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Before the

House Committee on Homeland Security
Subcommittee on Counterterrorism, Law Enforcement and Intelligence

Transnational Criminal Organizations:
The Menacing Threat to the U.S. Homeland

June 7, 2023
310 Cannon House Office Building

Chairman Pfluger, Ranking Member Magaziner and members of the Subcommittee:

Thank you for the opportunity to discuss with you today the issue of Transnational Criminal Organizations and the threat they pose to the Homeland.

The multi-billion dollar illicit economies in Latin America, centered on the cocaine trade but diversifying to new commodities and activities, are undergoing profound restructuring with long-term strategic repercussions for the United States and its allies in the hemisphere.

New actors, new markets and new products are driving fragmentation among traditional groups, consolidation of criminalized economies within the Bolivarian Joint Criminal Enterprise (BJCE)¹ and convergence among different actors that are driving instability and corruption.

The growing, ideologically agnostic criminalized authoritarian model is spreading across Latin America. Authoritarian cliques are staying in power through alliances with transnational criminal structures that renders ideology almost meaningless. This new approach has opened new possibilities for formerly antagonistic groups. One-time ideological opponents are no longer considered enemies, but potential partners who can provide or purchase specific criminal services and financial rewards.

The sustained ability of the Bolivarian authoritarian criminal structures to consolidate and endure in Venezuela, Nicaragua, Bolivia and elsewhere has emboldened new leaders across the political spectrum. These new leaders follow the same playbook to gain a chokehold on state power and the wealth generated by the alliance of states and transnational criminal organizations (TCOs).

This necessitates using the same type of state partnership with an array of illicit actors in order to generate revenues, withstand U.S. economic sanctions, evade accountability and maintain a grip on power. Because they are politically agnostic, leaders of criminalized states often merge across ideological boundaries to move their illicit products or hide their illicit fundings through a shared network of fixers and facilitators.

This dynamic cripples democratic governance and the rule of law by embedding the criminal alliances at the most senior levels of multiple governments. Weakened democratic governance and growing criminal authoritarianism, in turn, greatly undermine U.S. strategic interests and influence by undermining its key allies in the region.

While the world of illicit economies and TCO structures are undergoing a seismic realignment across the hemisphere, many of our strategies to combat these threats remains rooted in the past, often attacking problem sets and issues that were relevant years ago but are no longer part of the landscape.

Much of the law enforcement and intelligence community analysis do not fully grasp the significant implications of the ideologically agnostic criminalized states – that is, states and governments that

¹ We define the Bolivarian Joint Criminal Enterprise as an alliance of criminalized states and non-state actors, led by the Maduro regime in Venezuela, the Revolutionary Armed Forces of Colombia (FARC) in Colombia and the Daniel Ortega regime in Nicaragua. For a full discussion of the BJCE see IBI Consultants deliverable for DAS-D CNGT March 28, 2019, “Maduro’s Last Stand: Venezuela’s Survival Through the Bolivarian Joint Criminal Enterprise.”

actively seek the participation of TCOs as part of their national strategic endeavors. This leads to gaps in understanding how illicit activities are undertaken and who profits from them. The law enforcement and intelligence communities often rely on old paradigms of ideologically driven actors, mono-product cartel structures, and shared values with once-friendly countries. Unfortunately, these paradigms no longer describe the context that allows these illicit economies to flourish, and they do not help law enforcement develop viable strategies to address them.

Few states are wholly criminalized and most operate along a continuum. At one end are strong criminalized states, where the state acts as a partner of TCOs and/or use TCOs as an instrument of state policy. In addition to Venezuela, Nicaragua, Bolivia and Cuba of the Bolivarian bloc these include the countries of the Northern Triangle of Central America (El Salvador, Honduras, Guatemala); while Paraguay and Argentina are moving closer to that end of the spectrum.

At the other end are weak and captured states, where certain nodes of governmental authority have been seized by TCOs, where officials are the primary beneficiaries of the proceeds from the illicit activity but where the state as an entity is not integrated into the enterprise.²

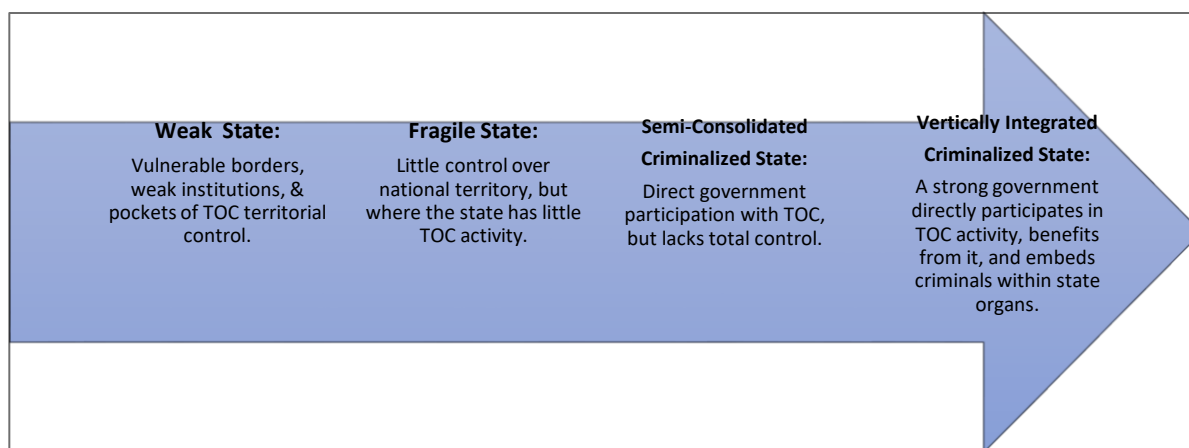


Figure 1: Continuum of state capture from weak state to criminalized state (IBI Consultants)

The framework of the convergence paradigm posits that multiple transnational criminal and terrorist groups – and their enablers, regardless of ideology – work collaboratively when economic or political interests align, and under state protection when such cooperation is mutually beneficial.³ In too many places in the hemisphere, these threat networks co-opted governance structures and penetrated key public institutions and markets. Yet this framework, although repeatedly validated in recent years, is seldom used to analyze threat structures and illicit product pipelines.

²Douglas Farah, “Transnational Organized Crime, Terrorism and Criminalized States in Latin America: An Emerging Tier-One National Security Priority,” U.S. Army War College, Strategic Studies Institute, August 2012, accessed at: <https://press.armywarcollege.edu/cgi/viewcontent.cgi?article=1551&context=monographs>

³ For an examination of convergence theory see: Michael Miklaucic and Jaqueline Brewer, eds. *Convergence: Illicit Networks and National Security in the Age of Globalization* (Washington, D.C., NDU Press, 2013); Douglas Farah, “Convergence and Criminalized States: The New Paradigm,” in *Beyond Convergence: World Without Order*, Ed. Hilary Matfess and Michael Miklaucic, Center for Complex Operations, NDU Press, October 2016.

The result is that now Latin America is facing a “perfect storm of reinforcing economic, criminal and political stresses that is eroding its institutions and economic prospects, radicalizing its people, and undermining its commitment to democracy and the rule of law.”⁴

The massive levels of corruption and multiple, persistent armed conflicts among and between state and non-state actors are key drivers of the regional decline in democratic governance and the wave of authoritarian populism in the hemisphere. The Biden administration designated corruption as a “core United States national security interest” in December 2021,⁵ noting that

In today’s globalized world, corrupt actors bribe across borders, harness the international financial system to stash illicit wealth abroad, and abuse democratic institutions to advance anti-democratic means ... Corruption threatens United States national security, economic equity, global anti-poverty and development efforts, and democracy itself.⁶

While the U.S. has revoked the U.S. visas of several dozen Latin American leaders for corruption, these are executed in a haphazard, episodic manner that do not dismantle criminal structures or lead to asset forfeiture, the true life blood of the corrupt. Significantly more political will and a broader, more coordinated and coherent set of enforcement efforts will have to be employed to dismantle kleptocracies and criminal ruling elites.

This significant reordering of illicit networks structure in the Western Hemisphere is not taking place in a vacuum. The malign influence of China, Russia, and Iran adds new layers of complexity to regional anti-crime strategies.

This is in part because, at the same time illicit economies are expanding, traditional U.S. allies are shifting away from strategic partnerships with the United States to either openly antagonistic relationships or ones of dramatically less strategic engagement.

As Gen. Richardson, commander of US Southern Command, recently stated, the Western Hemisphere is under assault from “a host of cross-cutting, transboundary challenges that directly threaten” the Homeland. She added that:

Transnational criminal organizations (TCOs), which operate nearly uncontested, and blaze a trail of corruption and violence that create conditions that allow the PRC and Russia to exploit, threaten citizen security, and undermine public confidence in government institutions. These threats, along with Iran, corruption, irregular migration, and climate change, all overwhelm the region’s fragile state institutions, springing unrest and increasingly frustrated populations. This combination of factors pushes many political leaders to seek

⁴ Evan Ellis, “Latin America’s Perfect Storm,” Global Americans, August 31, 2022, accessed at: <https://theglobalamericans.org/2022/08/latin-americas-perfect-storm/>

⁵ “Strategy on Countering Corruption,” The White House, December 2021, accessed at: <https://www.whitehouse.gov/wp-content/uploads/2021/12/United-States-Strategy-on-Countering-Corruption.pdf>

⁶ United States Strategy on Countering Corruption, December 2021

resources and support from all sources, including our adversaries who are very eager to undermine U.S. presence and public image.⁷

Already the staunchly anti-U.S. bloc of the BJCE is ensconced in power in Venezuela, Bolivia and Nicaragua while deeply corrupt authoritarian governments in El Salvador, Guatemala and increasingly Honduras, are no longer viable partners for the United States.

In Argentina, President Alberto Fernández announced his country as the gateway to Russian expansion in the hemisphere on the eve of the Russian invasion of Ukraine and following a face-to-face meeting with Vladimir Putin.⁸ He has also granted the PRC privileged access to strategic Argentine state infrastructure and key minerals. These concessions included the construction of an autonomous deep space station, control of a key access point to Antarctica, and access to lithium deposits under opaque contracts.

Brazil's right-wing populist leader Jair Bolsonaro also visited Russia just before the invasion of Ukraine. Bolsonaro declared his solidarity with Russia after meeting Putin and falsely bragged that he had negotiated a peaceful resolution to the looming conflict.⁹

In a sequence that clearly demonstrates blurred ideological lines, Bolsonaro's successor, long-time leftist leader Luiz Inácio Lula da Silva (Lula), went out of his way to downplay Russia's aggression in Ukraine, declare the U.S. was partly to blame for Russia's actions, a publicly embraced Maduro and the region's other authoritarian regimes.¹⁰

In Colombia, which has been the strongest partner of the United States over the past three decades, President Gustavo Petro campaigned on moving away from that close alliance. Since taking office, Petro has consistently bolstered the Maduro regime in Venezuela and used his large social media following to repeat Russian propaganda talking points. Most of Colombia's counter-narcotics efforts have been brought to a standstill by budget cuts, loss of experienced personnel and lack of political will.

This opens the door to the real possibility that the traditionally robust alliance of U.S. strategic partners in Latin America will be reduced to a handful of the smallest countries rather than regional economic and political leaders.

This erosion of alliances comes while traditional actors in criminal economies have remained active – including the Sinaloa Cartel (Mexico), the Cartel Jalisco Nueva Generación – CJNG (Mexico), and

⁷ Statement of General Laura Richardson, Commander, United States Southern Command, Before the 117th Congress, House Armed Services Committee, March 8, 2022, accessed at: <https://www.southcom.mil/Media/Special-Coverage/SOUTHCOMs-2022-Posture-Statement-to-Congress/>

⁸ Federico Rivas Molina, "Alberto Fernández le ofrece a Rusia que Argentina sea su 'puerta de entrada a América Latina,'" El País, February 4, 2022, accessed at: <https://elpais.com/internacional/2022-02-04/alberto-fernandez-le-ofrece-a-rusia-que-argentina-sea-su-puerta-de-entrada-a-america-latina.html>

⁹ Giovanna Galvani, "Bolsonaro em encontro com Putin: 'Somos solidários á Russia,'" CNN Brasil, February 16, 2022, accessed at: <https://elpais.com/internacional/2022-02-04/alberto-fernandez-le-ofrece-a-rusia-que-argentina-sea-su-puerta-de-entrada-a-america-latina.html>

¹⁰ Will Grant and Jaroslov Lukiv, "Lula welcomes back banned Venezuelan leader Maduro," BBC News, May 30, 2023, accessed at: <https://www.bbc.co.uk/news/world-latin-america-65750537>

several thousand dissident members of the Revolutionary Armed Forces of Colombia – FARC (Colombia/Venezuela/Ecuador) divided into different groups.

Amid these changes, new actors such as Albanian organized crime, Turkish criminal groups, Libyan actors and other mafia groups are emerging as significant new players. These groups are changing the dynamics of traditional criminal economies, challenging and upsetting current relationships and offering new paths to expand profits through product and market diversification. Each group brings added prospects of globalization for products, money laundering and exchanges of lessons learned.

New actors, new markets and new products are driving fragmentation among traditional groups, consolidation of criminalized economies within the BJCE and convergence and competition among different actors that are driving instability and corruption. The Mexican CJNG has displaced the Sinaloa cartel as the dominant criminal network, expanding its illicit pipelines from primarily trafficking in cocaine to dominating fentanyl markets, fake pharmaceuticals, precursor chemicals methamphetamines and a host of other products.

Traditional criminal actors based in Colombia and Mexico are now competing with – and sometimes collaborating with – new actors such as transnational gangs in Brazil and Central America, as well extra-regional, non-traditional actors. New actors such as Albanian organized crime, Turkish criminal groups, Libyan actors and Italian mafia groups are emerging as significant new players that are changing the dynamics of these traditional groups, challenging and upsetting current relationships and offering new paths to expand profits through product and market diversification. Each group brings added prospects of globalization for products, new technologies, money laundering methodologies and exchanges of lessons learned.

As attention in the United States is focused heavily on the Russia-Ukraine conflict, and will likely remain so for the foreseeable future, the space for criminal actors and state-sponsored criminal groups to expand under the protection of regional and extra regional governments will likely continue to grow.

Among the most visible effects of the ongoing reordering of illicit economies and networks in Latin America under the protection of a criminalized state is the massive refugee and humanitarian crisis arising from the Maduro regime's repression, corruption and mismanagement. Some 6 million people have fled Venezuela in the past five years, with more than half remaining in camps in Colombia and millions more scattered around the region. This crisis is not the focus of this report but must be noted not only because of the human toll, but because supporting the Venezuelan migrant community strains the humanitarian resources of surrounding countries.

Long-term results of these two major blows to the regions' economies has been to force the state to retrench, leaving broadening gaps for illicit economies to flourish while empowering non-state armed actors that can replace the state. These issues, in turn, make finding viable, sustainable strategies to combat these trends in the near and mid term very difficult, even in the countries where the political will to do so exists.

In this context I and my colleagues at the International Coalition Against Illicit Economies (ICAIE), where I am a senior adviser, in a recent Spring 2023 Policy Brief (<https://icaie.com/2023/04/spring-icaie-policy-brief-emerging-transnational-organized-crime-threats-in-latin-america-converging-criminalized-markets-illicit-vectors/>) identified several emerging

security trends that offer new challenges to law enforcement and policy communities in the region that are far reaching, and threaten to accelerate the negative trends unless dealt with effectively. I summarize our findings in the Policy Brief, below.

Trafficking in Natural Resources: The illicit trafficking of natural resources not only opens new revenue streams for transnational criminal organizations and money laundering avenues, but it is a primary contributor to massive environmental degradation, health hazards, child labor, human trafficking and loss of state legitimacy. The most lucrative commodity is gold -- especially illegally mined gold -- a largely unregulated trade booming across the hemisphere from Venezuela, Colombia, Ecuador, Guyana and in the north to the Madre de Dios regions of Peru and Bolivia and the Amazon Basin in Brazil.

Gold has several advantages that make it increasingly attractive to criminal groups as the formal financial system has put anti-money laundering laws and regulations in place. As the Organization of American States (OAS) noted in a series of reports, illicit gold mining provides fungible assets that are easy to transport, largely impossible to trace once out of the ground, and readily convertible in markets around the world.¹¹

The price of gold has risen sharply in recent years, meaning in many places, mining gold illegally is more profitable for miners in the jungles of South America than planting coca crops to produce cocaine.¹² If gold is moved at 95 percent purity or below it does not legally have to be declared a financial instrument. This makes it easy to move nearly pure gold to a financial hub without declaring it, refine it *in situ* and have gold that can be turned into cash immediately in ways that avoid the formal banking system. This process enables criminals and kleptocrats to exploit gold markets as a way to launder dirty money.

The Maduro regime in Venezuela has raised hundreds of millions of dollars through the sale of illegally mined gold, often with the support or proxy actions of Colombian non-state armed actors affiliated with different groups of the Revolutionary Armed Forces of Colombia (FARC) dissident factions. Large gold refineries in the United Arab Emirates, United States and elsewhere have been sanctioned for their massive failure of their own “know your customer” rules and due diligence. One refinery in Suriname helped the FARC, the Maduro regime and Mexican cartel launder hundreds of millions of dollars through illicit gold and falsified gold invoices.¹³

As U.S. pressure to stem the flow of what human rights groups and others call “blood gold” to the international market has increased, growing amounts of gold have flowed from Venezuela, Nicaragua, Suriname, Ecuador and elsewhere to state actors and criminal enterprises operating outside of the hemisphere, including Turkey, China, Kenya, the United Arab Emirates and

¹¹ “Tipologías y señales de alerta relacionadas con el lavado de activos provenientes de la minería ilegal en América Latina y el Caribe,” Organization of American States, Department Against Transnational Organized Crime, January 2022, accessed at: <https://www.flipsnack.com/dcmcenter/doc-tipolog-as-y-se-ales-de-alerta-mineria-ilegal-esp.html>

¹² Javier Villalba, “Colombia Drug Trafficking Money Laundered Through Modified Gold,” InSight Crime, June 17, 2021, accessed at: <https://insightcrime.org/news/urabenos-gold-launder-drug-money-colombia/>

¹³ Douglas Farah and Kathryn Babineau, “Suriname: New Paradigm of a Criminalized State,” Global Dispatch, Center for a Secure Free Society, March 2017, accessed at: <https://www.securefreesociety.org/wp-content/uploads/2017/03/Global-Dispatch-Issue-3-FINAL.pdf>

elsewhere.¹⁴ In recent years, China has become an increasingly important market for gold mined by the Maduro regime, which often the allied regime of Daniel Ortega in Nicaragua to move the gold to market.¹⁵ A group of Libyan middlemen who had long ties to the Gadhafi regime's sanctions evasion efforts in the 1990s are key facilitators in this new criminal convergence space.¹⁶

The Ascent, Diversification and Expansion of the Cartel Jalisco Nueva Generación (CJNG): The CJNG in the past three years has emerged as the most prominent cocaine trafficking organization in Latin America, surpassing the Sinaloa Cartel and other Mexican and Colombian trafficking structures. It now operates in at least 29 of Mexico's 33 states, as well as northern Central America, Ecuador, Colombia and Venezuela.¹⁷ It is also expanding its operation and corruptive influence in different parts of the world.

In order to achieve this, the CJNG has successfully focused on:

- Expanding its territorial control in multiple jurisdictions in order to control all illicit activities rather than just operating as a cocaine *plaza*;
- The indiscriminate use of widespread violence to combat other cartels, law enforcement, perceived enemies such as journalists, and would-be competitors and successfully targeting high profile targets;
- A rapid scaling up of its business opportunities inside and outside of Mexico while moving to diversify its portfolio and develop new methodologies for laundering and moving its illicit proceeds.

A primary area of the CJNG's expanded and diversified economic profile now includes a growing dominance in the trafficking of fake medicines and counterfeit pharmaceuticals, a multi-billion illicit industry repeatedly traced back to this cartel. In Mexico, sixty percent of commercially sold pharmaceuticals are counterfeit, expired, or stolen.¹⁸ Pirated pharmaceuticals are most common in Guanajuato, Jalisco, Guerrero, and Michoacan. The medicines are sold online, in the informal economy, and in professional brick-and-mortar pharmacies, where CJNG liaisons force pharmacists and storekeepers to sell and store them alongside real medicine.

Counterfeit pharmaceuticals are often sold for a fifth of the price of real medicine. Fake medicine has included treatments for HIV, cancer, osteoporosis, diabetes, blood pressure, cholesterol, and

¹⁴ See for example: Carina Pons and Mayela Armas, "Venezuela sold 73 tonnes of gold to Turkey, UAE last year: Legislator," Reuters, February 6, 2019, accessed at: <https://www.reuters.com/article/us-venezuela-politics-gold/venezuela-sold-73-tonnes-of-gold-to-turkey-uae-last-year-legislator-idUSKCN1PV1XE> ; and "Gold and Grief in Venezuela's Violent South," International Crisis Group, February 28, 2019, accessed at: <https://www.crisisgroup.org/latin-america-caribbean/andes/venezuela/073-gold-and-grief-venezuelas-violent-south>

¹⁵ Yalilé Loiza, "La OEA advirtió sobre el incremento de comercio de oro desde Ecuador a China," Infobae, February 1, 2023, accessed at: <https://www.infobae.com/america/america-latina/2023/02/01/la-oea-advirtio-sobre-el-incremento-del-comercio-ilegal-de-oro-desde-ecuador-a-china/>

¹⁶ For details see: Douglas Farah and Marianne Richardson, "Dangerous Alliances: Russia's Strategic Inroads in Latin America," Institute for National Strategic Studies, National Defense University, Strategic Perspectives 41, December 2022, accessed at: <https://inss.ndu.edu/Portals/68/Documents/stratperspective/inss/strategic-perspectives-41.pdf>

¹⁷ IISS Armed Conflict Survey, 2022. Data from the Mexico Ministry of Finance and Public Credit.

¹⁸ Castillo Garcia, Gustavo. "Se apodera el 'CJNG' de la producción de medicinas 'piratas'". La Jornada, 17 March 2020. <https://www.jornada.com.mx/ultimas/politica/2020/03/17/se-apodera-el-cjng-de-la-produccion-de-medicinas-piratas-9877.html>

obesity.¹⁹ Pharmacists who oppose the sale of the counterfeit medicines, do so at risk to their own lives.²⁰

The cartels' expanded trafficking in counterfeit pharmaceuticals includes pills that are cut with illegal drugs, notoriously fentanyl, or fentanyl disguised as other pharmaceutical products. Many counterfeit pharmaceuticals connected to the CJNG and other cartels contained fentanyl, including counterfeit Oxycodone, Xanax, and Roxicodone.²¹ These pills were milled in pill presses to mimic legitimate pharmaceuticals. Including fentanyl in the recipe for these drugs makes drug trafficking even more profitable and harder to detect, as cartels can package the substances into ever-smaller bags, spread them among an ever-wider network of distributors, and achieve the same or greater levels of usage.²² Increasingly, the cartels have also started mixing fentanyl with xylazine—a sedative used in cow and horses-- and found in many cities across the United States which causes severe skin ulcerations, necrosis, and can result in amputations if left untreated.

The CJNG is sourcing the precursor chemicals for fentanyl production from the same suppliers – largely Chinese and Indian – used by other cartels, including the Sinaloa cartel.²³ The Asian suppliers sell to precursors to large Mexican companies and primarily imported through the Lázaro Cardenas and Manzanillo ports.

The link between expanded fentanyl production and supply of precursor chemicals makes controlling ports, especially vital ports such as Lázaro Cardenas and Manzanillo, critical for cartel economic supremacy. Whoever controls the ports has a stranglehold on the production of the new synthetic production line, and related illicit markets.

The Evolution of the MS-13 and PCC Gangs into Transnational Criminal Organizations:

Since their emergence in the criminal landscape as prison-based gangs in the mid-1990s both the MS-13 (*Mara Salvatrucha*) in Central America and the PCC (*Primeiro Comando da Capital*) in Brazil have been identified primarily as street thugs known for their ruthless violence, flashy tattoos, neighborhood extortion rings and cultural insularity. While that typology was true for many years, both groups have now grown into transnational criminal threats, making the past nomenclature both obsolete and inaccurate.

As I have argued in recent academic publications and policy discussions that this coalescing of transnational criminal groups that have moved beyond gangs to Community Embedded

¹⁹ “El CJNG extiende sus tentáculos criminales: así trafica medicamentos piratas en Mexico.” Infobae, 17 March 2020. <https://www.infobae.com/america/mexico/2020/03/17/el-cjng-extiende-sus-tentaculos-criminales-asi-trafica-medicamentos-piratas-en-mexico/>

²⁰ Castillo Garcia, Gustavo. “Se apodera el ‘CJNG’ de la producción de medicinas ‘piratas’”. La Jornada, 17 March 2020. <https://www.jornada.com.mx/ultimas/politica/2020/03/17/se-apodera-el-cjng-de-la-produccion-de-medicinas-piratas-9877.html>

²¹ Atlanta-Carolinas High Intensity Drug Trafficking Area’s 2019 Threat Assessment. https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/AlcoholDrugAbuse/Drug_Trafficking_Threat_Assessment.pdf

²² “La estrategia del CJNG y el Cartel de Sinaloa para inundar Estados Unidos con fentanilo.” Infobae, 12 May 2022. <https://www.infobae.com/america/mexico/2022/05/13/la-estrategia-del-cjng-y-el-cartel-de-sinaloa-para-inundar-estados-unidos-con-fentanilo/>

²³ Asmann, Parker. “Mexico’s Sinaloa Cartel, CJNG Share Fentanyl Chemical Suppliers.” InSight Crime, 16 November 2022. <https://insightcrime.org/news/mexico-sinaloa-cartel-cjng-chemical-suppliers-fentanyl/>

Transnational Armed Groups (CETAGs) in informal and imperfect alliances, pose enormous and little-understood challenges to U.S. strategic interests and the U.S. ability to effectively respond to broadening hemispheric instability. Rooted in their communities, this type of criminal group is likely to expand across the hemisphere.

The MS-13, primarily operating in the Northern Triangle of Central America (El Salvador, Honduras, Guatemala) and the PCC, based in São Paulo (and active in most Brazilian states), are now both tier one criminal/political/military threats to hemispheric stability.²⁴ The groups – no longer gangs but transnational criminal structures – are becoming more deeply enmeshed in the global drug trade, the body politic, and armed conflicts in the hemisphere. Both structures are rapidly amassing formal political power and seek new alliances with each other and other state and non-state armed actors to achieve their goals of becoming major criminal enterprises embedded in the state. In addition, both groups share important characteristics. These include:

- A hierarchical structure that is both rigid and allows for local autonomy. At the highest levels, the hierarchies are pyramid shaped. Leaders achieve coordination through bodies known as *sintonias* (PCC) and *ranflas* (MS-13), but local groups have significant freedom in implementing the strategic decisions the leadership makes;
- Members aspire to visible trappings of wealth and economic success (weapons, cars, luxury houses, beautiful women, jewelry);
- An increasing reliance on local, retail drug sales (*narco menudeo*) to create local demand and provide income that allows them to diversify their criminal portfolios and move away from deeply unpopular revenue streams such as extortion in the neighborhoods they control. The retail sales include cocaine, crack cocaine, chemical-laced marijuana called *kerispy* and generate the bulk of revenues for both groups; prostitution; human smuggling and other high-end illicit activities;
- A reliance on territorial control in heavily populated areas such as national and regional capitals, as well as key drug trafficking routes, to gain political and economic leverage and vertically integrate their trafficking structures;

In addition, both groups have reached some understanding with the Maduro regime in Venezuela and allied criminal structures operating in Venezuelan territory to acquire cocaine and weapons, and both rely on territorial control as their primary claim to legitimacy.

These groups have replaced the state as the arbiter of power across most of the areas where they operate; they have more legitimacy in many ways than government institutions.

²⁴ A tier one, or existential threat is considered to be among the most serious of all threats to national security, and has been defined as a that that would “deprive the United States of its sovereignty under the Constitution, would threaten the territorial integrity of the United States or the safety within U.S. borders of large numbers of Americans, or would pose a manifest challenge to U.S. core interests abroad in a way that would compel an undesired and unwelcome change in our freely chosen ways of life at home.” See Louis Jacobson, “Is ISIS an ‘existential threat to the United States,’” PolitiFact, November 16, 2015.

The MS-13 remains largely confined to northern Central America and the United States, with a growing presence in Mexico. The MS-13 poses an existential threat to the governments of El Salvador and Honduras, both small countries whose primary strategic importance derives from their proximity to the United States. The group is expanding territorial control, infiltrating the police and negotiating pacts with governments that have increased the group's engagement in cocaine trafficking, production and retail. While moving aggressively to take over cocaine trafficking routes in the region, the MS-13 is far less involved in the transnational drug trade than the PCC. However, most of the MS-13 activities directly impact the United States, making it a more direct challenge.

The MS-13 – initially formed in prisons in Los Angeles, California in the 1980s before many were deported back to post-conflict Central America in mid-1990s²⁵ – has long been recognized as a significant strategic challenge for the United States, in part because of its U.S. roots and ongoing proximity and engagement across the U.S. In 2012 the group was declared “significant transnational criminal organization” by the U.S. Treasury Department.

While the PCC, unlike the MS-13, does not have operational U.S. branches and does not operate near a U.S. border, this CETAG has a demonstrated capacity to disrupt and destabilize multiple countries in the hemisphere – most notably Paraguay and Bolivia – as well as the operational capacity to deliver cocaine and other illicit products to Brazil, Africa and Europe. This broad reach, now extending into Colombia, Peru and Venezuela, in turn, drives massive corruption and is spurring the groundwork for state collapse in multiple countries. The cumulative impact poses a significant strategic threat to the United States and its hemispheric allies.

The Emergence of New Extra-Regional Criminal Structures: For most of the history of large-scale cocaine production and shipments in Latin America, the primary operational groups were Colombian or Mexican, with Caribbean groups and Central American structures playing a lesser role. With the diversification of both markets and products, the face of transnational organized crime in Latin America is growing much more diverse.

Now, operating along side – and sometimes in competition with – the fragmenting and realigning regional structures, there is a growing presence of Eastern European, Chinese, Turkish, Italian and Balkan syndicates vying for space.

There are many other indicators of growing extra regional actors in the region. Albanian, Kosovar and Greek criminal groups are competing alongside Mexican cartels for power in Ecuador.²⁶ An Albanian national, reportedly an important link between South American drug trafficking networks and Balkan criminal networks, was shot to death in a restaurant in Guayaquil in late January 2022.²⁷

²⁵ In the mid-1990s, as the civil wars in Central America ended, the Clinton administration began deporting thousands of gang members as they completed their prison terms in the United States, primarily California, flooding the Northern Triangle with thousands of violent felons the reconfigured back into the mirror images of the gangs they had formed in the United States. For a detailed look at the policies and history of the gang deportations and enormous difficulties this policy has caused in Central America, see Ana Arana, “How Street Gangs Took Central America,” *Foreign Affairs* 84, no. 3 (May/June 2005): 98–110.

²⁶ <https://www.wsj.com/articles/drug-trail-from-europe-to-ecuador-inside-the-hunt-for-elusive-narco-suspect-dritan-rexhepi-11637756980>

²⁷ Mistler-Ferguson, Scott. “Albanian drug traffickers jockey for position in Ecuador.” *InSight Crime*, 28 February 2022. <https://insightcrime.org/news/albanian-drug-traffickers-jockey-for-position-in-ecuador/>

The Ecuadoran media has confirmed at least six murders of Albanians since 2019. Turkish organized crime has been developing inroads into Venezuela since at least 2020²⁸ and in November 2022, Panama's role as a central logistics hub for extra-regional criminal organizations came to light. Authorities arrested 49 people in Dubai, Spain, France, Belgium, and the Netherlands, all with alleged ties to the so-called 'Super Cartel'. Defendants were allegedly coordinating a massive drug trafficking operation out of Panama with support from leading cartels in Ireland, Italy, Bosnia, the Netherlands, and Morocco.²⁹ According to Panama's attorney general, Panamanian nationals had been helping the Super Cartel move drugs and maintain communications around the world.

Italian organized crime, in particular groups with ties to the 'Ndrangheta, are also active in Argentina and Chile, with ties in Central America along drug trafficking routes to Europe.³⁰ Cocaine seizures in Portugal in August 2022 also indicate comprehensive collaboration between prominent Brazilian criminal groups, in particular the PCC, and West African groups operating out of Angola and Guinea Bissau.³¹ Guinea Bissau has long been identified as a narco-state, with drug kingpins able to live freely and openly outside the capital with no threat from law enforcement.³²

Conclusions:

Latin America is facing a "host of cross-cutting, transboundary challenges" that directly threaten not only U.S. strategic interests, but the key pillars that have sustained long-standing partnerships across the region to jointly face myriad common issues. As illicit networks expand their territorial control, ecosystems of corruption, political power and product lines, they are aided and abetted by extra-regional actors such as China, Russia and Iran who undercut the rule of law and directly challenge U.S. goals and initiatives in the Western Hemisphere.

As traditional transnational organized criminal groups have formed new alliances with non-state extra-regional networks and merged with regional criminalized state actors, the United States is very likely facing an unprecedented loss of key allies and U.S. influence in the hemisphere. The terrain that is lost will likely prove very difficult to regain as states continue to deal with the fallout of the COVID-19 pandemic and the ongoing Venezuelan humanitarian crisis.

Russia and China view Latin America as a key theater of great power competition, and act accordingly. The United States must forgo the complacency inherent in having been most of the region's international partner of choice for a century, and seek creative new engagements with its partners. Higher-quality, more comprehensive, and more sustained engagement with the right communities will go far to strengthen democracy, civil society, and regional stability.

²⁸ "Turkish organized crime boss: to evade DEA and ship cocaine to middle east, Erkan Yildirim, son of former Prime Minister and Parliament Speaker Binali Yildirim, close friend of Interior Minister Suleyman Soyly, recently established 'New Headquarters' in Venezuela." Memri, 26 May 2021. <https://www.memri.org/reports/turkish-organized-crime-boss-evade-dea-and-ship-cocaine-middle-east-erkan-yildirim-son>

²⁹ Ballestin, Raquel. "Panama becomes logistics hub for drug trafficking 'Super Cartel'." InSight Crime, 9 December 2022. <https://insightcrime.org/news/panama-logistics-hub-drug-trafficking-super-cartel/>

³⁰ Alvarado, Isaias. "Este pais de America es el nuevo 'paraiso' de carteles y su fama de tranquilo se esta diluyendo." Univision, 25 July 2021. <https://www.univision.com/noticias/narcotrafico/este-pais-es-el-nue>

³¹ Ford, Alessandro. "Portugal fighting back against rising tide of cocaine." InSight Crime, August 2022. <https://insightcrime.org/news/portugal-fighting-back-against-rising-tide-cocaine/>

³² Dalby, Chris. "Record cocaine hauls confirm Guinea-Bissau's 'narco-state' reputation." InSight Crime, 25 September 2019. <https://insightcrime.org/news/analysis/guinea-bissau-colombia-cocaine-hauls/>

The sheer number of violent, criminal networks now controlling territory and wielding political power— some of them protected by member states of the BJCE – mean the desired end state of stability will prove elusive for many communities. The same forces wield massive corruption networks to undermine rule of law, hollow out state institutions, weaken civil society and drive violence and irregular migration.

The United States has an underutilized toolbox that can be deployed to reverse these worrisome trends, but new policy initiatives, backed by resources, must be deployed quickly or the costs of these trends will be even higher.

In order to counter the current trends in Latin America, the United States must take short-term actions that support a long-term strategy of re-engagement and partnership. These include:

- Getting U.S. ambassadors confirmed and in place in key countries across the region would be an important and achievable first step. The lack of ambassadors feeds the perception that the U.S. does not prioritize the region and provides less robust engagement at senior policy levels.
- Redefine who the United States is willing to strategically partner with away from the traditional right vs. left paradigm to one that prioritizes democratic governance, rule of law and anti-corruption efforts. This would open the doors to meaningfully engage with the new governments of Chile and Honduras more robustly while making countries like Argentina and Brazil less central for policy initiatives.
- Fully embrace the Biden administration's twin policies of combatting transnational organized crime and corruption as priorities. This includes funding and implementing unfulfilled and unfunded initiatives to create task forces to work with regional partners on these issues and empower civil society to participate in these struggles.
- As part of the whole of government agenda, refine and prioritize combatting illicit networks, particularly those linked to state actors such as Venezuela and Nicaragua. This not only combats corruption but weakens the criminalized states and their non-state actors. Use the Summit of the Americas event in June 2022 to reset U.S. engagement in the region with a clear articulation of priorities, while highlighting the advantages partnership with the U.S. offers as opposed to the consequences of allying with Russia, China or Iran.