further their activities, they make formidable adversaries for rule-of-law initiatives.

The new structures rely on using the existing criminalized state architecture, in which these networks exercise a high degree of political and economic power (El Salvador, Venezuela, Nicaragua, and Bolivia) to blend the illicit resources that are being held overseas with state enterprises and megaprojects to launder the funds back into the legal economy. Because of the involvement of the state in most cases, identifying and tracing the origin of the illicit funds is much more difficult. In addition, the criminalized states provide stability and impunity, two elements highly valued by both illicit and licit businesses.

The Role of Albanisa

When Albanisa was founded in 2007, immediately after Ortega's election, it was a Venezuelan enterprise rather than a Nicaraguan one. As mentioned, PDVSA owns 51 percent of the corporation, while Nicaragua's *Petróleos de Nicaragua* (Petronic) owns 49 percent. While Asdrúbal José Chávez, the cousin of the late Venezuelan president Hugo Chávez, serves as president, the vice president was José Francisco López, a senior member of Ortega's inner circle and simultaneously treasurer of Ortega's Sandinista party.

Like ALBA *Petróleos*, Albanisa rapidly grew into a multiheaded corporation with interlocking directorates. In turn, these subsidiaries feed money to one another, while driving all legitimate competition into bankruptcy. This strategy provides an ideal structure for laundering large amounts of money. Due to the opacity of the corporate structure and absence of documentation, IBI Consultants has relied on data mining and field interviews to gain a better, albeit partial, mapping of the network.

In early 2018, Freedom House published one of the few serious attempts to unravel the financial structure of Albanisa and its ties to the Ortega family. The study, based on rare access to financial documents, found that Albanisa had put \$1.5 billion into two trusts in *Banco Corporativo*, a bank controlled by the Ortega family and described as "an Albanisa company."⁸³ This valuable window into the amount of money that Albanisa has set aside in opaque and

untraceable accounts offers a glimpse into the amount of money the corporation handles outside of all budgetary or congressional oversight or review.

A partial listing of the companies under the Albanisa umbrella, compiled from open-source data mining, includes:

- Alba Caruna, a savings cooperative whose capital increased from \$3,000 (before being taken over by Albanisa) to \$400 million in 2011, the last year with available records. It currently functions as the mechanism to transfer funds within Albanisa to and from other entities as a second-tier bank.
- Alba Infraestructura, created by Alba Caruna in 2009 and the holder of most of the main infrastructure projects under way by the Nicaraguan government. It has a long history of both failure to complete works as well as massive budget overruns.
- Alba Alimentos, which is responsible for exporting foodstuffs to Venezuela to repay Nicaragua's oil debt. The subsidiary owns the luxury Seminole Hotel in Managua, and a Salvadoran member of ALBA Petróleos sits on the board, showing the ties between the two corporate structures.
- Alba Generación, which runs Albanisa's nine electrical power plants. It has been documented hiring its sister companies to carry out infrastructure improvements and forcing its competitors out of business.
- Alba Transporte, which controls the urban public transit systems, including buses and taxis donated by Russia. The price of maintaining the buses, which the government forced the transportation cooperatives to use, and modifying them to operate in a tropical climate has led to demands to switch to other models.
- Alba Talleres, the company formed to maintain the Russian buses and taxis, is owned and operated by Alba Transporte.
- Alba Depósitos, which operates the oil storage tanks owned by Albanisa. The tanks were confiscated from Esso Standard Oil and thus were free for Alba Depósitos.

- Alba Equipos, which manages a fleet of heavy construction equipment, mostly used by other Alba entities, at costs far higher than free market rates.
- Alba Tecnosa, another construction company originally owned by Albanisa Vice President Jose Francisco López Centeno before becoming part of the Alba family. Tecnosa in turn owns 51 percent of a company named Tectasa. The other 49 percent is owned by the Russian state of Tatarstan, making it a highly unusual company.
- Alba Puertos, dedicated to building and maintaining ports, particularly the deepwater ports under construction in Bilwi and Monkey Point on the Caribbean coast and Puerto Sandino on the Pacific coast. The Russian navy will have unlimited access to those ports.

As a key convergence center, Nicaragua offers other benefits to the Bolivarian Alliance and its allies. Nicaragua's Banco Corporativo, under the direct control of Ortega and López, is reported by reliable sources close to the Ortega family and in the banking community to be one of the main repositories of funds for the FARC and Ramiro Network. The bank is located with Albanisa in the same office. IBI Consultants has also been mapping potential FARC investments in Nicaragua. The key player in this structure is Rubén Dario Granda, brother of senior FARC commander Rodrigo Granda, designated by the U.S. Treasury Department as a major drug trafficker and one of the FARC leaders closest to the Venezuelan regime. One of the Granda-associated front companies was recently identified as a gold mining operation.

Granda, a lawyer by profession, has been living in Nicaragua for 5 years after requesting political asylum there. Operating under Ortega's protection, Granda has been working to establish a series of nongovernmental organizations (NGOs) that will work only in FARC-controlled territory in Colombia in the postwar era. Through these NGOs, the FARC will be able to funnel money back to itself in a virtually untraceable fashion. Granda has also been reportedly investing FARC money in the suddenly booming gold mines on the Atlantic coast of Nicaragua, where the running joke is that the mines produce already-refined gold bars rather than unrefined gold because most of the gold coming from the mines is clandestinely transported to Nicaragua before being exported as Nicaraguan gold. Colombian gold is under international scrutiny because of possible FARC ties, but Nicaraguan gold attracts no additional attention in the notoriously unregulated world of precious metals trading. As discussed, official gold production and export figures demonstrate that Nicaragua consistently exports more gold than it produces.

The FARC Dissidents

The willingness of Central American leaders to support the clandestine efforts of the FARC and FARC dissident structures in carrying out their illicit activities and laundering the proceeds constitutes a significant threat to the fledgling peace process between the FARC and the government of Colombia. Furthermore, as the FARC leadership seeks to launder and use these funds from dissident groups to support their political activities, they are able to exploit convergence centers in order to accomplish their goals. A thorough discussion of the Ramiro Network, therefore, must consider the FARC dissidents and their ongoing activities.

As noted, when the peace agreement between the Colombian government and FARC was signed in November 2016, some key FARC commanders announced that they were refusing to accept the peace agreement and were subsequently formally “expelled” from the party. Since the dissident leaders “left” the FARC, their relationship with the FARC political leadership behind closed doors continues to be the subject of debate among analysts and policymakers; reports from as recently as April 2018 demonstrate that the FARC’s ties to drug trafficking and, by extension, the dissident commanders, likely continue to present day.⁸⁴ Regardless of these reports, it is evident that FARC dissident structures have proved to be one of the largest security threats to the government of Colombia, as well as a major component of the new illicit trafficking structures. As the arrest of Jesús Santrich, a FARC commander, on drug trafficking charges demonstrates, some of these dissident structures are tied to the secretariat, whose leadership is supposed to be demobilized and no longer linked to violence or illicit activity.

While the FARC secretariat has categorically denied any relationship with the dissident groups, there are several factors now showing that those denials ring hollow. First, the internal messages of the FARC’s own leadership bely this denial of cooperation. Second, the government has identified and seized more than \$300 million in FARC assets inside Colombia, despite the secretariat’s repeated statements that it had no assets to turn over.

Just how conspiratorial the FARC leadership has remained has been shown in these recent seizures of FARC assets, totaling almost \$400 million—more than the \$330 million in total assets the group declared at the end of war (a list that included brooms, pots and pans, and trash cans).⁸⁵ The Colombian government landed its biggest blow recently, when Colombian authorities seized a national supermarket chain with 60 stores that had been operating as a FARC money-laundering front for more than a decade.⁸⁶

In a January 2018 letter to Party members, FARC leader Rodrigo Londoño Echeverri, otherwise known as “Timochenko,” reminded the party faithful to maintain a “conspiratorial

spirit, revolutionary vigilance, and constructive distrust” of the government. He stated this was necessary to avoid the state “annihilating us.” “It is very important to maintain discipline in every sense,” he wrote. “Be careful what you write or say on the phone, we must maintain the principle of making sure that if we are going north, they believe we are going south, and set up other ways to communicate besides the telephone, and if you have to call, have pre-established codes to use.”⁸⁷

These and other law enforcement investigations show that the FARC is not only interested in continuing its lucrative illicit activities, but also wishes to maintain a degree of separation between its criminal and political arms. Furthermore, it is evident that the contemporary criminal landscape in Colombia makes it possible for the FARC to accomplish both goals. The history of decades of armed conflict in Colombia has made the government’s demobilization efforts particularly difficult, as the presence of multiple armed groups allows combatants to simply change groups and keep fighting.

As the United Nations (UN) verification mission in Colombia noted in its December 2017 report:

The recent history of Colombia, with the recycling of combatants from one conflict to another, is a reminder that proper reintegration is key to guaranteeing non-repetition. The reintegration of FARC-EP [Ejército del Pueblo or, People’s Army] members involves a set of complex challenges, including the continuing presence of illegal armed groups; thriving illicit economies in many of the areas in which the reintegration process is taking place; a model of productive reintegration that is hampered by the isolation and lack of infrastructure that characterizes rural areas; the lack of experience in Colombia with collective reintegration; and finally, reintegration provisions, agreed in the last phase.⁸⁸

UN officials in Colombia acknowledge that more than half of the approximately 7,500 FARC combatants who demobilized and were to stay in reintegration camps had simply walked out and their whereabouts were unknown. The desertions average about 200 people a month, the majority of whom are believed to have joined other armed groups. This information helps explain why IBI Consultants assesses that it is credible to assume that the dissident FARC groups number well over 1,500 combatants.

IBI Consultants field research shows that well-structured blocs of FARC combatants control key coca growing territory on the Ecuadoran border (formerly the 48th Front); the cocaine

producing and gold mining territory on the southern Venezuela border (formerly the Acasio Medina Front and First Front); and key gold and coltan mining areas inside Venezuela, which operate under the protection of the Venezuelan military (controlled by FARC commander Géner Garcíá Molina, otherwise known as “Jhon 40”). “They are using the same transit corridors they have used historically, but they call themselves different names now,” stated one Colombian official. “They are smaller in number, but [they are] merging with other criminal groups or the ELN (the only formal Marxist insurgency left fighting in Colombia) and keeping control of their old supply and trafficking routes.”⁸⁹

In some cases, the FARC designated some of its cadres to integrate with ELN structures on the ground to engage in criminal activity, particularly the smuggling of gasoline from Venezuela. In other cases, the FARC groups ally with and occasionally fight with other criminal bands. “There is a fusion of selected FARC combatants who didn’t demobilize, invisible people to the military, with the ELN forces, a clandestine transitioning to the ELN,” stated one official. “They are keeping the same corridors for mobility. The dynamic never really changes.”⁹⁰

The relationship between the FARC dissidents and Central American leaders clearly demonstrates the symbiosis that exists between different groups and the kinds of illicit activity across regional borders. It is critical, therefore, to understand these connections, particularly because such information can help identify ways to counteract criminal networks and ensure hemispheric security.

Conclusions

The 2017 National Security Strategy, like the 2011 Strategy to Combat Transnational Organized Crime, correctly identified that TOC/terror convergence is a reality and poses a significant security threat. The most recent strategy also correctly identifies criminalized states as key actors in the new convergence mosaic on a global level.

However, this lens is seldom applied to understanding the security threats emerging from Latin America. This study shows that there are clear examples of TOC groups taking advantage of territories, commodities, and methodologies that incorporate convergence and criminalized states into the toolbox of expanding illicit activities. TOC groups use these tactics, in turn, to both maximize their profits and minimize their risk, while fraying the social fabric of the communities where they operate and undermining the rule of law. In some instances, state governments that host TOC struggle to curtail the scope and breadth of their activities; in other instances, specifically in the case of the Bolivarian Alliance, TOC activity is encouraged and

facilitated by the state, which uses criminal proceeds as a revenue source for top leaders and their political projects.

While some have argued that the deeply criminalized Bolivarian project should be left to collapse under the weight of their leaders' corruption, the cases of Nicaragua, Venezuela, and others demonstrate how TOC activity within a consolidated criminalized state can be virtually impossible to root out. Indeed, rather than collapsing, as might be expected in Venezuela, President Nicolás Maduro has demonstrated an iron grip on power in recent months as millions of Venezuelans continue to suffer. Thus, while countries with stronger electoral and democratic institutions (like Ecuador and Argentina) may eventually roll back attempts to co-opt and control institutions by a criminalized leader, these outcomes are not inevitable. U.S. efforts, in cooperation with Latin American partners, to identify and shutter the commodities, territorial control, and financial structures that allow TOC to thrive can improve democratic governance and further U.S. security interests in the region.

This analysis considers a number of critical factors that currently receive comparatively little attention from the United States. In Paraguay and the adjoining Tri-Border Area, the PCC, radical Islamist groups, and others ably use lax border controls and the disinterest of regional and international authorities to grow their revenues with few checks. In Bolivia and Nicaragua, two of the key leaders of the Bolivarian Alliance, we see that figures like Juan Ramón Quintana are allowed to flourish and that coordination among the Bolivarian allies has created massive and strikingly similar money-laundering opportunities through co-optation of state institutions. Foreign actors like Russia benefit from alliances with criminalized states, where they stand to gain new centers of operation in the hemisphere. In all of these spaces, actors like the FARC dissidents can access the resources they need to carry out and further their criminal enterprises, often rising violent crime rates as they fight other armed groups for territorial control. The easy access and remarkable profitability of illegal gold makes some territories increasingly valuable, as TOC groups can trade in a commodity that is hundreds of times more profitable and easier to transport than cocaine. Ultimately, we see that all of these factors converge into a “network of networks” within the Ramiro Network, a criminal enterprise capable of generating and hiding massive criminal profits in plain sight.

Left unchecked, these networks and their extra-regional allies, primarily united by a doctrine of asymmetrical warfare against the United States, will become a Tier One threat. The dynamics of the illicit trade and criminalized states, with the explicitly stated desire to harm the United States, provide the perfect conditions for such a danger to emerge. As the National Security Strategy notes, more resources are needed to combat these threats. But perhaps more

importantly, the threats must be *understood* at a strategic policy level so that the resources are properly allocated toward defeating the networks.

Notes

¹ *National Security Strategy of the United States of America* (Washington, DC: The White House, December 2017), available at <www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>.

² For a closer look at how criminalized states use transnational organized crime as instruments of state policy in Latin America, see Douglas Farah, *Transnational Organized Crime, Terrorism, and Criminalized States: An Emerging Tier-One National Security Priority* (Carlisle, PA: Strategic Studies Institute, August 2012).

³ On April 9, 2018, Colombian police arrested a former senior Fuerzas Armadas Revolucionarias de Colombia (FARC) commander named Seuxis Paucis Hernández Solarte, better known by his alias Jesús Santrich, on charges of conspiring to export 10 tons of cocaine. The Colombian government agreed that, because the conspiracy began after the peace pact was signed, the commander could be extradited to the United States. Colombian intelligence and law enforcement officials had long believed the FARC general secretariat, of which Santrich was a member, remained in contact with several of the groups that had declared themselves in dissent after the peace pact was signed and continued to engage in the production and trafficking of cocaine, as well as illicit gold trafficking. For more information on the investigation and arrest, see Mimi Yagoub, “Four Troubling Takeaways from FARC Leader’s Arrest,” InSight Crime, April 12, 2018, available at <www.insightcrime.org/news/analysis/4-troubling-takeaways-from-farc-leaders-arrest/>.

⁴ For example, a recent survey from a national newspaper found that in El Salvador, where the MS-13 and 18th Street gangs exercise significant territorial and economic control, 42 percent of respondents reported that the gangs were the entities that truly controlled the country, while just 12 percent of respondents believed the government to be running the country. Regional experts point out that the data underline the massive threat that gangs can pose to the authority and rule of law of democratic states. For more information, see Parker Asmann, “El Salvador Citizens Say Gangs Not Government ‘Rule’ the Country,” InSight Crime, November 8, 2017, available at <www.insightcrime.org/news/brief/el-salvador-citizens-say-gangs-not-government-rules-country/>.

⁵ In recent months, both the Farabundo Martí National Liberation Front (FMLN) in El Salvador and the FARC in Colombia have suffered serious electoral defeats, with the FMLN garnering the worst results since they became a mainstream political party and the FARC winning less than 0.5 percent of the national vote. For more information see “Ruling FMLN Suffers Historical Electoral Upset,” *The Economist Intelligence Unit*, March 8, 2018, available at <<http://country.eiu.com/article.aspx?articleid=76502391&Country=El%20Salvador&topic=Politics>>. See also Joe Parkin Daniels, “Colombian Former Rebels Shunned as Critics of Peace Deal Dominate Election,” *The Guardian*, March 12, 2018, available at <www.theguardian.com/world/2018/mar/12/farc-former-colombian-rebels-cast-votes-elections>.

⁶ For more information on convergence theory and its impact on the study of transnational organized crime, see Michael Miklaucic and Jacqueline Brewer, eds., *Convergence: Illicit Networks and National Security in the Age of Globalization* (Washington, DC: NDU Press, April 2013). See also Douglas Farah, “Convergence in Criminalized States: The New Paradigm,” in *Beyond Convergence:*

World Without Order, ed. Hilary Matfess and Michael Miklaucic (Washington, DC: Center for Complex Operations, October 2016).

⁷ *Money Laundering/Terrorist Financing Risks and Vulnerabilities Associated with Gold*, Financial Action Task Force Report, July 2015, available at <www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-risks-vulnerabilities-associated-with-gold.pdf>.

⁸ Jose de Echave, “La Minería Ilegal en Peru: Entre la informalidad y el delito,” *Nueva Sociedad*, no. 263, available at <http://nuso.org/media/articles/downloads/7.TC_De_Echave_263.pdf>.

⁹ *United States of America v. Juan P. Granda*, 17-MJ-02376, United States District Court for the Southern District of Florida, §§ 14–15, 6.

¹⁰ Kate Hodal, “Illegal Mines and Local Mafia Take Shine Off Latin American Gold,” *The Guardian*, August 16, 2016, available at <www.theguardian.com/global-development/2016/aug/16/illegal-mines-local-mafia-take-shine-off-latin-american-gold-peru>.

¹¹ “The Nexus of Illegal Gold Mining and Human Trafficking in Global Supply Chains: Lessons from Latin America,” Verité, July 2016, available at <www.verite.org/the-nexus-of-illegal-gold-mining-and-human-trafficking-report/>. For further reading, see the *Trafficking in Persons Report* (Washington, DC: Department of State, 2016), available at <www.state.gov/documents/organization/258876.pdf>. The report places Bolivia on the Tier 2 watch list for human trafficking. Suriname is considered a Tier 3 country (that group includes nations with the lowest enforcement levels), and Peru and Ecuador are considered Tier 2 countries. Colombia is ranked as Tier 1.

¹² *Annual Report 2016* (Geneva: Global Initiative Against Transnational Organized Crime, March 2017), available at <<http://globalinitiative.net/wp-content/uploads/2017/05/global-initiative-annual-report-2016.pdf>>.

¹³ *Ibid.*, 11.

¹⁴ There are many instances in which armed groups have clashed in Colombia and neighboring countries (Ecuador and Venezuela). See, for example, Jim Wyss and Kyra Gurney, “Dirty Gold Is the New Cocaine in Colombia—and It’s Just as Bloody,” *Miami Herald*, January 16, 2018.

¹⁵ Venezuela Investigative Unit, “Battle Over Venezuela Gold Behind Killings of Miners,” InSight Crime, March 5, 2018, available at <www.insightcrime.org/news/analysis/battle-over-gold-between-venezuelan-military-and-pranes-is-behind-massacres-of-miners/>.

¹⁶ Jarrod Demir, *Colombia’s Rogue Guerrilla Groups “Expanding and Strengthening”*: Report, Colombia Reports, April 19, 2018, available at <<https://colombiareports.com/colombias-rogue-guerrilla-groups-expanding-and-strengthening-report/>>.

¹⁷ *Annual Report 2016*, 12.

¹⁸ Interdiction rates provided by Unidad de Inteligencia Financiera del Perú. Report on file with the authors. It is difficult to determine how much this increase was caused by gold trafficking and how much is linked to improvements in the interdiction methods employed by the Superintendencia Nacional de Administración Tributaria (National Superintendency for Tax Administration).

¹⁹ Oscar Castilla, Nelly Luna Amancio, and Fabiola Torres Lopez, “Tracing Latin America’s Illegal Gold to the U.S.,” InSight Crime, August 5, 2015, available at <www.insightcrime.org/news-analysis/tracing-colombia-bolivia-ecuador-illegal-gold-to-us/>.

²⁰ Michael Smith and David Voreacos, “Gold Company Manager Charged in Vast Peru-

vian Smuggling Plot,” Bloomberg, March 16, 2017, available at <www.bloomberg.com/news/articles/2017-03-16/gold-company-manager-charged-in-vast-peruvian-smuggling-scheme>.

²¹ Jay Weaver, “Once at Center of ‘Sprawling’ Money Laundering Scheme, Miami Gold Dealers Headed to Prison,” *Miami Herald*, January 19, 2018, available at <www.miamiherald.com/news/local/article195552089.html>.

²² Jay Weaver, “Two Miami Men Convicted of Laundering Billions in Amazon Gold,” *Miami Herald*, September 5, 2017, available at <www.miamiherald.com/news/local/crime/article171311497.html>.

²³ *International Narcotics Control Strategy Report: Drugs and Chemical Controls* (Washington, DC: Bureau for International Narcotics and Law Enforcement Affairs, Department of State, March 2017).

²⁴ “Queman 308 Kg de Cocaína,” ABC Color, January 24, 2017, available at <www.abc.com.py/edicionimpresa/judiciales-y-policiales/queman-308-kg-de-cocaina-1558573.html>.

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²⁷ “Abren Máquinas Traídas por Cártel de Sinaloa,” ABC Color, December 28, 2016, available at <www.abc.com.py/nacionales/abren-maquinas-importadas-por-cartel-de-sinaloa-1551211.html>.

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²⁹ *The World Factbook*, “Paraguay” (Washington, DC: Central Intelligence Agency, 2018), available at <www.cia.gov/library/publications/the-world-factbook/geos/pa.html>.

³⁰ Leonardo Coutinho, “Venezuela e Bolívia são suspeitos de esquema estatal de lavagem,” *Veja* (São Paulo), February 23, 2017, available at <<http://veja.abril.com.br/mundo/venezuela-e-bolivia-sao-suspeitos-de-esquema-estatal-de-lavagem/>>.

³¹ Rachel Brown, “The Tri-Border Area: A Profile of the Largest Illicit Economy in the Western Hemisphere,” Financial Transparency Coalition, June 15, 2009, available at <<https://financialtransparency.org/the-tri-border-area-a-profile-of-the-largest-illicit-economy-in-the-western-hemisphere/>>.

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³⁴ “Paraguay,” 35.

³⁵ This grim assessment was provided by U.S. officials, a senior Secretaría Nacional Antidrogas official, a leading anti-drug prosecutor, a Paraguayan intelligence officer, and an active-duty senior military official during the lead investigator's field trip to Paraguay. The consensus was unanimous about how deeply flawed and corrupt the system is and the inability to make meaningful progress under the current administration.

³⁶ Field interviews in Asunción by lead investigator Douglas Farah, September 2–8, 2017.

³⁷ Internal FARC documents provided to the lead investigator that show Ejército del Pueblo Paraguayo (EPP) training in FARC camps in Colombia.

³⁸ "Paraguay's EPP Rebels Free Two Mennonite Hostages," BBC, February 5, 2018, available at <www.bbc.com/news/world-latin-america-42945657>.

³⁹ Rex Hudson, *Terrorist and Organized Crime Groups in the Tri-Border (TBA) of South America* (Washington, DC: Federal Research Division, Library of Congress, July 2003), 1, available at <www.loc.gov/rr/frd/pdf-files/TerrOrgCrime_TBA.pdf>.

⁴⁰ Report in possession of the lead investigator.

⁴¹ While Comando Vermelho (Red Command) is Brazil's oldest prison gang and has clashed violently in prison with the Primeiro Comando da Capital (PCC), its key rival, experts indicate that the PCC has grown far larger and more organized than the Red Command. For more information, see "Red Command," InSight Crime, April 7, 2017, available at <www.insightcrime.org/brazil-organized-crime-news/red-command-profile/>.

⁴² Rogerio Jelmayer, Kejal Vyas, and Samantha Peason, "Brazilian Gang Enlists FARC Rebels for Drug Trade," *Wall Street Journal*, January 31, 2017, available at <www.wsj.com/articles/brazilian-gang-enlists-farc-rebels-for-drug-trade-1485858609>.

⁴³ While the PCC maintains strong control of routes between Paraguay and Brazil, the Familia do Norte (Northern Family) gang, another Brazilian prison-gang-turned-trafficking group, controls trafficking routes on the border area where Peru, Colombia, and Brazil intersect.

⁴⁴ David Gagne, "Brazil's Biggest Gang Sets Sights on Regional Expansion," InSight Crime, May 31, 2017, available at <www.insightcrime.org/news/analysis/brazil-biggest-gang-sets-sights-regional-expansion/>.

⁴⁵ Reinaldo Chaves, "PCC Cria Narcosul Para Dominar Tráfico Sul-Americano," *Calle2*, January 17, 2017, available at <<http://calle2.com/pcc-cria-narcosul-para-dominar-traffic-sul-americano/>>.

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⁴⁷ Chaves, "PCC Cria Narcosul Para Dominar Tráfico Sul-Americano."

⁴⁸ "Paraguay: roban millones de dólares en asalto comando 'de película,'" *America Noticias*, April 24, 2017, available at <www.americatv.com.pe/noticias/internacionales/paraguay-roban-millones-dolares-asalto-comando-pelicula-n273844>.

⁴⁹ Douglas Farah and Kathryn Babineau, "Suriname: The New Paradigm of a Criminalized State," *Global Dispatch*, Center for a Secure Free Society, March 2017, available at <[42](http://www.securefree-</p></div><div data-bbox=)

society.org/wp-content/uploads/2017/03/Global-Dispatch-Issue-3-FINAL.pdf>.

⁵⁰ All information on Kaloti was included in “Las Rutas del Oro” [The Gold Routes] documentary on illegal mining, from SPDA Actualidad Ambiental, video, 29.28, available at <www.lasrutadeloro.com/desde-manana-estara-en-linea-el-documental-las-rutas-del-oro/>.

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⁶⁷ “Salen a las calles en Nicaragua,” *El Tiempo/Vanguardia* (Barcelona), May 10, 2018, available at <<http://periodicoeltiempo.mx/salen-a-las-calles-en-nicaragua/>>.

⁶⁸ Among the more comprehensive articles on Ortega’s ties to foreign terrorist groups are Tracy Wilkinson, “Nicaragua Pulls Up Red Carpet: Leftists, Idealists, and Fugitives Flocked to Sandinista-led Nation in the 1980s,” *Los Angeles Times*, June 21, 1994, A01; Douglas Farah, “Managua Blast Rips Lid Off Secret Salvadoran Rebel Cache,” *Washington Post*, July 14, 1993, A01. Among the terrorists granted citizenship was Alessio Casimirri, who ran a popular Italian restaurant, Magica Roma, in Managua, despite being tied to the 1978 murder of Italian Prime Minister Aldo Moro. Several members of the Spanish ETA organization were deported, but most of those granted citizenship remain there.

⁶⁹ See Farah and Babineau, “Suriname.”

⁷⁰ “Nicaragua y Surinam Buscan Ampliar Comercio Bilateral,” *El Nuevo Diario* (Managua), August 14, 2017, available at <www.elnuevodiario.com.ni/economia/436838-nicaragua-surinam-buscan-ampliar-comercio-bilatera/>.

⁷¹ “Dogu le responde a Ortega respecto al cobro de los 17 mil millones de dólares,” *NicaraguaPatriaMia*, July 29, 2017.

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⁸⁰ Moisés Martínez, “Planta de vacunas Mechnikoc ‘al borde de colapso,’” *La Prensa* (Managua) October 26, 2017.

⁸¹ See Douglas Farah, “The Criminalized State in Latin America,” in *Kingpins and Corruption: Targeting Transnational Organized Crime in the Americas* (Washington, DC: American Enterprise Institute, June 2017), available at <www.aei.org/wp-content/uploads/2017/06/Kingpins-and-Corruption.pdf>.

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⁸³ “ALBANISA: Cooperación Venezolana en Nicaragua 2008-2017,” *El Tiempo Latino*, April 2018, available at <<http://eltiempolatino.com/documents/2018/apr/08/cooperacion-venezolana-en-nicaragua-2008-2017/>>.

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⁸⁹ Douglas Farah, interview with Colombian military intelligence official, Bogotá, Colombia, June 2017.

⁹⁰ Ibid.

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