



Kingpins and Corruption

TARGETING TRANSNATIONAL ORGANIZED
CRIME IN THE AMERICAS



**AEI WORKING GROUP ON TRANSNATIONAL
ORGANIZED CRIME IN THE AMERICAS**

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Executive Summary

Transnational organized crime resides at the heart of nearly every major threat confronting the Americas today, whether it is the deadly opioid crisis hurting US communities, the catastrophic collapse of oil-rich Venezuela, or debilitating gang violence throughout Central America, which spills over into the streets of American cities. These crises can be traced to criminal networks that garner billions from the production of illicit drugs, human trafficking, and extortion.

These organizations relentlessly attack democratic institutions and the rule of law, stunting economic growth and stifling legitimate commerce and investment. Their criminal networks, largely bankrolled by consumers of illicit drugs in the United States and Europe, respect no borders and operate with virtual impunity in countries ravaged by corruption and violence.

Disrupting those transnational operations requires international cooperation, and for decades, US aid and diplomacy has prioritized this partnership. Regrettably, political developments have undermined the willingness or capability of key states in the Western Hemisphere to effectively implement efforts against transnational organized crime.

Now, more than ever, the United States must work with regional allies to restore the hemispheric coalition against transnational organized crime. US policymakers can lead the way by applying asymmetrical tools, such as financial sanctions targeting transnational organized crime kingpins and corrupt officials, and working to enhance local enforcement capabilities and promote economic development. Such proactive engagement signals US resolve to confront the transnational organized crime threat and levels the playing field for states that lack the resources to confront these powerful syndicates.

This report focuses on the threat posed by transnational organized crime in the Americas, elucidating

a series of effective policy prescriptions for Congress and the Trump administration. The report's seven sections present an overview of tools available to the government and spotlight transnational organized crime threats that demand more attention and action from US authorities.

- The US government has the means and legal framework to counter transnational organized crime. However, effectively implementing such policy will require strong political will and the proper allocation of resources.
- As Colombia begins implementing its peace accord with the Revolutionary Armed Forces of Colombia (FARC), dissident guerrillas and the country's other organized criminal groups threaten to undermine this major undertaking. These dissidents' deep ties to demobilized FARC leaders and the cocaine trade, their international connections, and their historical control over a significant portion of the FARC's financial assets demand special attention.
- Venezuelan government officials are actively involved in international crime and using state resources, including military assets, to support illicit activities such as money laundering and drug smuggling. These officials also have collaborated with extra-regional actors such as Iran and Hezbollah, incorporating them into their criminal networks.
- Iran has gradually increased its official profile and influence in Latin America in recent years. Connections to Lebanese Shi'a expatriate communities enable Iran and its proxy Hezbollah to operate clandestinely in the region. Hezbollah's

integration into the region's existing transnational criminal networks poses a severe threat to US and regional security.

- The adaptability, endurance, and ruthlessness of gangs in Central America make them a unique transnational criminal threat that destabilizes the region. Gangs such as MS-13 are working to diversify their criminal activity, integrating themselves into drug trafficking operations and even political activity, with mixed results.
- Corrupt officials in Central America actively participate in and support a larger network of international illicit financing and smuggling. In El Salvador, Farabundo Martí National Liberation Front leader José Luis Merino acts as the country's primary "fixer," using his influence and international connections to finance and launder money for drug traffickers and corrupt Venezuelan officials.
- Despite concerted government efforts, violence and associated mortality rates have spiked in Mexico in recent years. New approaches and honest recognition of underlying causes by both the United States and Mexico are required to effectively confront the threat.

Key Findings and Recommendations

- Key enforcement mechanisms and policy options available to the US government to counter transnational organized crime remain underused and under-resourced. The US government should reevaluate the allocation of resources involved in countering transnational organized crime in the Americas. It should also more aggressively use enforcement mechanisms at its disposal (such as sanctions and criminal prosecution) to degrade threat networks and promote regional security and development cooperation.
- To ensure the prospects for peace in Colombia, the US government should target, seize, and repurpose illicit funds hidden abroad by the FARC. It should ensure that these funds are devoted to the successful implementation of the peace agreement. At the same time, it should support Colombia's security forces seeking to deny criminal groups the opportunity to fill the void left by the FARC's eventual demobilization.
- US policymakers should continue applying sanctions against key Venezuelan officials whose criminal activities help sustain the authoritarian regime. Sanctioning officials such as Diosdado Cabello would further expose the regime's rampant criminality and undercut its oppression of the Venezuelan people.
- Latin American states that lack counterterrorism legal frameworks could benefit from US assistance in developing a legislative agenda to address this problem. The US government can also expand its own legislation, including the Hezbollah International Financing Prevention Act of 2015, to better target terror groups operating in Latin America.
- To dismantle criminalized state structures, the US should target their key enablers, including Salvadoran kingpin José Luis Merino, with financial investigations and sanctions. It should also support the anticorruption efforts of attorneys general and advocate for adopting internationally backed anticorruption bodies.
- The United States can help address the roots of the gang problem in the Northern Triangle countries of Central America by helping them overhaul their overcrowded and insecure prison systems and coordinating with them on deporting and reintegrating gang members. It also should work with local governments to address underlying causes of proliferating gang membership and violence.

- Fighting transnational organized crime in Mexico is a complicated task that requires adequate human and material resources, efficient law enforcement agencies, and willing partners to fight a threat that evolves, adapts, and operates across national borders. The US and Mexico should modernize their cooperation on

countering transnational organized crime based on a recognition of the structural corruption in Mexico that undermines the rule of law, law enforcement efforts, and international cooperation. Also, US authorities should consider closing legal loopholes related to arms exports and opioid prescriptions.

I. US Policy Tools for Combating Transnational Organized Crime

Transnational organized crime, with its unprecedented wealth and influence, has become the most significant threat to security and prosperity in the Americas. The US government considers transnational criminal organizations (TCOs) a pressing threat to national security and has implemented initiatives, such as the 2011 Strategy to Combat Transnational Organized Crime and the 2017 “Presidential Executive Order on Enforcing Federal Law with Respect to Transnational Criminal Organizations and Preventing International Trafficking,” to better detect, disrupt, and dismantle these criminal networks. The Trump administration has the opportunity to intensify these efforts by exercising and expanding prosecutions, sanctions, and enforcement agencies’ legal authorities; allocating additional investigative resources; and demonstrating the political will to bring TCOs to justice, seize their assets, and deny them access to the international financial system.

Illicit networks comprised of terrorists, criminals, and proliferators have increasingly capitalized on globalization to expand their nefarious agendas, exploiting global supply chains across multiple platforms to move goods, people, services, and data. And while terrorists are traditionally driven by fanatical ideology, TCOs are motivated by profits, and they meet international demand for illegal products and contraband through illicit activities.

Recently, terrorism and crime have converged, with these groups sharing operating areas, intelligence, tactics, and resources to undermine nation-states. For example, the Revolutionary Armed Forces of

Colombia (FARC) has capitalized on global demand for cocaine and used its illicit trade to sustain its insurgency and terror campaign against the Colombian government for more than 50 years. Other groups such as the Lebanese Hezbollah leverage segments of the Lebanese Shiite diaspora in Latin America and elsewhere to raise charitable donations, launder the proceeds of crime, and engage in trade-based money laundering to finance their terrorist agenda.¹ Thus, as globalization continues to facilitate the operations of TCOs and terror groups, the US government’s policies will need to evolve accordingly.

Beyond the War on Drugs

US efforts to counter transnational organized crime (CTOC) began during the Nixon administration. In response to rising drug usage, Richard Nixon declared an “all-out, global war on the drug menace” and created the Drug Enforcement Administration (DEA).² Since that time, the federal government’s antidrug programs have steadily expanded.

In the 1990s, an antidrug alliance began to take shape in drug-producing states in the Andean region of South America, when governments in Bolivia, Colombia, Ecuador, Peru, and Venezuela made common cause with the United States to fight the production of illicit drugs. Despite occasional setbacks, these countries welcomed trade benefits and US foreign assistance to bolster their antidrug efforts. Large-scale aid programs such as Plan Colombia—the most prominent example of US foreign assistance targeted toward combating transnational criminal activity—greatly improved security

Special thanks to Celina Realuyo for her contributions to this section.

across the region by developing local enforcement capabilities.

In the past decade, however, that consensus has disintegrated. Venezuela's anti-US *chavista* government expelled the DEA and ended counter-drug cooperation. In Bolivia, the head of the coca-growers union, Evo Morales, was elected president and soon rejected US antidrug initiatives. Ecuadorian President Rafael Correa ousted a US antidrug operations center from the coastal town of Manta.³ Even in Colombia, a friendly government has moved to end aerial fumigation and cease the extradition of cocaine kingpins from guerrilla ranks.

Restoring a robust coalition among these countries to renew coercive operations against illicit drugs, at least in the short run, would be a challenge for US diplomacy. However, even though foreign governments might not share the US government's commitment to fighting drugs, criminals in their territories do not have the right to violate US law or launder the proceeds of their crimes using US dollars. Although these criminals can evade capture and prosecution, they could still be subject to other US enforcement actions. To counter illicit trade conducted in dollar-denominated transactions through the US financial system, the executive branch can deploy numerous asymmetrical policy tools to target suspected traffickers, deny them access to the US financial system, and freeze their assets.

One such tool is the Foreign Narcotics Kingpin Designation Act of 1999, or the Kingpin Act, which denies "significant foreign narcotics traffickers . . . access to the U.S. financial system and [prohibits] all trade and transactions between the traffickers and U.S. companies and individuals."⁴ The Kingpin Act was modeled on an earlier sanctions program that the Department of the Treasury's Office of Foreign Assets Control (OFAC) administered against Colombian drug cartels in 1995. The act has been used to dismantle and disrupt drug trafficking organizations around the world and will continue to be a valuable tool for the US government as it expands its enforcement efforts against TCOs.

2011 Presidential Strategy to Combat Transnational Organized Crime

After a comprehensive assessment in 2010, the US government concluded that transnational organized crime should be regarded as a national security threat. The assessment included several alarming conclusions, including that TCOs' ability to penetrate state structures is increasing, degrading (and sometimes co-opting entirely) government in some states; that transnational organized crime threatens US economic interests and international markets; that terror and insurgent groups are increasingly relying on TCOs for funding and logistics support, with particularly dangerous implications for the potential movement of weapons of mass destruction; and that TCOs focusing on human trafficking are increasing their incomes and penchant for violence.⁵

Following the review, the White House issued the US Strategy to Combat Transnational Organized Crime in July 2011, making the smuggling of drugs, arms, and persons; money laundering; and the terror-crime nexus top national security concerns.

While the 2011 CTOC strategy refocused US efforts to target transnational criminal networks across agencies, the new strategy was not complemented with the additional financial and human resources required to ensure its successful implementation. An extensive Rand Corporation study highlighted this disparity and the additional gaps in authorities that hamper the US military and other agencies' CTOC mission. Many government officials cited a lack of funding and resources as a principal obstacle to implementing CTOC policy, and the report noted that Congress has not appropriated additional funds to support this mission.⁶

The report's findings mirrored Admiral Kurt W. Tidd's assessment in his 2017 United States Southern Command (SOUTHCOM) Posture Statement to Congress.⁷ He noted that SOUTHCOM has traditionally received minimal funding relative to other regional combatant commands and that force requirements have repeatedly not been met. This under-resourcing has hindered drug interdiction efforts in the area, with three-quarters of cocaine traffickers able to

successfully deliver their product despite detection by the US government.⁸ The US Coast Guard estimates that it is aware of roughly 90 percent of maritime drug trafficking.⁹ However, it has sufficient resources to interdict only 11–20 percent of those shipments annually.¹⁰ The new administration should consider reviewing funding streams essential to CTOC efforts that could enhance US national security by allowing government agencies to more aggressively pursue TCOs in the hemisphere.

The Trump Administration's Actions to Combat Transnational Organized Crime

The Trump administration has so far demonstrated a commitment to combat transnational organized crime by enforcing existing laws and pursuing international illicit networks abroad. The presidential executive order (EO) on TCOs and international trafficking, issued February 9, 2017, indicated the new administration's commitment to combat transnational organized crime and promote domestic and international security.

The EO focuses on TCOs and subsidiary organizations, including transnational drug cartels, which threaten the safety of the United States and regional stability. In practice, the EO codifies much of the 2011 CTOC strategy by encouraging partnerships with foreign counterparts and intelligence sharing and cooperation among US agencies. It also directs policy through entities such as the International Organized Crime Intelligence and Operations Center, established early in the Obama administration to coordinate the CTOC efforts of nine US law enforcement agencies.¹¹

Sanctions Against Illicit Actors

The Trump administration has also leveraged financial tools in its arsenal to combat transnational criminal activity. On February 13, 2017, OFAC sanctioned Venezuelan Vice President Tareck Zaidan El Aissami Maddah as a “Specially Designated Narcotics

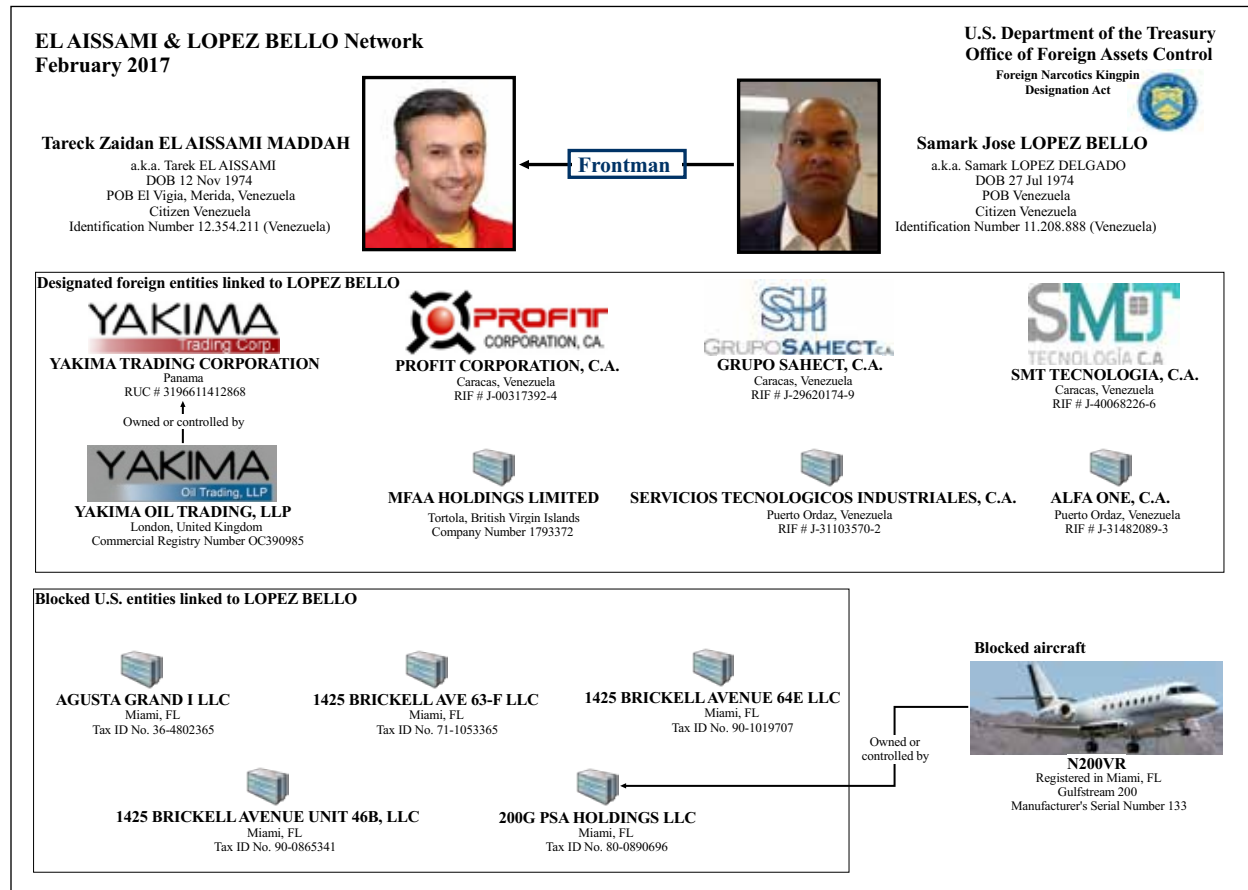
Trafficker” under the Kingpin Act for playing a significant role in international narcotics trafficking.¹² A multiyear government investigation uncovered and froze assets held by multiple El Aissami-associated companies, while detailing his role in narcotics trafficking and concluding that the Venezuelan vice president is a “prominent Venezuelan drug trafficker.”¹³

This action, which is explored further later in this report, demonstrates an early commitment from the Trump administration to pursue transnational criminals and apply increased pressure on Nicolás Maduro's regime in Venezuela, a transnational organized crime hub in Latin America. The new administration should expand the use of targeted sanctions to isolate and penalize criminal threat networks.

CTOC Authorities and Resources

As the threat of transnational organized crime expands and evolves, so too should the tools and CTOC methods of US law enforcement. One of the primary programs in current CTOC efforts is the Organized Crime Drug Enforcement Task Forces (OCDETF) Program in the Department of Justice (DOJ). The OCDETF is an umbrella for seven federal agency members: the DEA; the FBI; the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF); the US Marshals Service; the IRS Criminal Investigation Division; the Homeland Security Investigations and Immigration and Customs Enforcement; and the US Coast Guard.¹⁴ The OCDETF has had success recently targeting high-priority TCO targets, which it refers to as Consolidated Priority Organization Targets (CPOTs) and Regional Priority Organization Targets. The DOJ claims that between fiscal year (FY) 2003 and FY 2015, the OCDETF disrupted or dismantled 3,589 CPOT-like organizations.¹⁵

Despite these successes, the OCDETF has struggled to retain manpower and meet investigations targets. The number of OCDETF positions has declined from 3,331 earlier this decade to a proposed 2,870 for FY 2018.¹⁶ At the same time, the OCDETF has not reached its targets in terms of investigations initiated for the past four fiscal years.¹⁷



US Department of the Treasury graphic describing El Aissami's network

Source: US Department of the Treasury, Office of Foreign Assets Control, "El Aissami & Lopez Bello Network," February 2017, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/20170213_el_aissami_lopez_bello_network.pdf.

The DOJ has also identified several areas where its operations could be improved, particularly in the financial arena. According to its FY 2017 congressional budget justification, "despite continued emphasis on targeting money launderers and facilitators, OCDETF's investigative agents and prosecutors still struggle to find expertise sufficient to fully investigate and dismantle the financial infrastructure of these criminal organizations."¹⁸ With current efforts barely making a dent in TCOs' revenue, the government will need to expand its financial investigative efforts to further deprive them of resources.

Expanding financial investigations would enhance one tool that could be particularly effective in an increased CTOC enforcement push in Latin America—specific targeting actions administered by the

Treasury Department under both OFAC and the Financial Crimes Enforcement Network (FinCEN). Both of these arms of the Treasury have broad authority to investigate and sanction individuals, financial institutions, and states for transnational organized crime activity under Section 311 of the Patriot Act, the Kingpin Act, and EO 13581, which declared "a national emergency to deal with . . . the growing threat of significant transnational criminal organizations."¹⁹ However, effectively expanding the use of these tools in CTOC efforts in Latin America will be difficult if their associated budgets continue stagnating.

The Treasury Department's FY 2018 budget request leaves the budgets for FinCEN and the Office of Terrorism and Financial Intelligence (which houses OFAC) unchanged from FY 2017's continuing



US Treasury Building

Source: Wikimedia, <http://bit.ly/2rnJsEM>.

resolution—levels that are actually lower than FY 2016 and include staffing reductions across multiple FinCEN programs.²⁰ This budget crunch comes even as increasing percentages of FinCEN's federal government partners report satisfaction with its performance, including the intelligence it produces and the positive effects its enforcement actions have on compliance by targeted financial institutions.²¹

Another crucial element of the CTOC mission in Latin America is capacity-building and development aid for regional partners. US State Department programs such as the Central American Regional Security Initiative and the Caribbean Basin Security Initiative provide training, enhance local law enforcement efforts, and fund aid programs that target transnational organized crime drivers, such as lacking economic opportunity and education. These programs are integral to a well-rounded approach to CTOC in the Western Hemisphere.

The US government will need to further develop and evaluate how policy initiatives such as the new US Strategy for Engagement in Central America are influencing these programs and whether conditioning aid based on local political reform has the desired effect of improving economic and security situations. Congress should also evaluate the efficacy of disparate

initiatives such as the Alliance for Prosperity, whose mission parallels that of the US strategy but is geared more toward the priorities of the Central American member states.²²

Continued development of aid and security programs integral to CTOC in Latin America will be contingent on sufficient allocation of financial resources. Current budget proposals would severely affect the region, dropping funding for independent development initiatives and agencies focused on addressing socioeconomic factors that contribute to transnational organized crime.²³ If proposed budget cuts do go into effect, the United States will need to further engage with multilateral institutions that support key aspects of the CTOC mission in Latin America.

The United States is a global leader in developing strong anti-money laundering and counterterrorism financing (AML/CFT) regimes. The US government should leverage this leadership in forums such as the Financial Action Task Force of Latin America, of which the United States is an observer, to provide guidance and assistance to states that are working to implement and improve their AML/CFT strategies and laws.

The State Department also employs rewards programs, which offer large sums in return for information

leading to the arrest or capture of wanted fugitives. Since 1986, its Narcotics Reward Program has paid out roughly \$88 million in rewards.²⁴ In 2013, the State Department established the Transnational Organized Crime Rewards Program, a companion to the original narcotics program, with rewards for criminals whose illicit activities fall outside drug trafficking. While TCOs in Latin America continue to diversify their illicit activities away from narcotics trafficking, the program has seen far less engagement in terms of target designation in this region than that of the narcotics program.²⁵ Increasing engagement and the number of TCO leaders on both lists could bolster US government investigations and the judicial process.

Congress has also worked recently to address gaps in US law enforcement agencies' authority to act against transnational organized crime threats abroad, passing legislation such as the Transnational Drug Trafficking Act of 2015. The narrowly targeted legislation aims to help the DOJ "build extradition cases on drug kingpins from the Andean region."²⁶ Similar legislation will almost certainly be needed as the transnational organized crime dynamic evolves and US government agencies are forced to adapt accordingly.

Of the challenge in addressing the numerous threats, US Coast Guard Captain Peter Hatch, the deputy director of the Department of Homeland Security Joint Task Force, observes:

The things we're trying to accomplish when you think about crime and what our desired national outcomes are going to be for the different criminal networks we're up against—it's not going to be uniform.

Sometimes we're going to arrest Pablo Escobar and that's going to be the thing that takes down the criminal network. Sometimes we're going to build a school in Tapachula and that's what's going to diminish or prevent the reconstitution of the criminal network. Every criminal network is going to be treated differently.²⁷

Transnational Organized Crime in Latin America

Transnational organized crime and the proliferation of threat networks are global problems, and each case poses a unique challenge for the US government in terms of securing the homeland and its interests abroad. While the fight against transnational threat networks in the Middle East and other terror-addled regions has received ample attention and resources, it has come at the expense of other regions that pose their own threats to US national security.

This report will focus closely on Latin America, whose geographic proximity to the homeland makes it of unique concern to policymakers. The 2011 CTOC strategy identifies this region as an area "where illicit trafficking in drugs, people, and weapons [by TCOs] fuel increased instability" and are "threatening the prosperity of some Central American states." The strategy spotlights local efforts to address threats, such as the Mexican and Colombian governments' CTOC campaigns, indicating the importance of capacity-building efforts by the United States to help regional partners enhance their security and that of the region as a whole.²⁸

II. Colombia: Securing Genuine Peace

For decades, Colombia has faced extraordinary challenges as ground zero in the hemispheric fight against transnational organized crime. However, determined Colombian leadership, with support and cooperation from the United States, has made dramatic gains in the struggle against criminal groups. The peace accord with the FARC, Colombia's largest TCO, brings new challenges and opportunities for the fight against organized crime, requiring continued vigilance and cooperation from the United States.

Throughout much of the past century, Colombia has been plagued by illegal guerrilla forces and notorious cocaine cartels. Beginning in the mid-1990s, the FARC outgrew its traditional supportive role in the drug trade, metastasizing into one of the world's most powerful and multifaceted TCOs and thriving off the illegal drug trade, human trafficking, illegal mining, and other illicit activities. The FARC became the world's largest producer of cocaine, and Colombia's criminal structures have since become integral components of a global drug trafficking network that threatens the security and well-being of dozens of nations. Confronting this threat at its roots requires the political will of Colombia and the backing



US Marine General Joseph F. Dunford Jr., chairman of the Joint Chiefs of Staff, meets with Colombian President Juan Manuel Santos in Bogota, Colombia, on March 10, 2016

Source: Chairman of the Joint Chiefs of Staff, Flickr, <http://bit.ly/2rnSp0K>.

of the United States, whose demand for illicit drugs fuels this lawlessness.

Today, the US-Colombia bilateral relationship is one of the most important partnerships in the fight against transnational organized crime in the Americas. Under Plan Colombia, both governments have worked together for more than 15 years to fight back against the narco-terrorist threat that once brought Colombia to the brink of failed statehood. Between FY 2000 and FY 2016, the US Congress appropriated

Special thanks to Douglas Farah for his contributions to this section.

more than \$10 billion in aid under Plan Colombia and successive strategies.²⁹

US security, economic, and intelligence assistance provided under the plan were essential, as the Colombian government increased its capacity to reduce coca cultivation, promote alternative economic development, study and dismantle FARC networks, and greatly extend the state's presence.³⁰

President Juan Manuel Santos has dedicated his administration to what he views as the next phase for Colombia's development—a negotiated peace with the country's guerrilla groups. After years of turbulent negotiation, the government signed and ratified a controversial final accord with the FARC in late 2016, despite serious concerns about the accord's implications for human rights, justice, and Colombian democratic institutions. The agreement provides the framework for the demobilization and reintegration of nearly 7,000 FARC guerrillas and plans for the FARC's eventual participation in the political process.

Serious concerns remain about the FARC's compliance with the accord, such as the processes of surrendering weapons, declaring assets, submitting to "transitional justice," and ending the criminal activities of FARC dissidents. In part due to de facto concessions the government made during the negotiations, coca production has skyrocketed in recent years, and Colombia remains a source and transit point for drugs and a base for criminal networks. Multiple organized criminal groups remain active in Colombian territory, ready to exploit any vacuum left by the FARC's shrinking role. The US-Colombian alliance and cooperation against organized crime are thus as important as ever; however, changing political realities and the evolution of organized criminal groups in Colombia require an honest assessment of the continued threat and Colombia's ability to adapt to new challenges.

Transnational Criminal Activity in Colombia

Transnational criminal groups in Colombia have thrived in massive areas of remote, inaccessible, and ungoverned territory and under the protective cover

offered by its geographical features. In Colombia, coca and opium production and cocaine and heroin trafficking have been the primary sources of income for criminal groups. The central government's weak presence and the country's significant natural resources also have allowed these groups to expand into illegal mining, illegal logging, extortion, and human trafficking.³¹ "Self-defense" paramilitary groups created to combat the Marxist-Leninist guerrillas assumed a role in the drug trade, and the bloody confrontation created a lawlessness that challenged the political institutions of South America's oldest democracy.

This threat was reduced significantly through former President Álvaro Uribe's Democratic Security Policy, backed by Plan Colombia. The FARC went from an estimated fighting force of 20,000 guerrillas to fewer than 8,000 in just a decade.³² The government was able to expand its presence and dramatically degrade the ability of the FARC and other criminal groups to operate freely. While these criminal groups' potency has been greatly reduced, as some have pledged to terminate their illegal activities, others remain actively involved in illicit drug trafficking and related criminality.

Colombia's criminal groups, particularly the Marxist narco-terrorist groups such as the FARC and the National Liberation Army (ELN), also have benefited from the assistance of a corrupt and ideologically sympathetic Venezuelan government. The regimes of President Hugo Chávez and his successor Nicolás Maduro have provided weapons, funding, and cooperation for drug trafficking operations and safe haven for guerrillas evading the Colombian military. There are multiple reports of the Venezuelan military aiding drug traffickers in moving their products through Venezuelan territory and onward to markets in the United States and Europe. There have even been reports of guerrilla leaders using the resources of Venezuelan state entities.³³

For years, the FARC was Colombia's largest and most dominant TCO. However, many others have carved out significant roles in the hemisphere's illicit criminal networks. Facing the threat of Plan Colombia and a Colombian government with enhanced capabilities and resources, criminal groups have shown their ability to evolve and adapt. These groups pose a serious threat to



President Santos signs the peace agreement between the Colombian government and the FARC

Source: Gobierno de Chile, Flickr, <http://bit.ly/2s93YMg>.

Colombia's peaceaccord implementation as they seek to continue their criminal activities and seize the space once dominated by the FARC.

Colombia's Other Criminal Groups

The peace agreement with the FARC aims to dramatically change the landscape of organized crime in Colombia with the demobilization of thousands of guerrillas. Assuming full compliance, the accord would effectively end the FARC's position as Colombia's largest transnational criminal group. However, other TCOs in Colombia see the demobilization of the great majority of FARC guerrillas as an opportunity to expand their own criminal activity.

The ELN is Colombia's other major Marxist-Leninist narco-terrorist group. Like the FARC, it is

committed to a communist ideology and an armed struggle against the Colombian government. It also supports its movement primarily through the drug trade and has regularly been involved in illegal mining, kidnapping for ransom, and attacks against economic infrastructure and the military. With an estimated 1,500 fighters, the ELN is roughly one-fifth the size of the FARC's pre-demobilization paramilitary force.³⁴ Their shared ideology makes the ELN a natural destination for FARC dissidents seeking to avoid demobilization and continue their lucrative drug trade.

The Colombian government is also pursuing a peace accord with the ELN. However, powerful elements in the group actively oppose peace.³⁵ Additionally, with just one year left in office, President Santos does not appear to have the political capital to quickly secure a new accord after the controversial agreement with the FARC. Meanwhile, it has been widely

Table 1. Cocaine Cultivation and Production in Colombia

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cultivation (Hectares)	119,000	116,000	100,000	83,000	78,000	80,500	112,000	159,000	188,000
Production Potential (Metric Tons)	320	315	280	220	210	235	320	520	710

Source: Executive Office of the President, Office of National Drug Control Policy, "ONDCP Releases Data on Cocaine Cultivation and Production in Colombia," press release, March 14, 2017, <https://www.scribd.com/document/341880734/ONDCP-Data-on-Cocaine-Cultivation-and-Production-in-Colombia>.

reported that the ELN has launched recruitment efforts targeting the FARC and taken steps to occupy former FARC territory.³⁶

Colombia's BACRIM, short for "criminal bands," also pose a continuing threat to peace and stability in Colombia. Originating from paramilitary groups that refused to demobilize in 2006, the largest and most dominant of these groups is the Clan del Golfo, previously known as the Urabeños. They are estimated to have around 2,000 fighters with a presence along the Pacific coast and in more than half of Colombia's departments.³⁷ The BACRIM already play an active role in the illegal drug trade, illegal mining, and extortion. The Clan del Golfo has also been positioning itself to inherit the FARC's share of the drug trade by recruiting FARC dissidents and asserting itself through a series of bold attacks against Colombian security forces, even reaching into the major cities of Bogotá and Medellín.³⁸

Peace Negotiations and the Future of the FARC

Colombia's controversial peace agreement with the FARC facilitates the group's transition from a violent guerrilla force to a political movement. That nascent movement's potential clandestine access to illicit financial resources raises serious doubts about whether the accord truly marks the end of the FARC's criminal threat and whether these resources will find their way into the FARC's political activities,

facilitating a new wave of corruption and political subversion.

Concerns over the peace process are compounded by the FARC's obfuscation regarding its financial assets gained from decades of drug trafficking. A 2012 study by the Colombian government estimated the FARC's assets at \$10.5 billion.⁴² FARC leaders claim to have no significant remaining assets, saying that most of their illicit income was spent to sustain their organization, a claim President Santos has seemingly accepted.⁴³ Nonetheless, many remain concerned that the FARC will perhaps use billions of dollars in hidden assets to give them an unfair political advantage.

The explosion of coca cultivation is another major concern feeding skepticism about the peace deal. According to the latest numbers from the US government, Colombia's coca production in 2016 rose an estimated 18 percent from the previous year (Table 1).³⁹

These numbers have consistently risen during the peace negotiations, increasing by more than 141 percent from 2012 to 2016, including a sharp rise beginning in 2015. These developments are likely the direct result of the government's 2015 decision to end the aerial eradication of coca plants, citing concerns about the adverse health impact of glyphosate.⁴⁰ Some also attribute the increase to rural farmers stepping up their coca production to qualify for development aid under the peace plan.

The government is pinning its hopes for reducing coca cultivation on a new crop-substitution and manual-eradication strategy that emphasizes

peer pressure and economic incentives.⁴¹ This plan is aimed at rural communities where otherwise peaceful farmers grow coca for the FARC and other criminal groups. The government argues that its strategy will be more effective in pacified areas where local economies and the market for alternative products can flourish. Colombian courts, however, have opened the way to reinstating fumigation, perhaps with an alternative herbicide.

Key tests of the Colombian government's commitment to strictly enforcing the peace process will be whether it resumes aerial eradication, which might be required to drive down coca cultivation; makes good-faith efforts to detect and seize FARC assets; ensures that security forces have the resources to confront FARC dissidents and other criminal groups; and denounces violations of the accord when they occur.

FARC Compliance

Another complication of the peace process is so-called FARC dissidents. History has shown that a certain level of noncompliance from elements of the FARC was to be expected in implementing the peace agreement. When Colombia reached a peace agreement with paramilitary groups in 2006, numerous difficulties with compliance followed, as subgroups chose to remain involved in their criminal activities rather than demobilize. Similarly, it now appears that hundreds of active FARC dissidents have chosen not to abide by the peace accord.⁴⁴

While the vast majority of the FARC's dissidents were expected to be absorbed into the ELN, the BACRIM, or one of the other criminal organizations in the region, it now appears that a significant group of FARC dissidents plans to remain independent from



A coca plant

Source: C Wood, Flickr, <http://bit.ly/2rnPUvr>.

existing criminal groups, carrying on their original political mission, insurgency, and criminal activities. Multiple incidents provide evidence of their continued activity, including coordinated attacks against the military and the recent kidnapping of a United Nations observer from the Office on Drugs and Crime.⁴⁵

FARC Dissidents

In December 2016, a group of five combat-hardened FARC leaders declared they would not disarm and demobilize, as required by the recently signed peace agreement. In response, the FARC general secretariat claimed to have expelled the five commanders and their followers from the guerrilla movement.⁴⁶ According to Colombian police, some 300 FARC combatants accompanied the dissident commanders into the jungle. The dissident group carried out its first attack on Colombian military forces in April 2017, killing one soldier and wounding four others.⁴⁷

A closer examination of these commanders reveals deep ties to the cocaine trade, illegal gold mining, and international relationships, which distinguish them as a high-level, operational group that controlled a significant portion of the FARC's financial assets. Cocaine trafficking and illegal gold mining yield hundreds of millions of dollars a year in profits, and some of the most lucrative elements of that financial structure were in the hands of these dissident leaders. Interestingly, while the FARC sent its own troops to track down and attack smaller units that attempted to defect and remain in the field, the FARC secretariat directed no such actions against these five "dissidents."

According to experts with long-standing relationships with Colombia's security forces, the leadership of the military and intelligence services remains deeply skeptical of the true separation of the dissident group from the rest of the FARC—partly because of the leaders involved in the movement and the FARC secretariat's muted reaction to the group's declaration of rebellion. Many experts believe that, if the group were truly a dissident faction, the FARC secretariat would have taken much stronger action to prevent the loss of the FARC's economic structure, which is vital to its future political plans.⁴⁸

Prominent among the dissidents is Miguel Santanilla Botache (nom de guerre Gentil Duarte), a 36-year-old FARC veteran who was a member of the high command (Estado Mayor) and participated in the peace talks in Havana. Santanilla Botache commanded the FARC's 1st Front in the Guaviare Department, the historic base of FARC cocaine production. He had been a member of elite FARC units that kidnapped and extorted ranchers and businessmen in his areas of operation. He also was in charge of the guerrilla group's high-value hostages and was known for his cruelty toward captives.⁴⁹ An internal Colombian military assessment of Santanilla Botache said "neutralizing" him would "destabilize the FARC's financial apparatus" derived from kidnappings and drug trafficking of the Eastern Bloc (Bloque Oriental), according to a source with access to army deliberations.⁵⁰

Another notable figure among the dissidents is Géner García Molina (nom de guerre Jhon 40), a senior

commander and special forces leader who is widely viewed by Colombian intelligence as one of the FARC leaders most directly involved in high-volume cocaine trafficking activities through Venezuela.⁵¹ Military and police intelligence describe García Molina as a FARC leader who held ostentatious parties and other activities generally more associated with drug traffickers than guerrillas. The FARC had been unwilling to discipline him for this behavior, despite repeated threats to do so, because of the economic power he derived from cocaine smuggling.⁵²

In addition, García Molina was the key tie to Mexican and Central American drug trafficking organizations, particularly those tied to the Bolivarian movement in Nicaragua and El Salvador. Because of all these ties and his hands-on administration of the cocaine business, the governments of Colombia and the United States both viewed him as a high-value target.⁵³ An internal Colombian military assessment of García Molina said he exercised "leadership in planning financial actions to benefit the Eastern Bloc (Bloque Oriental) and external drug trafficking networks."⁵⁴

A third major figure in the dissident faction was Ernesto Orjuela Tovar (nom de guerre Giovanni 42), who was commander of the FARC's 16th Front and one of the key organizers of the FARC's civilian support and significant drug trafficking activities. An internal Colombian military assessment of Orjuela Tovar said he "directly handles and moves money from drug trafficking across the Colombia-Venezuela border."⁵⁵

The Guaviare dissident group is not the only FARC faction refusing to demobilize, but it is by far the most important and influential—and perhaps the one that retains the closest clandestine ties to the leadership of the nascent FARC political movement.

Recommendations

The merits of peace are clear, and the fact that an agreement to demobilize the FARC is even possible shows the wisdom of past US support and cooperation with Colombia. Nonetheless, many threats and

challenges remain. Verification of FARC compliance and aggressive targeting of criminal groups such as the ELN, Clan del Golfo, and FARC dissidents are essential to a sustainable peace. As US policymakers contemplate the most effective ways to support Peace Colombia, they should consider the importance of closing spaces in which these groups operate and blocking the filtration of illicit funds into Colombian politics.⁵⁶

The United States should work with the Colombian government to ensure that the void left by the FARC's absence is not reoccupied by rival criminal groups. Additionally, any remaining ties between FARC dissidents and the demobilized FARC leaders

should be closely investigated, as they could significantly threaten the stability of Colombian democracy and the peace agreement's viability.

Hidden FARC assets also threaten compliance. However, the difficulty of finding these assets should not be underestimated. By working closely with Colombian authorities and using its clout in the international financial system, the United States can significantly contribute to the peace process by thwarting any attempts by the FARC to capitalize on the funds and illicit activity of its members who remain at large. The United States can multiply the benefits of seizing hidden FARC funds by repatriating them to support the peace agreement and victim reparations.

III. Venezuela: A State Destroyed by Crime and Corruption

The Venezuelan state is permeated by transnational organized criminal activity. Elements of the national government directly manage and support drug trafficking, money laundering, terrorism financing, support for guerrilla movements, and international corruption. In many cases, the very officials and institutions that in other states would normally be responsible for policing and suppressing these activities are directly engaged in committing or abetting these crimes. While some have informally dubbed Venezuela a narco-state, the moniker highlights only one aspect of a wider criminal enterprise. Today in Venezuela, no internal force is capable of confronting this pervasive criminality, making international oversight and enforcement measures indispensable.

The spread of corruption and criminality throughout the government has been facilitated by the centralization of power under the presidency; the politicization of the military and the judiciary; and the breakdown of transparency, accountability, and the separation of powers, which began under former President Hugo Chávez and has continued under current President Nicolás Maduro.

This concentration of authority in the hands of an ideological cadre has coincided with a similar consolidation of control over economic activity, through the heavy regulation of imports, the politicized management of producing and exporting oil (the country's



Venezuelan President Nicolás Maduro

Source: Wikimedia, <http://bit.ly/2tuNAn5>.

largest and most lucrative export), and the gradual takeover of the private economy. This consolidation of power has abetted institutionalized corruption, whose breadth and depth is virtually unprecedented in Latin America.

Unscrupulous officials have turned Venezuela's state-run oil giant, Petróleos de Venezuela, S.A. (PDVSA), and its opaque balance sheet into an instrument of corruption. In a rare episode of scrutiny, in early 2015, Venezuelan authorities arrested a senior PDVSA official and former employee on corruption charges, including "administrative

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A Venezuelan National Guard VN-4

Source: Wikimedia, <http://bit.ly/2sAICd6>.

irregularities in contracting companies for the distribution of gasoline.”⁵⁷ Nonetheless, in October 2016, the chairman of the Comptroller’s Commission of the opposition-controlled National Assembly estimated that \$11 billion had gone missing from PDVSA between 2004 and 2014.⁵⁸ Yet the man who should be accountable for these funds, former PDVSA President Rafael Ramírez, is protected by his loyalty to the ruling United Socialist Party (PSUV) and serves as Venezuela’s ambassador to the United Nations.⁵⁹ The politicized Venezuelan judiciary has also nullified inquiries into PDVSA’s finances launched by the National Assembly.⁶⁰

Official corruption extends well beyond PDVSA. In 2015, the US State Department sanctioned roughly 60 low-level Venezuelan officials for their complicity in human rights abuses or public corruption.⁶¹ The Venezuelan public also is aware of this corruption,

with a clear majority believing that government policies have enabled a host of corrupt enterprises, including black-market currency exchange and smuggling of other basic goods.⁶² Perhaps unsurprisingly, Venezuela currently ranks 166 out of 176 countries on Transparency International’s Corruption Perceptions Index.⁶³

This rampant criminality and corruption has caused the economy and basic public services, from hospitals to policing, to collapse.⁶⁴ A once-wealthy country has been transformed into a poor one, with only a handful of the lawless elite left prospering.

The handmaiden of corruption and other criminal enterprises in Venezuela is money laundering. When oil prices were more than \$100 per barrel, Venezuela was arguably the largest state money launderer in the world. While PDVSA accounted for a significant portion of this corruption, billions more dollars were lost to fraudulent import schemes.⁶⁵

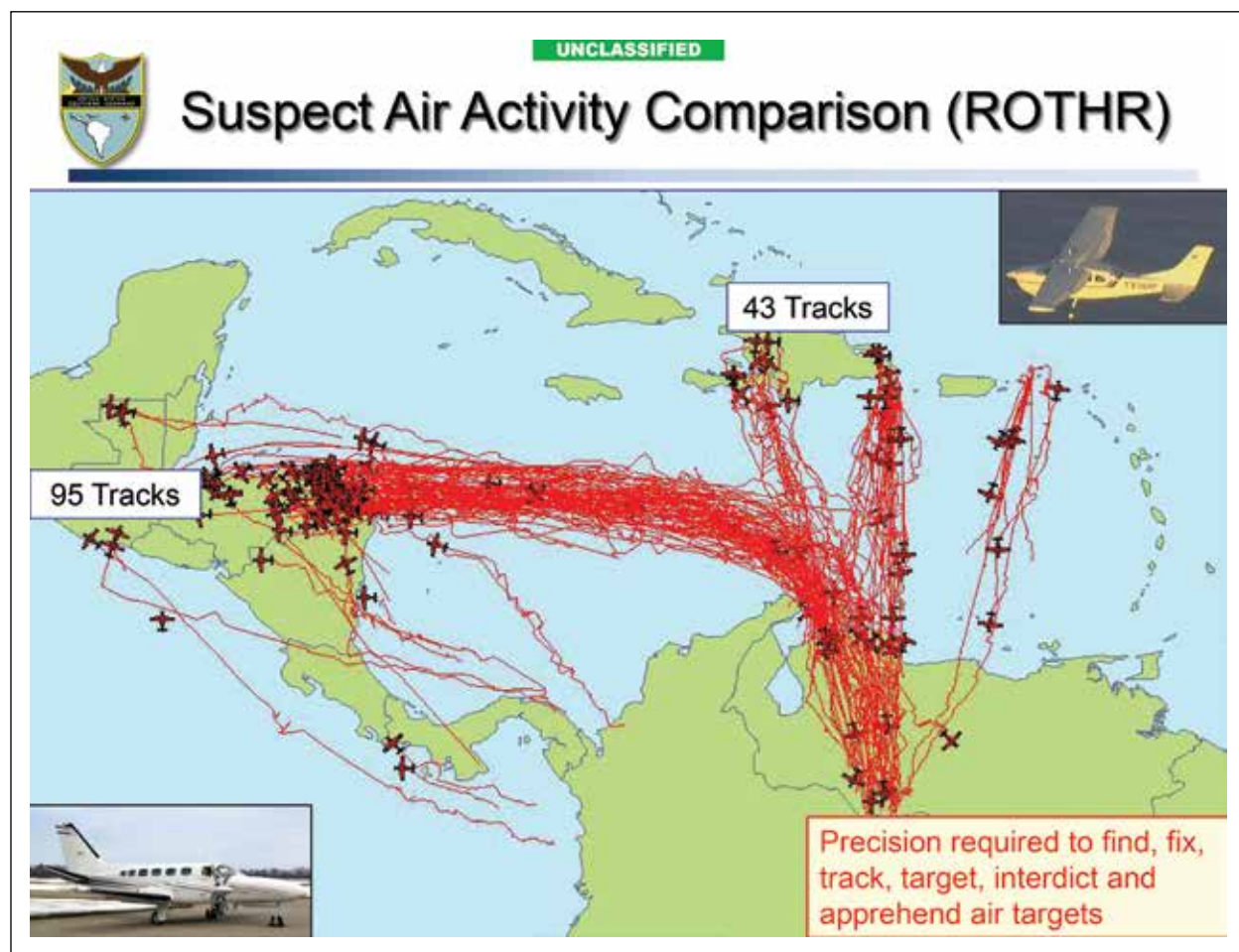


Illustration from US Southern Command showing suspected drug smuggling flights into and out of Venezuela

Source: US Southern Command, <http://bit.ly/2sAj7w>.

This process not only created an elite class of politically well-connected entrepreneurs, known as “boliburgueses,” but also placed Venezuelan resources in the service of criminal regimes and narcotics trafficking organizations. The United States continues to be directly affected, as billions of dollars have been illicitly funneled into US real estate, banks, and even Treasury bonds.⁶⁶

Drug Trafficking

Venezuela is a natural corridor for cocaine exports to the United States and European markets. This trafficking exploded in late 2005 when Chávez decided to

intensify his regime’s support to Colombian guerrillas by turning Venezuela into a major transport hub for cocaine produced by the FARC and other narcotics trafficking groups.⁶⁷

A Venezuelan defector explained to US authorities that he was present in a clandestine meeting held in the State of Barinas in late 2005 in which Chávez personally committed millions from PDVSA coffers to FARC commanders to fund their offensive operations against the government of Colombian President Álvaro Uribe.⁶⁸ Chávez’s motive was primarily political, but assuming a direct role in marketing FARC cocaine converted his government into a criminal enterprise. In this period, senior *chavista* leaders became more interested in sustaining this

lucrative corruption than in governing or managing the economy.

A decade later, Venezuela's rampant corruption and money laundering schemes are integral elements of international narcotics trafficking operations. In addition to looting the coffers of state-owned entities, corrupt officials in the regime use state personnel, vehicles, and aircraft to smuggle illegal drugs. Multiple elements of the military are used to facilitate the movement of drugs from Bolivia, Colombia, and Ecuador through the Caribbean, Central America, and Mexico to the United States and Europe. An estimated 200 metric tons of cocaine move through Venezuela per year, and roughly two-thirds of that total is destined for the United States.⁶⁹

Testaferros (front men) outside of the government work with officials to launder cocaine profits by putting cash into state-owned bank accounts, purchasing convertible US-dollar-denominated PDVSA bonds with local currency, and using myriad other methods. According to published reports and other sources, dozens of senior officials of the Venezuelan government and security forces have amassed significant fortunes in the form of real property, cash deposits, negotiable bonds, banks, and businesses worldwide.⁷⁰

Many of these assets are either in the United States or held in dollar-denominated accounts, subject to enforcement actions or prosecution. The US DEA and federal prosecutors in a half-dozen jurisdictions have invested substantial financial and human resources to building cases against these individuals.⁷¹ However, under the Obama administration, US diplomats sought to avoid a political confrontation with Chávez and his successor by targeting lower-ranking officials rather than regime kingpins. The public cases are hints of the massive criminality that dominates the Maduro regime today.

Venezuelan military officials and their retired colleagues are not alone in their involvement in drug trafficking. Senior civilians in the government have also been implicated, and some have even been identified as a driving force behind military corruption, such as when OFAC designated Vice President El Aissami as a narcotics trafficker in 2017. El Aissami and his front man Samark José López Bello allegedly



Tarek El Aissami in 2016

Source: Wikimedia, <http://bit.ly/2rnwo2a>.

operate a financial network that transfers illicit funds from Latin America to the Middle East, with “close to 40 front companies owning 20 properties with cash, vehicles, real estate, and other assets in 36 bank accounts throughout Venezuela, Panama, Curacao, St. Lucia, Florida, and Lebanon.”⁷² OFAC’s February action blocked the properties of 13 companies run by López Bello, saying they “comprise an international network spanning the British Virgin Islands, Panama, the United Kingdom, the United States and Venezuela.”⁷³ One estimate placed the value of El Aissami’s frozen assets at \$3 billion.⁷⁴ In addition, El Aissami’s brother, Feraz, was allegedly involved in an ill-fated plot by the nephews of President Maduro’s wife, Cilia Flores, (Francisco Flores de Freitas and Efrain Antonio Campo Flores) to smuggle cocaine to the United States.⁷⁵

Regional Threat

The fourth—and potentially the most dangerous—component of Venezuela’s illicit transnational operation is its support for terrorism. There is significant evidence that Venezuelan officials not only enable terrorism by laundering foreign terrorist organizations’ money but also provide direct material support to move terrorists into the Western Hemisphere. The recent OFAC designation alleges that, in addition to being a drug trafficker and money launderer, El Aissami is the architect and principal in a continuing scheme to aid Hezbollah and other terrorist groups seeking to establish and expand operational networks in the Western Hemisphere.

According to retired Colonel Vladimir Medrano Rengifo, former director of Venezuela’s Office of Identification and Migration, El Aissami, then head of Venezuela’s passport agency, issued some 10,000 Venezuelan passports and identity documents to Islamist extremists from Syria, Iran, and other Middle Eastern countries. The recipients were mainly Iranian Revolutionary Guards and Hezbollah operatives, including Suleiman Ghani Abdul Waked, a right-hand man to Hezbollah leader Hassan Nasrallah.⁷⁶ Venezuelan support for radical Islamist terror has obvious consequences for its neighboring countries and the United States.

A parallel concern is Venezuela’s shadow over the recent Colombian peace process between the government and the FARC rebels. Venezuelan participation in the talks was justified by its influence with the FARC guerrillas, who came to depend on Chávez’s support during his presidency.⁷⁷ Those links with other Colombian drug trafficking groups are likely to undermine the agreement’s delicate implementation phase. Some critics of the peace process also fear that the FARC’s political movement will remain involved in drug production and threaten Colombian democracy by tapping amassed drug profits with continued support from Venezuela.

Venezuela represents a special case of transnational criminality because pervasive corruption and illicit activity have essentially made the state itself a criminal organization. The country’s political and

bureaucratic apparatus can coordinate these activities, crush any internal opposition or oversight, and resist any diplomatic efforts to moderate its behavior. It has consistently been supported by the Cuban government, which maintains a key military and intelligence presence throughout Venezuelan institutions such as the Ministry of Interior and Justice, the Directorate of Military Intelligence, and the Bolivarian National Intelligence Service.⁷⁸ Cuba is thus complicit in developing Venezuela into a successful axis of transnational organized crime.

More effective sanctions against trafficking kingpins in Venezuela would reverberate throughout the region. Officials in the Obama administration reportedly stalled the OFAC designation of El Aissami, but it was nonetheless an important step that exposed the criminality of Venezuela’s senior leadership and froze assets that might otherwise be deployed to sustain the regime’s criminality and oppression.⁷⁹ Congress has repeatedly endorsed the expanded use of sanctions and other asymmetrical tools in Venezuela.⁸⁰

The US government can intensify and hasten efforts to counter Venezuela’s institutionalized criminal networks and divide and delegitimize a dictatorial regime waging war on its people. It should employ the significant CTOC enforcement resources at its disposal against Venezuelan officials who have so far eluded accountability for their criminal activity and consider how updated authorities could be used to amplify existing sanctions.

Transnational Organized Crime Leadership in Venezuela

The alleged head of the Cartel of the Suns is Diosdado Cabello, former president of the National Assembly (until the majority passed to the opposition in 2015), former governor of the state of Miranda, and current vice president of the PSUV. Cabello is a retired military officer and longtime Chávez confidant. Allegations of Cabello’s involvement with drug trafficking were corroborated by the April 2012 defection of Eladio Aponte Aponte, a magistrate with Venezuela’s Supreme Justice Tribunal, when the former

judge linked Cabello to the Makled cartel in a series of media interviews.⁸¹

Although the Venezuelan regime's complicity in narcotics trafficking has been alleged by opposition sources and regional media for years, the depth and breadth of the government's lawlessness was only revealed by the *Wall Street Journal* in a May 2015 article regarding ongoing US federal investigations into several high-ranking Venezuelan officials' involvement in cocaine smuggling:



Diosdado Cabello, Nicolás Maduro, and Cilia Flores in 2013

Source: Wikimedia, <http://bit.ly/2sGfRdw>.

A leading target, according to a Justice Department official and other American authorities, is National Assembly President Diosdado Cabello, considered the country's second most-powerful man. "There is extensive evidence to justify that he [Cabello] is one of the heads, if not the head, of the cartel," said the Justice Department source, referring to an alleged conspiracy involving military officers and other senior officials.⁸²

Leamsy José Salazar Villafañá, the former security chief of both Chávez and Cabello who left Venezuela in December 2014, has said in published interviews and private discussions that he saw Cabello give orders to transport shipments with tons of cocaine sent from the FARC to the United States and Europe; one such shipment that he disclosed was dispatched from Venezuela's Paraguaná Peninsula. Salazar recounted discovering bundles of currency—bolivars, euros, and US dollars—in a bunker Cabello had visited on at least one occasion.⁸³

Additionally, numerous allegations have surfaced that Cabello controls various Venezuelan companies and employs multiple front men outside of Venezuela to manage the proceeds of bribes, embezzlement of state resources, and drug trafficking. His most important front man, according to US and Venezuelan

sources, is Rafael Sarria, considered the mastermind who manages Cabello's illicit network of businesses and financial interests. Sarria maintains a low profile, virtually invisible in public records both within and outside Venezuela.⁸⁴

According to a source familiar with Cabello's criminal network, Sarria manages at least three US-based companies, all of which appear to be shell companies. In addition, he holds US properties worth more than \$13 million and, reportedly, a private jet. According to several sources who report on Venezuelan corruption, Sarria opened three Florida-based companies in early 2009: Noor Plantation Investments, SAI Advisors, and 11420 Corp. Public records identify Sarria as the manager of all three companies—all currently active in Florida and none with a defined business purpose. Sarria and his immediate family own numerous assets, mostly real estate in Florida and New York. For example, Sarria owns several houses in Plantation, Florida.

Another prominent front man for Cabello is Pedro Fritz Morejón Carrillo, a former minister of communal economy and tourism in Chávez's government who has established several US and Venezuelan companies in the entertainment industry. He manages

at least three Venezuelan firms with branches in the Dominican Republic and the United States. Morejón also has several US companies based in Miami: Sidney Productions USA, Carrillo Colina Construction LLC, Distributors Zen LLC, and Invershow LLC.⁸⁵ Another US-based company, Soul Suplies [sic] and Marketing, shares the same address as Morejón's other businesses and is registered under his son, Andrés.⁸⁶

Members of President Nicolás Maduro's family have been accused of international narcotics trafficking. The aforementioned Flores cousins stood trial in federal district court in New York's Southern District and were convicted in November 2016 for conspiring to traffic drugs into the United States. Authorities revealed that the two "narco-nephews" used the presidential hangar in Caracas to transport illegal narcotics on multiple occasions and boasted about using their political influence to enlist military officials in their smuggling operations. Moreover, US prosecutors linked the two to other reputed drug traffickers, including Roberto de Jesus Soto García, Carlos González, César Orlando Daza Cardona, and Hermágoras González Polanco. Campos Flores and Flores de Freitas await sentencing and face up to 20 years in jail.⁸⁷ Sources familiar with recent criminal networks in Venezuela say that other members of President Maduro's immediate family have been involved in drug trafficking and corruption.

In 2016, the DOJ unsealed an indictment against Nestor Luis Reverol Torres, former commander of the Venezuelan National Guard and former director of the Venezuelan counter-narcotics office, for drug trafficking. Edylberto José Molina Molina, the former subdirector for Venezuela's counter-narcotics office,



Efrain Antonio Campo Flores (second from left) and Franqui Francisco Flores de Freitas, nephews of Venezuelan President Nicolás Maduro, stand with law enforcement officers after their arrest in Port Au Prince, Haiti, November 12, 2015

Source: Wikimedia, <http://bit.ly/2tuNRX9>.

was also indicted on the same charges. According to federal prosecutors, Reverol and Molina accepted bribes, and in return:

[They] alerted the traffickers to future drug raids or the locations where law enforcement officers in Venezuela were conducting counter-narcotics activities to allow drug traffickers to change the location where they stored drugs or alter drug transportation routes. They also took steps to stop or hinder ongoing narcotics investigations to allow cocaine-laden vehicles to leave Venezuela and arranged for the release of individuals arrested for narcotics violations and the release of narcotics and narcotics-related currency that had been seized by law enforcement.⁸⁸

The Venezuelan government has remained defiant in the face of US sanctions against its officials. After the indictment was unsealed, President Maduro

swiftly promoted Reverol to his current post as minister of Interior, Justice, and Peace.⁸⁹ Reverol now uses his authority over the National Guard to play a central role in the violent repression of pro-democracy protests that broke out in early 2017.

In September 2008, Hugo Armando Carvajal Barrios, Henry de Jesus Rangel Silva, and Ramon Rodriguez Chacin were designated by the US Treasury Department for “materially assisting the narcotics trafficking activities of the Revolutionary Armed Forces of Colombia (FARC), a narco-terrorist organization.”⁹⁰ Rangel Silva, a former director of Venezuela’s Directorate of Intelligence and Prevention Services, was in charge of intelligence and counterintelligence activities for the Venezuelan government. Rodriguez Chacin was Venezuela’s former minister of Interior and Justice; US authorities identified him as the contact who arranged for the FARC to purchase weapons from the Venezuelan government’s arsenal using the proceeds of illegal drug trafficking. The Treasury Department said that Rodriguez Chacin “held numerous meetings” with senior FARC members, “one of which occurred

at the Venezuelan presidential palace, Miraflores, in late 2007.”⁹¹

Carvajal, a retired general, was director of Venezuela’s Military Intelligence Directorate and an appointed diplomat. OFAC accused him and his associates of protecting drug shipments from seizure by Venezuelan anti-narcotics authorities and providing weapons and refuge to the FARC. This allowed narco-guerrilla units to maintain a stronghold in the state of Arauca on the Colombia/Venezuela border, a region known for coca cultivation and cocaine production. Carvajal also was accused of providing the FARC with official Venezuelan government identification documents, which allowed its members to travel freely to and from Venezuela.

Carvajal remained a high-ranking military official for years after the designation. In July 2014, he was detained in Aruba on US drug smuggling charges; however, local authorities ignored US diplomatic pleas and allowed him to return to Venezuela—after apparent threats from Caracas—based on a questionable claim of diplomatic immunity.⁹² He is currently a PSUV representative in the National Assembly.

IV. Confronting the Iran-Hezbollah Threat in the Western Hemisphere

Both the Islamic Republic of Iran and its proxy group, Hezbollah, are hyperactive in the Western Hemisphere. Iran's primary regional goal is to establish a political, military, and paramilitary network alongside like-minded anti-American movements and governments to offset American influence and erode American legitimacy in the Western Hemisphere. Iran continues to exploit Latin American connections to support terror attacks, evade sanctions, and foment anti-American sentiment throughout the region.

Hezbollah runs a vast terror-finance network in the Western Hemisphere that is part of its global financial operation. It also works closely with Iranian emissaries in the region to strengthen civil society support for their joint agenda, posing unique national security challenges for the United States.

Background: Iran

After more than 35 years of engagement with the region, Iran has an astute understanding of prevalent political patterns and socioeconomic trends in Latin

Special thanks to Joseph Humire and Emanuele Ottolenghi for their contributions to this section.



Iranian President Rouhani and Venezuelan President Nicolás Maduro in Saadabad Palace

Source: Wikimedia, <http://bit.ly/2ta884W>.

America. This is especially true after the past decade, during which diplomatic engagement with Bolivarian countries provided Iran with unparalleled access to the region.

Iran's strategic penetration of Latin America involves a gradual transition from an informal presence to a formal one—while simultaneously focusing on increasing military and paramilitary activities. Iran initiated this strategy in the 1980s through a covert presence in a handful of Latin American countries under the guise of commercial and cultural exchanges.⁹³

This cultural penetration allowed Iran (and Hezbollah) to embed itself in the Muslim communities

of targeted countries. More importantly, Iran established infrastructure through which it could insert intelligence operatives and other subversive actors into the region. These operatives in turn provide on-the-ground intelligence and local knowledge of the challenges and opportunities available to Iran in Latin America. This covert presence eventually led to Hezbollah's terrorist attacks against the Israeli embassy in Buenos Aires, Argentina, in 1992 and the AMIA Jewish Community Center in the same city two years later.⁹⁴

Later, the rise of Hugo Chávez and the Bolivarian Alliance for the Peoples of our America (ALBA) bloc allowed Iran's cultural penetration to shift into a more formal diplomatic and economic presence. The Iranian regime more than doubled the number of its embassies in Latin America by 2009 and established lines of credit with a half-dozen countries in the region.⁹⁵ This more formal presence further enabled covert activity by allowing Iran to establish a command-and-control structure throughout the region, using both formal embassies and an informal network of regional mosques and Islamic charities. According to SOUTHCOM, Iran now controls more than 80 Shi'a cultural centers throughout Latin America—more than double the 36 centers it controlled in 2012.⁹⁶

Iranian diplomatic and cultural investment in Latin America has served it well in recent years. Iran's ability to evade US and international sanctions against its illicit weapons of mass destruction programs ranks among its most tangible benefits. Experts estimate that several sanctions-busting schemes with ALBA nations allowed Iran to access several billion US dollars through Latin American banking systems,



Each year, thousands of people gather in remembrance of the AMIA attack

Source: Wikimedia, <http://bit.ly/2rycFB7>.

particularly in Venezuela and Ecuador.⁹⁷ Iran's heavily sanctioned official shipping line, the Islamic Republic of Iran Shipping Lines, was able to keep doing business in new regional offices in Latin America.⁹⁸ Several subsidiaries of Iran's Ministry of Defense Armed Forces Logistics, a sanctioned military procurement arm of the Islamic Republic, also opened offices in the region for the same purpose.⁹⁹

Several officials throughout the Western Hemisphere have raised the alarm regarding Iran's escalating activity in Latin America; however, none did so more prominently than Alberto Nisman. Nisman, the Argentine special prosecutor who investigated the AMIA attack, warned in 2013 that Iran's regional terror network was growing.¹⁰⁰ Two years later, in early 2015, he was killed under suspicious circumstances in his Buenos Aires apartment the day before he was to testify before the Argentine Congress about Iran's collusive efforts with the former Argentine government.¹⁰¹ Nisman's warnings and murder are stark reminders of Iran's operational capabilities and the danger Iran poses to the Western Hemisphere.

Background: Hezbollah

Hezbollah benefits financially from acting as a service provider to organized crime and corrupt elites across Latin America, largely through its activities in the Tri-Border Area (TBA) of Argentina, Brazil, and Paraguay. Large expatriate communities of Shi'ite Lebanese have settled in Latin America, focused in the TBA; the Brazilian cities of Curitiba, Rio de Janeiro, and Sao Paulo; and Argentina, Colombia, Chile, Mexico, and Venezuela. There are also smaller communities in Ecuador, Guyana, El Salvador, and Panama. Hezbollah and Iran rely on their vast social-religious infrastructure of mosques, schools, and cultural centers to facilitate travel and acquire residence permits from loyal clerics and emissaries.

Hezbollah's illicit finance networks account for a significant percentage of its budget to fund terrorism in the Middle East. They also supply the infrastructure for inserting sleeper cells that could be activated for terror attacks against local targets or even the United States.

There have been a few recent assessments of how much Hezbollah remits to its Lebanese-based operations from illicit activities in Latin America. A 2004 Naval War College study assessed that "Hezbollah, whose annual operating budget is roughly one hundred million dollars, raises roughly a tenth of that in Paraguay."¹⁰² A 2009 Rand study doubled that, estimating that \$20 million was raised mainly in the TBA.¹⁰³ Assuming these assessments are accurate, Hezbollah's remittances from Latin America, especially the TBA, doubled from 2004 to 2009 and have likely increased further since.

The US government has known about this threat for years, but too few resources have been devoted to assess its scale or impact. Testifying before the Senate Armed Forces Committee in March 2015, SOUTHCOM General John F. Kelly said:

The terrorist group Lebanese Hezbollah—which has long viewed the region as a potential attack venue against Israeli or other Western targets—has supporters and sympathizers in Lebanese diaspora communities in Latin America, some of whom

are involved in lucrative illicit activities like money laundering and trafficking in counterfeit goods and drugs. These clan-based criminal networks exploit corruption and lax law enforcement in places like the Tri-Border Area of Brazil, Paraguay, and Argentina and the Colon Free Trade Zone in Panama and generate revenue, an unknown amount of which is transferred to Lebanese Hezbollah. *Unfortunately, our limited intelligence capabilities make it difficult to fully assess the amount of terrorist financing generated in Latin America, or understand the scope of possible criminal-terrorist collaboration.*¹⁰⁴ [emphasis added]

Senior US officials acknowledge Hezbollah's involvement in a variety of illicit activities, including drug trafficking and trade-based money laundering. Hezbollah engages in these activities with local criminal organizations, adding their global networks to its portfolio. Decades of experience running trade-based money laundering schemes have made Hezbollah financiers the ideal business partners for transnational organized crime in Latin America. Local networks provide outlets to launder revenues and additional logistical infrastructure to help move merchandise to remote markets in North America, West Africa, Europe, the Middle East, and South Asia, benefiting both organizations. Hezbollah, according to local sources familiar with its operations, thus acts as both the "Western Union" and "Federal Express" of Latin America's organized crime.

After Hugo Chávez was elected president in 1998, Venezuela became a crucial source of political, financial, and logistical support for Hezbollah. Not only does Hezbollah have cells that operate traditional fundraising and political activities with impunity in Venezuela, but in recent years, narcotics traffickers in the regime have provided Hezbollah operatives with smuggled cocaine destined for the European market.¹⁰⁵

In February 2017, Venezuela's vice president was named a "Specially Designated Narcotics Trafficker" by OFAC. According to the OFAC designation, "El Aissami received payment for the facilitation of drug shipments belonging to Venezuelan drug kingpin Walid Makled Garcia."¹⁰⁶ Early in Chávez's first

term, El Aissami served as the head of the erstwhile National Office of Identification and Foreign Nationals, the authority responsible for issuing national identification cards and passports; in this capacity, he was notorious for issuing identity and travel documents to suspicious Arab and Iranian operatives.¹⁰⁷

Across the region, the group's ability to deliver financial and logistical support to organized crime derives from five elements:

1. A vast clan- and family-based network of businesses with decades of experience in trade-based money laundering;
2. Access to politically influential individuals and groups cultivated through a mix of ideological convergence and economic inducement;
3. Assistance from Iran and financial support through Tehran-sponsored institutions;
4. Widespread corruption at all levels of law enforcement and public administration across the region; and
5. Porous regional borders and a well-established tradition of illicit trade.

The United States should determine the extent to which Latin American revenue streams continue contributing to Hezbollah finances. Due to its deepening involvement in the Syrian civil war, Hezbollah has likely increased its illicit funding efforts.¹⁰⁸ While Iran remains Hezbollah's main funder, the vicissitudes of Iran's economy and pressure from US sanctions on its Lebanese funding make Hezbollah more reliant on alternative revenue streams.¹⁰⁹

In Latin America, Hezbollah has benefited from lacking American enforcement of its own sanctions and a permissive environment where corrupt local officials facilitate Hezbollah's illicit finance operations for their own personal gain. A concerted American-led enforcement effort could reverse this trend.

Counterterrorism Challenges and Recommendations

For several years, Iran and Hezbollah have operated in a state of legal grace in Latin America. The United States Congress should work with the Trump administration and regional allies to increase pressure on these extra-regional actors, thereby deterring further terrorist activity in the region and beyond.

Counterterrorism Laws. More than half the states in the region lack an adequate counterterrorism legal framework. Of the few states that *do* have terrorism laws on the books, none recognize Hezbollah as a foreign terrorist organization.

The United States should work with regional partner governments to strengthen their counterterrorism legal frameworks and criminalize membership in foreign terrorist organizations such as Hezbollah. This could include working with the Organization of American States or other multilateral forums in the region.

Proper Resources. SOUTHCOM Commander Admiral Kurt W. Tidd's 2017 Posture Statement prominently mentions Iran and Hezbollah's activities in the Western Hemisphere and makes clear that SOUTHCOM is working to deter threat networks throughout the region.¹¹⁰ Ensuring that this combatant command has the proper resources and authorities is vital to any strategy neutralizing Iran's and Hezbollah's advances in the Western Hemisphere.

Congress should provide additional funding to the US Department of Defense aimed at strengthening and supporting SOUTHCOM's counter threat networks strategy, with specific funding allocated for more robust counterterrorism operations in the region. Additionally, efforts to collect regional intelligence should focus more closely on Iranian and Hezbollah activity in Latin America.

Congressional Oversight. Congressional oversight is integral to any successful strategy to neutralize Iran and Hezbollah in the Western Hemisphere. The Countering Iran in the Western Hemisphere

Act of 2012 aimed to establish that oversight. However, in 2014, the Government Accountability Office (GAO) reviewed the law's implementation and concluded that the State Department had addressed only two of 12 strategy elements in the law. The GAO recommended that the State Department provide the appropriate congressional committees with additional information to bring it into compliance with the law.¹¹¹

The US Department of State (and other relevant agencies) should update its initial June 2013 assessment of the threats posed to the United States by Iran's and Hezbollah's growing presence and activity in the Western Hemisphere. The findings should be presented before the US Congress and released to the public.

Venezuela. Earlier this year, CNN and CNN en Español aired a yearlong investigation revealing an alarming immigration scheme by the Venezuelan government. According to CNN, Venezuelan officials reportedly sold passports to suspected members of foreign terrorist organizations, namely Hezbollah. The CNN documentary provided eyewitness testimony from former Venezuelan officials living in exile with firsthand knowledge about this alleged immigration scheme, which poses a severe threat to US national security.¹¹²

The US government should provide additional intelligence resources to obtain data on any passports or identification Venezuelan authorities have issued to persons from countries of concern. Intelligence agencies must determine which, if any, of these documents have been used in recent years and if additional security measures should be employed for persons holding such travel documents.

Furthermore, the current economic and political crisis in Venezuela, brought on by an oppressive regime, is fostering lawlessness and fear. In 2016, the United States government received 18,000 asylum requests from Venezuelans.¹¹³ Thousands more people are fleeing Venezuela via the Colombian and Brazilian border. If the current crisis in Venezuela escalates further and the state collapses completely, the United States should be prepared for the mass

regional migration and humanitarian crisis that will follow.

Moreover, US intelligence must detect and deter any attempts by Iran or Hezbollah to use this crisis to their tactical advantage, moving operatives among refugees. Additional intelligence resources are needed to cooperate with regional security and intelligence services to determine if Hezbollah is using these Venezuela refugee flows to infiltrate operatives in neighboring countries or the United States.

Sanctions. The Trump administration should aggressively target Hezbollah operatives and their enablers in Latin America. A good first step would be a thorough review of existing sanctions.

Sanctions against Hezbollah operatives (identified as "Specially Designated Global Terrorists" under EO 13224) are more than a decade old and require updates to cover new companies and business partners associated with individuals and entities already under sanctions.¹¹⁴ Updates to legislation such as the Hezbollah International Financing Prevention Act of 2015 would bolster the US government's authority to pursue these networks in Latin America. Additionally, the US government should revoke or deny visas from those parties implicated in Hezbollah activity—including lawyers, accountants, business partners, service providers, and corrupt officials.

Iranian-Sponsored Cultural Centers. Similarly, the US government should investigate the financial dealings and partnerships of Iranian-sponsored cultural centers and mosques across the region. Of particular concern are the missionary activities of Iranian-backed clerics: There is growing evidence that such activities bear the hallmarks of radicalization and incitement to religious and ethnic hatred.¹¹⁵ Latin American converts to Shi'a Islam, especially those who travel to Iran for further training and indoctrination, may be particularly susceptible to this type of incitement.

Finance. The US government also has several financial tools at its disposal to hinder Hezbollah's and Iran's operations in Latin America. For example, the US should impose Section 311 designations under the

Patriot Act on financial institutions known to be used by Hezbollah financiers to manage revenues. Additionally, banking sectors of countries that facilitate Hezbollah's terror-finance operations and those of associated criminal networks should be designated as zones of primary money laundering concern. Finally, the US government must work with regional partners through international forums such as the Financial Action Task Force and the Financial Action Task

Force of Latin America to ensure full compliance with counterterror finance and money laundering recommendations.

Government-Wide Coordination. The US must pursue a whole-of-government approach to addressing the threat posed by the terror-crime nexus in Latin America, ensuring that investigations, indictments, sanctions, and designations are properly coordinated.

V. The Criminalized State in Latin America

Government corruption and criminality play a major role in transnational organized crime in the Western Hemisphere. In some places, transnational organized crime is so pervasive that it has severely corrupted state institutions.

A “criminalized state” is reached when “senior leadership is aware of and involved—either actively or through passive acquiescence—on behalf of the state, in transnational criminal enterprises, where transnational organized crime is used as an instrument of statecraft and state power, and where levers of state power are incorporated into the operational structure of one or more TOC groups.”¹¹⁶ It is important to distinguish a criminalized state from a noncriminal state that struggles with corruption; the two are fundamentally different and should be treated accordingly by policymakers.

Venezuela currently exemplifies the criminalized state; its government actively supports TCOs such as Colombian drug traffickers and even terrorist groups such as Hezbollah. Perhaps the clearest evidence of Venezuela as a criminalized state is its operational ties to the FARC. Under the governments of Presidents Hugo Chávez and Nicolás Maduro, Venezuela became a key staging area for FARC operations and a primary transit point for drugs produced in Colombia. These illicit goods are trafficked through Venezuelan territory, usually with the Venezuelan military’s complicity or direct involvement.¹¹⁷

The cooperation between the *chavista* state and transnational organized crime was exposed in computer files captured from FARC Commander Raúl

Reyes, who was killed in a Colombian military raid on his refuge on the Ecuadoran border in 2008. The Reyes documents reveal transactions in which senior officials in the Chávez government provided the FARC substantial strategic support, including funds and weapons, via front groups. These captured documents are damning evidence of the highest levels of the Venezuelan state providing material assistance to a criminal group that was waging an insurgency and reign of terror against a neighboring country.¹¹⁸

This collaboration with the FARC is just part of the Venezuelan government’s sprawling network of transnational criminal enterprises. The government has expanded and consolidated its criminal operations in conjunction with foreign governments and organizations, using seemingly innocuous diplomatic initiatives and economic vehicles.

PDVSA and International Petro-Corruption

Perhaps the most important vehicles for Venezuela’s international criminal network have been ALBA and Venezuela’s state-run oil giant, PDVSA. By establishing PDVSA subsidiaries in Central America and elsewhere for the stated purpose of bolstering socialist revolutionary allies, Chávez created a multipurpose financial network for money laundering, illicit enrichment, political corruption, and other transnational criminal activity.

The Department of Treasury took action against some of this activity in 2015 by designating Banca Privada D’Andorra (BPA) as a “foreign financial institution of primary money laundering concern.”¹¹⁹

Special thanks to Douglas Farah for his contributions to this section.

According to the notice, the European bank laundered approximately \$2 billion in dirty PDVSA money; BPA's money laundering activities allegedly "involved the development of shell companies and complex financial products to siphon off funds from [PDVSA]."¹²⁰

Much of Venezuela's money laundering network centers on the institutions established as part of Chávez's innovative petro-diplomacy, which used the country's oil largesse to cement relationships. PDVSA subsidiaries in Nicaragua (Alba Petróleos de Nicaragua, S.A., or Albanisa) and El Salvador (ALBA Petróleos de El Salvador)

embodied this approach. According to their stated missions and founding documents, these companies were established as vehicles for social development financed by subsidized Venezuelan oil. PDVSA agreed to sell the companies oil at reduced rates based on the premise that Albanisa and ALBA Petróleos could then use their profits to invest in the development of education, health care, and other social goods—courtesy of the Venezuelan government. But these companies appear to have strayed far from this stated goal, serving instead as tools for political corruption and criminality.

Both companies are directly controlled by political operators from their countries' respective ruling parties, which are close allies of the Venezuelan government. The political ties between these companies and their governments allow them to operate without meaningful oversight or accountability, facilitating corruption.¹²¹

Journalistic investigations into Albanisa found that as much as \$4 billion was redirected for "privatization" from what was intended for social and



Entrance of the PDVSA headquarters in Maracaibo, Venezuela, with the phrase "Patria, Socialismo o Muerte" visible

Source: Wikimedia, <http://bit.ly/1T4SI8y>.

development programs in Nicaragua.¹²² In reality, this money often ended up supporting political campaigns and enriching officials.¹²³ One investigation in El Salvador uncovered nearly \$300 million from ALBA Petróleos funneled to Panama through shell companies.¹²⁴ Both companies have notable financial irregularities in their revenue and expenditures, indicating corrupt activity, and both experienced continued and inexplicable growth amid waning Venezuelan oil deliveries and the collapse of oil prices.¹²⁵

Sources within these subsidiaries claim these irregularities are the proceeds of money laundering and a financial support cycle involving corrupt Venezuelan officials and drug trafficking organizations, including the FARC. Rising concern and public pressure led to the investigation of an influential ALBA Petróleos official and Salvadoran political operator, José Luis Merino. The Salvadoran attorney general's office has been investigating Merino since 2014 for money laundering and weapons trafficking.¹²⁶ Merino's background and criminal activity provides insight into the operations of a hemispheric corruption network.

José Luis Merino (Comandante Ramiro Vásquez)

José Luis Merino is the key architect behind the criminalized states in El Salvador and Nicaragua. His shadowy financial empire—rooted in his past as a guerrilla commander of the Farabundo Martí National Liberation Front (FMLN)—directly supports a network of corrupt officials and criminal groups extending to Venezuela, Colombia, and beyond. Merino’s network directly undermines the quest to consolidate peace in Colombia and the broader regional fight against transnational organized crime. US policymakers should consider all options to expose and hinder individuals such as Merino who act in concert with the Salvadoran government to aid and abet transnational organized crime.

Merino, also known by his nom de guerre Ramiro Vásquez, is a former guerrilla leader who led the FMLN urban commandos during El Salvador’s civil war (1981–92). During the war, he carried out high-profile kidnappings and other activities to support the armed communist movement. He fostered a close relationship with the FARC’s leadership beginning in 1994, after the end of the Salvadoran civil war.

The 2008 Colombian military raid revealed that Merino worked with Chávez and through other channels to support the Colombian guerrillas. According to the *Wall Street Journal*, the documents reveal the FARC’s “wide network of support” and “close alliance” with Hugo Chávez. They also show close coordination between the FARC and Merino, including the facilitation of arms deals and creation of front companies to fund and arm the guerrilla group.¹²⁷ This troubling relationship has been highlighted by US policymakers and has prompted multiple calls for action,



José Luis Merino stands with Howard Cotto, director of El Salvador’s National Civil Police, after accepting an award on behalf of ALBA Petróleos’ foundation, Fundación ALBA

Source: Wikimedia, <http://bit.ly/2siN6ky>.

including letters from chairs of the House and Senate Subcommittees on Western Hemisphere.¹²⁸

Currently, Merino has control of the FMLN’s financial structure and is the primary architect and steward of the ALBA Petróleos empire. He has used his stature and contacts as a principal leader of El Salvador’s FMLN party to attain clout in an international network specializing in weapons procurement, drug smuggling, money laundering, and related crimes. This network’s illicit activities generate revenue for the FMLN.¹²⁹ Merino’s expansive structure operates with the complicity and under the protection of multiple criminalized states: El Salvador, Nicaragua, Venezuela, and others.

Trained in the Soviet Union, Merino was the logistics chief for the FMLN during El Salvador’s civil war, operating in some of the most difficult terrain in the country. He successfully orchestrated the kidnapping of President José Napoleón Duarte’s daughter in 1985.¹³⁰ Merino earned a reputation as a resourceful

super-fixer who facilitates a broad spectrum of suspicious enterprises, including money laundering, cocaine smuggling, illicit weapons shipments, aiding Russian businesses, and safe haven, recruitment, and infrastructure for Hezbollah.¹³¹

In 1994, Merino traveled to Colombia; spent eight months with the FARC founder and commander, Manuel Marulanda; and played a crucial role in the FARC's surge into the international drug trade.¹³² The visit's timing and outcome is essential to understanding the collaboration between Merino and fellow Marxist-Leninist leaders of the FARC.

By 1993, the FARC general secretariat had accepted taxing coca fields and cocaine laboratories as legitimate sources of revolutionary revenue. Buoyed by this infusion of revenue, a guerrilla force that was shrinking after achieving little in the previous 30 years began to grow into a viable military force.

However, the FARC had no significant logistical network or external structure. By contrast, Merino had the international logistical network but not enough product; thus, the symbiotic relationship of Merino and the FARC was born. According to seized FARC documents, Merino began trafficking cocaine in the mid-1990s, while providing the FARC with weapons, international contacts, and a global financial structure. With the resources from his kidnapping activities and from the FARC's burgeoning cocaine trade, Merino and his hardline allies took over the FMLN political party structure. Merino's illicit financial structure bolstered FMLN political activities, contributing to its presidential victories in 2009 and 2014.

This trust-based network was fed by Merino's ally Chávez and his Bolivarian alliance. Merino and Chávez, following a secret meeting in 2007, set in motion a plan to launder billions of dollars in illicit assets from the FARC, other drug cartels, money looted by Chávez's inner circle, and other criminal enterprises. During the Colombian peace talks, Merino became one of the FARC's primary advisers in Havana. The structure he built successfully moved an estimated \$1.1 billion through the fictitious oil import companies and other enterprises. Nicaragua's parallel operation performed similarly. Merino remains a key factor in the FARC's political future and the

management of the FARC's financial holdings, estimated to be as much as \$10 billion.¹³³

As charges of corruption, criminality, and mismanagement swirled around Merino and his cronies in El Salvador, he sought protection by having the FMLN government name him vice minister for foreign investment at the Ministry of Foreign Relations. This position affords him a diplomatic passport and allows him to supervise both Russian investment and the FARC's money laundering operation.

Recommendations

Merino and his allies exercise almost complete political control in the current FMLN government and are key cogs in the Venezuela-supported transnational criminalized structure. His support of the FARC and other criminal organizations undermines the fight against transnational organized crime and threatens the success of the peace accord in Colombia. US pressure against Merino, including using sanctions, can help disassemble his transnational criminal support network and support justice and accountability in the region.

Support the Northern Triangle Attorneys General. Although corruption in the Northern Triangle remains a major challenge, the current attorneys general in these countries have shown a strong willingness and commitment to prosecute corrupt officials at all levels and pursue gangs. However, their offices suffer from massive underfunding, which severely limits their ability to address the massive challenges posed by gang violence and corruption and directly contributes to widespread impunity.¹³⁴ By providing direct aid to the attorneys general of the Northern Triangle, the United States would be supporting some of the most impactful anticorruption leaders in the region.

Push for Adoption of Independent Anticorruption Entities. The model for anticorruption efforts in Guatemala is built around Comisión Internacional contra la Impunidad en Guatemala (CICIG), the

independent, international anticorruption body established by the UN at the invitation of the national government. It has successfully uncovered corruption throughout the government and unseated entrenched and protected politicians and elites previously thought to be untouchable. The Organization of American States subsequently created a similar body to attack corruption in Honduras.

As independent organizations, these entities are less susceptible to influence and political pressure, freeing them to pursue cases on their merits. The United States should support adoption of similar CICIG-type institutions

in the other Northern Triangle states to begin improving the lawless environments in which gangs and corruption flourish.



Donation for Comisión Internacional contra la Impunidad en Guatemala (CICIG)

Source: US Embassy Guatemala, Flickr, <http://bit.ly/2s935mH>.

VI. Instability and Gangs in the Northern Triangle

Violence in Central America has reached epidemic levels, particularly among the Northern Triangle nations of El Salvador, Honduras, and to a lesser extent, Guatemala. According to Brazil's Igarapé Institute, El Salvador was the world's most violent country in 2015 and 2016.¹³⁵ Another study found that Honduran cities occupied both the third and fourth spots in a ranking of cities with the highest homicide rates in the world.¹³⁶

A recent Inter-American Development Bank report found that the cost of crime in El Salvador and Honduras was 6.1 percent and 6.5 percent of gross domestic product (GDP) respectively, more than twice the regional average.¹³⁷ Other studies place the national cost of crime in El Salvador, specifically from gangs, as high as 16 percent of GDP.¹³⁸

Gang violence is a primary driver of social disintegration in the Northern Triangle and, as such, a primary driver of the illegal immigration of thousands of people from the region into the United States.¹³⁹ The prominence of gangs in the region is fueled by the Northern Triangle's weak institutions, corruption, scarce rule of law, and paucity of economic opportunity.

There are multiple gangs in the Northern Triangle that hold varying levels of power and resources. By most measurements, the largest gang is Mara Salvatrucha (MS-13), while a gang known as Barrio 18 is considered its primary rival. Both gangs have internal divisions and varying local structure, but there are



A typical MS-13 tattoo

Source: Wikimedia, <http://bit.ly/2ryMqds>.

also many smaller gangs that operate with less centralized structures. MS-13 and Barrio 18 combined are estimated to have more than 100,000 gang members in the Northern Triangle, and both have a significant presence outside the region, with cells in the United States and Canada.¹⁴⁰

In El Salvador alone, there are an estimated 60,000 gang members with an active presence in 247 out of 262 municipalities.¹⁴¹ Of those, some 65 percent are members of MS-13; 30 percent are members of the two factions of Barrio 18, *Revolucionarios* and *Sureños*; and some 5 percent are members of smaller gangs, generally associated with the region's larger gangs.

MS-13's growth and resilience have earned it special attention from US authorities and regional

Special thanks to Douglas Farah and Héctor Silva for their contributions to this section.

governments. In 2012, the US Department of Treasury sanctioned MS-13, designating it a TCO.¹⁴² Recent remarks by US Attorney General Jeff Sessions and actions by the US federal government highlight the increased attention MS-13 and gangs in general are receiving as a criminal threat both in the United States and abroad.¹⁴³

While not as structured as Mexico's cartels and other well-developed criminal organizations, Central American gangs such as MS-13 are rapidly evolving into a military, economic, and political power that poses an extraordinary threat to the fragile states of El Salvador and Honduras. In Guatemala, the gangs remain a tier-two threat—still posing a serious danger, but with far less influence and fewer capabilities than in the other two nations.

Gang Structure

The Northern Triangle's major gangs share the same basic hierarchy. At the top of the chain is the national leadership, consisting of mainly veterans in prison, which controls gang resources, sets the general lines of conduct, and collects an established fee (*ranfla*) that the membership is bound to pay to the gang. These leaders—with few exceptions—lived at some point in the United States, where both MS-13 and Barrio 18 were born.

Underneath the gangs' top leadership are the clique leaders. Both major gangs are formed by cliques or cells (*canchas*, in the case of Barrio 18), which are organized units that have their own leaders, the *palabrer*os or "word keepers." Each clique leader has the final say over life and death in his turf and membership. They have the power to order executions, admit new recruits, and keep the gang's financial records. At the bottom of the pyramid are the *hommies*, the general recruits who carry out extortion, robbery, intimidation, and other gang-related crimes.

In gang culture, loyalty is owed to the gang itself and to its general guidelines. For many members,

particularly at the lower levels, belonging to a gang does not provide wealth or luxury. Instead, power, respect, and a sense of belonging are the promises that often win over the vulnerable young men who join.

Criminal Activity

The Northern Triangle gangs' criminal activities are varied, but their most prominent crimes are homicides and extortion. Nevertheless, some gang cliques have shown the capacity to engage with regional drug trafficking organizations, the transportation of illicit goods, and human trafficking. At the base of this criminal triad lies territorial control, making it a central focus for gangs. The gangs do engage in some local street drug sales of cocaine and crack, but many of their financial resources are derived from extortion.

Gang extortion functions by collecting *renta* from small and medium-sized businesses operating in their territory. One out of every five small businesses in El Salvador is victimized by gang extortion, and most do not even report it to the authorities.¹⁴⁴ Most businesses simply choose to pay *renta*, fearing the violent gang reprisals and recognizing that the police are incapable of protecting them. Targets include stores, small businesses, restaurants, farms, transportation companies, and even schools.¹⁴⁵

The gangs' dependence on extortion revenue makes territorial control essential since more territory means more money and therefore more power. Much of the violence perpetrated by gangs derives from their efforts to intimidate extortion victims and prevent the incursion of rival gangs into their territory. To that end, gangs are adamant about earning their neighbors' respect or fear through routine violence, particularly against rival gangs. Gangs also often inflict brutal punishment against anyone who reports crimes to the police. On the walls of their neighborhoods, gangs like to graffiti the saying "*ver, oir y callar*," which means "watch, listen, and remain silent."

Transformation of Gangs

In recent years, gangs have taken clear steps indicating a purposeful transformation of their structure and activities. MS-13 in particular has worked to codify a chain of command, consolidate territorial control, and integrate itself into regional cocaine transportation structures in new and lucrative ways. In Honduras and El Salvador, important factions of MS-13 are using resources from the protection of cocaine shipments and applying political lessons learned during the 2012 gang “truce” to evolve rapidly into new, more sophisticated and lethal structures.¹⁴⁶ As a recent Freidrich Ebert Stiftung report noted:

Regarding the use of violence (armed confrontations, homicides, extortions) the behavior pattern of the contemporary gang appears to be guided by a high level of strategic logic. Taken together, the violent acts of the gangs become an instrument to protect the vital interest of the gang and broaden its opportunities. It is a reproductive rationale, which explains the search for new sources of economic, social and political power.¹⁴⁷

This shift is transforming gangs from groups that relied exclusively on violence and the threat of violence for control to structures that are now trying to win the hearts and minds of the communities in which they operate. They are taking concrete steps to integrate themselves in the cocaine trade and become a parallel state or mini-state within the national territory.¹⁴⁸

While dramatic, this transformation is not yet universal. The changes are more visible in Honduras and parts of El Salvador; however, in both countries some of the gang structures have remained less centralized and maintain their reliance on traditional illicit sources of revenue. The difference depends on the territory a clique controls: If it is on a route used for illicit trafficking, that group can acquire significant financial resources. Those in areas where trafficking is low do not have the same revenue stream. However, they display a larger trend in which gangs are exploring and adopting fundamental changes to the way they operate.

Dossier: MS-13

Of the Northern Triangle’s gangs, MS-13 seems to show the clearest signs of transforming its structure and activities. As part of this transformation, it is investing in sophisticated military training, formal businesses, and electoral campaigns.¹⁴⁹ These activities are significantly enhancing MS-13’s paramilitary and economic capabilities.

Perhaps MS-13’s most transformative political step was in Honduras with the countrywide decision to stop extorting small businesses that operate in the communities the gang controls. The decision removed an important source of revenue for the gang; however, it also bought the gang enormous political goodwill by removing the most hated facet of the gang’s presence in those neighborhoods. As described by gang leaders in four different communities in San Pedro Sula, the decision to forego the revenue from small-scale extortion was made possible by increased revenue from MS-13’s growing participation in different facets of the regional drug trade. Furthermore, the change was described as a conscious political decision to build a loyal political base moving forward.

This is not to say that the gang has abandoned extortion, since it still actively extorts many larger businesses in the territory under its control. These payments remain a major source of income but have a much less direct impact on local communities. Yet with growing ties to Mexican drug cartels and an ever-greater role in transporting cocaine across the isthmus, MS-13 is acquiring financial resources, advanced weaponry, and the sophistication to wield increasing political power. MS-13 in many ways increasingly resembles a criminal business enterprise rooted in brutal violence rather than a traditional gang.

However, the evolution of MS-13’s power and structure has not been uniform and varies depending on the subgroup’s geographic location and leadership. The decision to end small-business extortion in Honduras has not been replicated in El Salvador, where it is under discussion. In El Salvador, MS-13’s leadership structure is in danger of permanently fracturing, while in Honduras the leadership structure remains solid and disciplined. These differences

indicate that the gang's growth into a fully functional political-economic force is not inevitable, and multiple vulnerabilities exist that could be exploited with creative new strategies and a more realistic understanding of the gang's structures.

MS-13 as a Political Force

Despite the lack of uniformity in MS-13's transformation, these isolated changes are notable. MS-13 is operating with clearer strategic goals than in the past and amassing political and economic power. It has not yet coalesced around a coherent political ideology; however, the gang is exercising real political power, using a three-pronged strategy that leverages the gang's unity as a voting bloc. Rather than presenting a specific political platform beyond seeking direct benefits for the gang, MS-13 uses the sheer number of its members and its vast territorial control as both carrots and sticks to subvert the electoral process in new and dangerous ways.

The first example of the gang's ability to do this is its extortion of political parties for access to areas the gangs control. This extortion occurs in Honduras and El Salvador, where gangs charge individual candidates from all parties several hundred to several thousand dollars to be able to set up a party organization and campaign in a neighborhood. While this can be seen as a natural extension of MS-13's typical extortion activities, it represents an important thrust into the political realm.

The second element, closely tied to the first, is the gangs' decision to ban certain politicians or political parties they view as enemies from campaigning in the areas they control. The most notable instance was MS-13's recent decision to ban supporters of Honduras President Juan Orlando Hernández, who is seeking reelection in November 2017, from entering large sectors of San Pedro Sula. In addition to intimidating the president's campaign workers, the gang refused to allow his campaign posters and other propaganda to be displayed and threatened to kill anyone found voting for him. The gang is threatening to employ similar strategies against the governing FMLN in

El Salvador in upcoming legislative and municipal elections. These steps are rooted in MS-13's past experiences with the gang truce in El Salvador, at the time demonstrating their potential political influence in support of the FMLN.¹⁵⁰

Finally, MS-13 has begun directly financing amenable mayors and local legislators. This allowed the gang to move some of their own—or those willing to do their bidding—into municipal strongholds, giving them a direct line to political leaders. In some cases, the mayors have even hired active gang members as municipal employees.¹⁵¹

These examples of MS-13's incursion into politics reveal a troubling trend wherein the gang greatly expands its power and influence while protecting itself by corrupting local governments and officials. This shift, as well as the expansion into illicit trafficking and the development of paramilitary capabilities, indicates an alarming transformation that will add complex new challenges to combating MS-13's activities.

MS-13 has proved its adaptability and endurance as a transnational criminal threat. It remains an open question whether the gang can now be classified as a criminal insurgency, but clearly MS-13, despite its divisions and internal differences, is now a markedly different and more dangerous organization than it was just a year ago.

Recommendations

The challenge of combating gangs and gang violence in the Northern Triangle, when complicated by corruption, can seem insurmountable. Arresting gang members frequently appears to have a negligible impact, particularly when they continue to be involved in gang activities in prison. However, there are some concrete ways that the spread of gangs can be confronted, with support from US authorities.

Assist with Overhaul of Prison Systems. The Northern Triangle's underfunded and overcrowded prisons play a central role in gang operations, allowing jailed members to continue to coordinate outside gang actions. Prisons also serve as breeding grounds

for gangs where they can easily recruit new members. The problem of insufficient prison resources is compounded by corruption, bribery, and threats of violence against guards.¹⁵²

Past attempts to help secure prisons in the Northern Triangle with additional technology and resources show that corruption remains a significant barrier to this goal.¹⁵³ Additionally, threats of violence against prison officials and their families continue to be effective methods for maintaining gang control in prisons. The United States can and should provide direct aid to help secure prisons to undermine this instrument of recruitment and control

Bilateral Coordination on Gang Member Deportations. MS-13 traces its origins to the United States prison system and first gained a foothold in the Northern Triangle when gang members were deported to their countries of origin. Governments in the Northern Triangle are therefore justifiably concerned that new rounds of mass deportations of gang members from the United States to their countries would overwhelm their overtaxed judicial and economic systems.¹⁵⁴

Recent research conducted by Florida International University on the impact of deportations on gang strength in the Northern Triangle demonstrates why they should be concerned. According to survey data from nearly 1,200 former and current gang members in El Salvador, 97 percent of respondents reported joining gangs in El Salvador, while less than 1 percent said they grew up in the United States. The researchers conclude, “the data appear to support the thesis that the contemporary gang phenomenon in El Salvador is predominantly a product of local structural conditions, such as poverty, income inequality, and family disintegration, among others and is not exclusively an effect of forced migration.”¹⁵⁵

US authorities should be mindful that injecting thousands more gang members into these countries would unquestionably create more challenges for local governments. However, domestic proliferation of gang membership should remain a central focus of anti-gang initiatives. By coordinating with Northern Triangle governments to support monitoring and reintegration programs and gang-prevention initiatives, the United States can help minimize recidivism and the growth of gang membership.

VII. Modernizing Security Cooperation with Mexico

In Mexico, fighting transnational organized crime has become increasingly complicated over the past two decades, as drug cartels take advantage of the globalized economy to expand into weapons and human trafficking, money laundering, kidnapping, extortion, and other illicit endeavors. Globalization has expanded their areas of operations significantly; the Sinaloa Cartel, for example, now has a presence on six continents.¹⁵⁶

Nine large TCOs represent the principal transnational organized crime threat in Mexico. According to the Office of the Attorney General, these organizations control approximately 45 separate armed groups. Their activities are focused on high-impact crimes such as murder, armed robbery, kidnapping, and extortion.¹⁵⁷

The US and Mexican governments' strategy to fight transnational organized crime in Mexico has relied heavily on eliminating cartel leaders and interdicting illegal drugs. In 2008, the United States and Mexico launched the Merida Initiative to counter drug-fueled violence in both countries. The strategy was synthesized in four pillars:

1. Disrupting organized crime's ability to operate;
2. Institutionalizing the capacity to sustain the rule of law;
3. Creating a 21st-century border structure; and
4. Building strong and resilient communities.

Special thanks to Felipe Trigos and Inés Echegaray for their contributions to this section.

Funding, technical support, and intelligence sharing have increased significantly since the adoption of Merida. However, rising levels of violence in Mexico, growing drug consumption in the United States—particularly heroin—and the steady flow of weapons, ammunition, cash, and drugs across the US-Mexico border are proof that the strategy needs to be reassessed and revised.

Since 2006, when the frontal assault on organized crime began in Mexico, approximately 130,000 people have died, and 27,000 are missing.¹⁵⁸ Since President Enrique Peña Nieto took office in December 2012, reports of high-impact crimes, which he promised to tackle at the beginning of his six-year term, have reached dramatic levels. Kidnappings increased by 79 percent in four years.¹⁵⁹ From 2015 to 2016, homicides surged by 255 percent,¹⁶⁰ and extortion cases increased by 30 percent.¹⁶¹ Violence has returned to record levels in cities previously identified as success stories, such as Tijuana and Ciudad Juárez.¹⁶²

A successful response to the evolving transnational organized crime threat in Mexico should consider institutional weaknesses and the enormous challenges that exist for implementing a security strategy amid pervasive corruption, impunity, and criminality.

The Evolution of Transnational Organized Crime in Mexico

Before 2006, only four cartels dominated the drug trade in Mexico. Today, according to Mexico's Attorney General's Office,¹⁶³ nine major cartels are operating in the country: the Sinaloa Cartel, Tijuana Cartel, La Familia Michoacana, Juárez Cartel, Beltran Leyva



Police take a suspected drug trafficker off a helicopter in Hermosillo, Mexico

Source: Knight Foundation, Flickr, <http://bit.ly/2rz7cK>.

Cartel, Los Zetas, Gulf Cartel, Los Caballeros Templarios, and Cartel Jalisco Nueva Generación (CJNG).

The decapitation strategy that the Mexican government implemented (with US support) to take down the top drug cartel leaders—and the ensuing turf wars and internecine fighting—led to these cartels fracturing into splinter factions.¹⁶⁴ Since 2010, there has been an accelerated decentralization of criminal groups, complicating efforts to combat organized crime. The relationship among these groups is dynamic; organizations continually split from one another or engage in opportunistic short-term alliances that usually end in violent feuding.

The CJNG's rise is an example of how criminal organizations have become flexible and prepared to fill vacuums left by other fractured cartels. Founded only 10 years ago, the CJNG was able to make alliances with smaller cartels to take over territory previously controlled by the Sinaloa Cartel. After Joaquín “El Chapo” Guzmán was captured for the third time

on January 8, 2016, fractures in the Sinaloa Cartel allowed the CJNG to challenge what was once the world's most powerful criminal organization. The CJNG is rapidly surpassing the Sinaloa Cartel with operations that span over 16 states in Mexico and with a significant footprint in Europe and Asia.¹⁶⁵

The Strategy Today

When former President Felipe Calderón (2006–12) launched his security strategy in 2007, several municipal and state governments were being held hostage by TCOs, either by intimidation with the threat of violence or through corrupted political authorities or security forces. Even when they wanted to resist such corruption, many local police forces lacked the capacity to fight violent organized crime effectively.¹⁶⁶ Ultimately, corruption, poor training, lack of funding, and collusion between officials and criminal groups



Police investigate a murder scene in Hermosillo, Mexico

Source: Knight Foundation, Flickr, <http://bit.ly/2rDBtmo>.

made the situation untenable in important states.¹⁶⁷ Although the Calderón and Peña Nieto administrations differed on strategy, the tactics were quite similar: assisting vulnerable states by sending armed forces or the federal police to contain high levels of violence.

At this time, sending the military back to its barracks is not an option. However, the strategy must adapt to shifting realities and changing cartel tactics. Since the military was first deployed on such an urgent policing mission (in the state of Michoacán in December 2006), the last two administrations have been unable to significantly reduce violence, corruption, and the presence of major criminal organizations throughout the country. Continued US-Mexico cooperation, beginning with evaluating and modernizing the Merida strategy, is imperative to gaining ground on this new and evolving threat.

Since 2008, Congress has appropriated \$2.6 billion to Merida to bolster Mexico's security and surveillance, modernize the country's justice system,

and fund education and training programs.¹⁶⁸ However, the diversification of transnational organized crime into a plethora of illegal activities using resilient and flexible chains of command and advanced tactics and weaponry requires a more flexible and updated approach. It also requires a more comprehensive commitment to meet the shared responsibility for CTOC operations in the United States, Mexico, and the region at large.

Modernizing and Adapting

Although the United States has provided material resources, training, and equipment to Mexico and bilateral cooperation is at an all-time high, organized crime in Mexico remains a grave threat to public security. Establishing and sustaining the rule of law is an elusive goal. Building strong and resilient communities requires more political commitment and resources,

and creating a 21st-century border demands greater cooperation, innovation, and infrastructure.

Considering these shortcomings, the United States and Mexico must adjust their strategies and expand their joint efforts to tackle a broader set of problems that have limited the Merida Initiative's success to date.

Pervasive Corruption and Impunity in Mexico.

Currently, at least 12 former governors of Mexican states are accused of corruption, money laundering, or narcotics trafficking.¹⁶⁹ Some of these officials—and, presumably, many like them—are responsible for inhibiting antidrug efforts for decades. In some cases, they have made pacts with criminal organizations to allow them to operate in their jurisdictions with impunity; in others, officials have become directly involved in crime for personal financial gain.

A culture of impunity has bred corruption among politicians from all parties and officials at all levels in all branches of government. Such widespread corruption hinders any security strategy and stunts the country's economic growth—costing Mexico approximately \$17.3 billion a year, or 9 percent of the country's GDP.¹⁷⁰ No degree of international cooperation or technical assistance will likely produce lasting results until Mexican authorities attack this impunity and corruption through systematic and sustained measures.

The fight against structural corruption requires a legal framework to make officials more accountable. Such a framework includes passing stronger and more comprehensive anticorruption laws, increasing and improving prosecution, imposing stricter sentences on corrupt politicians, eliminating immunity for all public servants, and empowering independent bodies and organizations to ferret out corruption.¹⁷¹ An effective plan cannot ignore individuals who induce corruption by bribing public officials.

Mexico's inability to impose effective justice against organized crime generates a dangerous sense of impunity among criminals (including corrupt officials) and undermines its citizens' security. According to the Global Impunity Index, Mexico has the second-highest level of impunity in the world. Only

7 of 10 crimes are reported, and of all the crimes committed in the country, less than 5 percent result in prosecution that produces a verdict and sentencing, meaning that impunity in Mexico is close to 95 percent.¹⁷² With such rampant impunity, it is no surprise that only 9 percent of Mexicans trust judicial authorities in their country.

Fighting impunity requires a bottom-up approach to instill a culture of lawfulness and the expectation of justice at all levels of society. Although Mexico's sovereignty-conscious government would never accept an external body similar to the International Commission Against Impunity in Guatemala, to enhance the effectiveness and independence of prosecutions, greater international accountability might encourage national authorities to reform and adequately fund their criminal justice system.

The transition from an inquisitorial to an accusatorial justice system in Mexico is one reform supported by Merida-funded programs. However, no procedural reform can guarantee that prosecutors and judges will perform their functions effectively and properly. Corruption can undermine any process, and this systemic problem cannot be resolved until police, prosecutors, and judges operate honestly, efficiently, and independently.

Expanding Cooperation to Fulfill Shared Responsibility.

The commitment by US and Mexican authorities to cooperate in the fight against transnational organized crime is based on an understanding that neither country can deal effectively with this phenomenon on its own and that both countries share responsibility for the problem. Because organized crime persists on both sides of the border, both countries must do more to meet their shared responsibility. Both must be prepared to confront issues that have not been adequately addressed under Merida programs.

Weapons Trafficking. Mexican law enforcement, in many cases, is literally outgunned by TCOs using sophisticated firearms—the majority of which come from the United States. The steady flow of these sophisticated and powerful weapons gives criminal

organizations in Mexico extraordinary firepower, which surpasses that of most Mexican security forces.

A GAO report concluded that, of the 100,00 firearms Mexican authorities seized between 2009 and 2014,¹⁷³ more than 73,000 (73 percent) were found to have originated in the United States.¹⁷⁴

Of particular concern is a new and rapidly growing tactic that weapon smugglers have devised to avoid detection and interdiction at the border: shipping weapon parts to Mexico for assembly into firearms.¹⁷⁵ Under the US Gun Control Act and the National Firearms Act, American gun manufacturers or importers are not required to engrave serial numbers on gun parts, making this new smuggling tactic even more difficult to combat. Furthermore, retailers are not required to report the purchase or sale of gun parts or kits, except for “gun receivers”—the frame that houses the bolt, firing mechanism, and so forth. Nevertheless, detection of a receiver is easily avoided by transferring nearly complete “80 percent receivers,” which require some finishing work and need not be reported to authorities. While increased interdiction on both sides of the border is also helpful, US efforts would be greatly enhanced by closing legal loopholes governing the engraving, reporting, and transferring of gun parts, including 80 percent receivers.

Human Trafficking. Human trafficking has been directly correlated with drug trafficking in Mexico for decades, especially since criminal organizations in Mexico diversified their operations.¹⁷⁶ In 2016, the Walk Free Foundation, through its Global Slavery Index, estimated that the highest number of enslaved people in the Americas was found in Mexico—approximately 377,000 people.¹⁷⁷ Women and children are among the most vulnerable, especially those living in marginal communities. Women are forced into prostitution, while boys and men are used for involuntary labor, which sometimes includes forcefully turning them into gunmen.¹⁷⁸

Insecurity and economic instability in Central America have exacerbated the illegal practice. In 2016 alone, 500,000 immigrants crossed Mexico in hopes

of reaching the United States, making them targets of human trafficking by criminal organizations.¹⁷⁹

Illegal Drug Consumption. According to the Centers for Disease Control and Prevention (CDC), “in 2015 more Americans died of drug overdoses than any other year on record: more than 52,000 deaths in just one year.”¹⁸⁰ These overdoses and the overall opioid crisis confronting the United States are largely attributable to inadequate regulation of prescription drugs. According to CDC prescription data, hundreds of millions of prescriptions for opioid painkillers have been written by physicians in recent years, producing record numbers of patients who became addicted to opioids, either legally prescribed or acquired through the illegal market created by the flood of prescribed drugs.¹⁸¹ These new addictions have created a significant market for illegal drugs such as fentanyl and heroin, which are produced and transported mainly through Mexico.¹⁸²

Although the United States has adopted some measures to mitigate this phenomenon, only 10 states have produced legislation to limit opioid prescriptions. In the meantime, hundreds of thousands of Americans continue to suffer the consequences of these addictions, and their demand fuels criminal drug trafficking by TCOs in both countries. Congress and the Trump administration have given new attention to the opioid crisis, and additional federal controls on prescription drugs and resources for law enforcement and demand-reduction programs are essential to reducing illegal trafficking.

Insufficient Financial Intelligence. The ability of law enforcement authorities and financial regulators to deny TCOs access to the international financial system is a potent asymmetrical tool against these dangerous networks. Both the United States and Mexico need more resources to detect and dismantle illicit money laundering operations and seize criminal proceeds. Properly funding financial-intelligence operations is crucial to attacking the revenue flows and operational capacity of TCOs in both countries.

Insufficient and Corrupt Security Forces in Mexico. In recent decades, due to civilian police forces’



Customs and Border Protection discovered 240 pounds of marijuana, worth almost \$120,000, concealed in a 2001 BMW

Source: Wikimedia, <http://bit.ly/2tuVrRs>.

incapability, ineffectiveness, or corruption, most of the fight against transnational organized crime in Mexico has been entrusted to the armed forces. Mexican Army and Navy personnel who were never trained to function as law enforcement officials have been deployed on the front lines in a policing capacity.

In many cases, these security forces have filled a void and performed adequately. However, for myriad reasons, this military response to the transnational organized crime challenge is unsuitable and unsustainable. Professional civilian policing is essential to CTOC efforts on the front lines in Mexico's communities.

Several attempts to train and vet competent federal police forces have failed. In the past decade, local governments in Mexico have received an estimated \$5.7 billion in funding to improve their police forces.¹⁸³ Nevertheless, these local law enforcement authorities

still lack adequate training, funding, equipment, and in some cases, the willingness to face criminal organizations. According to an alarming report on the fitness for duty of Mexican police, in 2016 more than 28,000 policemen failed their background checks but continued to work as police officers.¹⁸⁴

The latest, most promising attempt to reform the police in Mexico is the so-called Mixed Police Command, an initiative from the Mexican executive branch that already has cleared the Mexican Senate but remains stalled in the Chamber of Deputies. This initiative would allow federal security forces to intervene in states and municipalities that face serious challenges from organized crime.¹⁸⁵

If the bill is passed and signed into law, it could represent the first step toward restoring the police's role as the primary actors against organized crime. In the meantime, another bill, the Internal Security

Law, is intended to balance the military forces' ability to operate with accountability for any violations of human rights.¹⁸⁶

An adequate defense budget also is necessary to target transnational organized crime operations on Mexico's land and maritime borders and in vast international waters that are the corridor for illicit smuggling. Mexico spends 0.45 percent of its GDP on defense, less than half the region's average.¹⁸⁷ Compounding this problem is the deficit of soldiers in the armed forces, calculated at 33 percent.¹⁸⁸ Current defense funding inadequacies and recent cuts (in some cases, reductions of more than 40 percent) hurt the effectiveness of those entrusted with securing Mexico's territory against transnational organized crime.¹⁸⁹

If Mexico does not spend additional political and financial capital to strengthen and train its security forces, securing the country against transnational organized crime will be practically impossible.

Conclusion

Fighting transnational organized crime is a complicated task that requires adequate human and material resources, efficient law enforcement agencies, and willing partners to fight a threat that evolves, adapts, and operates across national borders. Although the Merida Initiative has accomplished

significant results, the United States and Mexico can do more to stay ahead of sophisticated, flexible, and resourceful criminal networks. This fight requires that both countries accept their shared responsibility in addressing the threat.

Mexican authorities are making progress in defining the ideal role of police versus the military and local versus federal authorities on the front lines of the CTOC effort. Even as they clarify these functions, federal officials must be pragmatic when implementing emergency responses in states and localities where the local governments are unwilling or unable to fight deadly cartels effectively.

For Merida programs to produce better results, Mexico can do much more to tackle corruption, impunity, and the lack of political will to confront an enemy that continues to threaten the lives of millions of people on both sides of the border. Holding state and local authorities accountable, increasing the country's armed forces and security budgets, and passing crucial legislation to improve the way the government protects its people are necessary and urgent steps.

As a partner in Merida, the United States can also do much more to reduce the consumption of illegal drugs, which fuels supply from Mexico, and combat weapons trafficking, which allows criminal organizations to overpower authorities and terrorize communities. Without a conscious effort to modernize Merida, transnational organized crime will continue to threaten the health and national security of both countries.

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