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Paraguay's Ciudad del Este and the New Centers of Gravity

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Paraguay is landlocked, poor, a long way from everywhere, and seldom appears in the drama of international events but is nevertheless emblematic of our global security challenge. It has suffered crippling wars where governance has always been a challenge and where smuggling and criminal organizing is a tradition. Long disregarded by the great powers' intelligence and diplomatic services, it is now a place where international crimes like money laundering, gunrunning, migration fraud, and drug trafficking recombine and metastasize. In an age of great sovereign competitors, the United States pays attention to nations according to their development-their ability to mobilize as a nation and to make war as a nation. Now we are entering an age of uncivilized behavior in which we must focus on the lost geographies, the fertile ground for piracy and terror. Ciudad del Este, a boomtown on Paraguay's eastern border facing Brazil and Argentina, is an appropriate target for new concerns. Regional security scholars have aptly called it a nest of spies and thieves.

Local security specialists assert that Ciudad del Este is not only a den of low-technology criminality but also a haven for international money laundering, with much of the money coming from the Middle East. It is a town of a quarter million inhabitants and an international trading center where the admixture of drug runners, terrorists, and pinstriped bankers trespasses on the sovereignty and safety of democratic countries and their citizens, thereby representing a threat to the United States and the region. There are other examples of ungovernable zones in the Americas that provide cover for terrorist groups, such as the Switzerland-sized area that Colombia granted as an official safe haven to a group on the U.S. State Department's list of terrorist organizations, but in Paraguay's Ciudad del Este, all the components of transnational lawlessness seem to converge.

The Larger Context

The turbulent political environment of Paraguay engendered lawlessness in Ciudad del Este. The country has suffered three coup attempts in the past 5 years. Popular army chief, General Lino

Oviedo, who mounted a short-lived coup in 1998, was sentenced to 10 years in prison, then ran for president later the same year. While the supreme court declared Oviedo an illegal candidate, his running mate, Raul Cubas Grau, was elected president and quickly pardoned Oviedo. Cubas Grau resigned under pressure after the vice president was assassinated in March 1999, leaving the presidency to Luis Angel González Macchi who was next in line as senate president. Adding to the political turbulence, González Macchi fired 18 generals and more than 100 other officers who had supported Oviedo. After a May 2000 coup attempt, González Macchi terminated another 13 officers. Meanwhile, the party of Oviedo-supported Vice President Julio Cesar Franco maneuvered to impeach González Macchi. The political tumult has done little to engender social and economic progress in Paraguay, and only Brazil and Argentina's influence have kept the democratic government afloat.¹ Needless to say, the government in Asunción has had little time to concentrate on improving the rule of law in Ciudad del Este.



Located near the junction of the Iguazú and Paraná Rivers, Argentina's Puerto Iguazú can access the Atlantic Ocean using small freighters. In this photo of the landing at Puerto Iguazú, Argentina is on the left, Brazil is on the right, and Paraguay is center-rear.

According to Paraguayan police, about 70 percent of the 600,000 vehicles on the road in Paraguay are there illegally. Open markets provided by the Common Market of the South (MERCOSUR) membership help import stolen cars from Argentina, Brazil, and Uruguay.² Brazilian police complain that Paraguayan criminals trade stolen cars for drugs, which are then exported to Europe and the United States. Recently, González Macchi was exposed in the press as owning a stolen BMW, and his wife was then reported for having a stolen Mercedes. Both cars apparently claimed the same title document, which belonged to a Toyota. Understandably, Paraguay did not attend the American hemisphere forum on auto theft held in Bogota, Colombia, in October 2001.³ One has to wonder whether the government in Asunción can muster the will to improve the rule of law in Ciudad del Este.

Perhaps as much as 85 percent of Paraguay's rural population lives at or below the poverty level. About 56 percent of Paraguayans live in urban areas, particularly the capitol city of Asunción that accounts for 10 percent of the country's population. Agriculture provides 27 percent of the country's gross domestic product, but this sector has proven vulnerable to economic conditions in

neighboring countries. Paraguay's gross domestic product has remained essentially flat since 1996, and inflation has lingered at about 10 percent.⁴ Paraguay's participation in MERCOSUR since 1991 opened the landlocked country to opportunities in foreign markets.

Paraguay's economic potential is strengthened geographically by its access via the Paraná River to Buenos Aires, Montevideo, and the Atlantic Ocean. Brazil created a free port on the Brazilian Atlantic coast at Paranaguá and developed a road linking the port to Paraguay. The project included the Bridge of Friendship that now spans the Paraná River between Ciudad del Este and Foz do Iguaçu. The bridge carries about 40,000 travelers daily. The valuable economic opening increased the economic importance, legal and illegal, of the triborder area. One result of the various economic factors is the increasing urban population, mostly poor, of Ciudad del Este. In the past 5 years, the population of Ciudad del Este and the surrounding Paraguayan state of Alto Paraná has increased by 50 percent.

The population in the triborder area is concentrated in three interacting border cities. Ciudad del Este is the largest city, with a population of 240,000. Across the Bridge of Friendship in Brazil, the city of Foz do Iguaçu (population of 190,000) thrives on tourism and provides secure neighborhoods for foreign nationals who commute to Ciudad del Este from Brazil. Argentina's Puerto Iguazú (population of 28,100) is isolated from Ciudad del Este by the Paraná River but has access to Brazil across the Iguazú River at the Tancredo Neves International Bridge. The Arab community of immigrants that represents a slice of the urban population in the triborder area, mainly Ciudad del Este and Foz do Iguaçu, is estimated to be nearly 30,000.⁵



Illegality of Every Kind

In Ciudad de Este, the absence of government control allows smugglers and money launderers to leverage disparity in the levels of law enforcement, import regulations, exchange rates, and tax rates between Paraguay and its neighbors. European-bound illicit drugs, such as cocaine and marijuana, pass through Foz do Iguaçu for transshipment eastward to Puerto Paranaguá on

Brazil's Atlantic coast. Argentina's aggressive border controls and law enforcement, and the impressive Iguazú waterfalls have nurtured a growing international tourism industry in the Argentine state of Misiones. But Argentina's high tax rate and expensive peso have made smuggling cigarettes a profitable, low-risk enterprise. Night flights of cigarettes from Paraguay to Argentina bring sizable profits with little risk. A \$1 pack of cigarettes in Paraguay gets \$2.50 in Argentina. Even agricultural products, such as soybeans and chickens, are involved. Since Brazil and Argentina are magnets for the marijuana grown in Paraguay, most of the illicit drug trafficking in the triborder area involves marijuana, but cocaine from Bolivia and Peru is sometimes seized at triborder checkpoints. Investment money flows from the Middle East, apparently because profits can be made quickly on illegal merchandise, including purloined intellectual property.

A large Chinese community has developed in Ciudad del Este alongside the established Arab population, adding to the international mix. It is interesting to note that over the past 3 years 30 percent of the false immigration documents seized at the Argentine Iguazu checkpoint were carried by Chinese people who were presumed to be heading to Buenos Aires.⁶ In September 2001, the Paraguayan consul in Miami was arrested for allegedly selling more than 300 passports, visas, and shipping documents since June 1999. The consul reportedly sold 16 passports to terrorist suspects from Egypt, Syria, and Lebanon who were planning to move to Ciudad del Este.⁷

Illegal weapons merchandising provides another trading advantage for Paraguay. Taurus- and Rossi-produced Brazilian guns are reexported from Paraguay back into Brazil with no documentation and with great profit to gunrunners. Brazilian investigative news sources assess that most of the Brazilian weapons exported to Paraguay end up in Brazil, but there is a significant flow of weapons into Argentina as well. On the Argentine side of the Tancredo Neves International Bridge at Iguazú, the number of judicial actions taken in cases involving firearms and explosives jumped from 1 in 1999 to 51 in 2000. These cases are considered serious enough and supported by enough evidence to be processed successfully through the Argentine courts. Preliminary numbers for the first half of 2001 indicate that gun smuggling continues apace. In contrast to the increase in gunrunning, individuals passing through the Iguazú border checkpoint dropped from 3,413,876 in 1999 to 1,396,733 in 2000 and continued on a similar pace in 2001. Total vehicle passages dropped from 350,751 to 242,669, with the pace seeming to slow more in 2001.

While no one conclusion can be drawn, the dramatic rise in weapon smuggling against a decrease in total cross-border movement at least raises questions concerning regional instability. Likewise, the Ciudad del Este link to Colombia is also important. A guns-for-cocaine connection between Paraguayan gunrunners and the terrorist group Revolutionary Armed Forces of Colombia (FARC) was uncovered, and one FARC operative was arrested.⁸

Interestingly, actionable drug cases from border arrests at Iguazú have diminished in the past 3 years as most drugs are moving from Paraguay into Brazil or into Argentina far south of the triborder area at Posadas and elsewhere.⁹

Law Enforcement Success

To better control commerce and the large transient international population, three countries constituted a "tripartite command of the triborder" in 1996 as a multiagency, trination police cooperative. The Paraguayan National Police represents Paraguay. The Gendarmería Nacional (border patrol), Prefectura Naval (coast guard), and federal police units, as well as representatives from the state intelligence secretariat, the Argentine consul's office in Foz do Iguaçu, the National Aeronautical Police, and the Misiones Provincial Police represent Argentina. Brazilian units include the Brazilian Federal Police, Mountain Infantry Battalion 34, the state intelligence department, plus the Brazilian consul's office in Ciudad del Este. In 1998, to intensify their fight against terrorism, smuggling, money laundering, and drug trafficking, the three countries augmented the trination program with a security agreement.¹⁰ The countries agreed to develop a joint criminal database, operating in Argentina, and cooperate with banks and financial institutions to stop money laundering. So far, the triborder cooperative effort has not been effective in bringing international crime to heel. Uneven participation and enforcement have failed to counteract the conditions conducive to smuggling, money laundering, and the gamut of international crimes.



Brazilian and Paraguayan travelers entering Argentina via the Tancredo Neves International Bridge line up for inspection.

Border control of criminal activity is certainly possible, as evidenced by Argentina's discipline of the Iguazú tourist area in Misiones Province. Argentina took action there by establishing an indepth defense to interdict smugglers as they move southward down the Misiones corridor between Paraguay and Brazil toward Buenos Aires. Seven battalions of the Gendarmería Nacional's region II are deployed at section outposts along the frontier and on north-south National Routes 12 and 14. Twenty-nine sections, with 20 to 50 officers, are assigned a zone of responsibility of about 200 kilometers (km) along the frontier. Seven more sections along Route 14 in the center of Misiones are at internal checkpoints.¹¹ At the spearhead in Puerto Iguazú is the Gen-darmería Nacional's Squadron 13. It has jurisdiction over 2,400 square km, with 50 km of border facing Paraguay and about 200 km facing Brazil. Prefectura Naval units support with checkpoints on the Paraná and Uruguay Rivers. As a result, smugglers have found market access easier via land routes in Brazil or through the Argentine border town of Posadas, about 300 km south of the triborder area.



A Prefectura Naval (Argentine Coast Guard) checkpoint on the Iguazú River. Because of the steep banks in this area and the relative ease of controlling river traffic, most contraband and illegal immigration travels the land routes through the triborder region.

Some of the control success in Argentina's Misiones state is attributed to terrain. The steep basalt cliffs of the Iguazú River that create the spectacular falls are not as conducive to contraband traffic as are Paraná's gentler reaches. Once inside Misiones and Argentine territory, every traveler is faced with limited choices of moving south because difficult jungle, forest, or swamps cover the zone. The going is rough, the routes are limited, and better smuggling choices exist. Nevertheless, discipline in Argentina is maintained without vast resources and with considerable success. This is partly because the Misiones area around Iguazú is thinly populated by a homogeneous society that is on good terms with regional authorities. Gendarmería officers say that intruders are spotted and reported quickly there.

The 11 September Connection

Ciudad del Este provides the kind of uncontrolled environment that can sustain criminal organizations and terrorists. The 1992 Israeli Embassy bombing and the 1994 Argentine-Israeli Community Center bombing cast a spotlight on the Arab community in Ciudad del Este that it has since been unable to avoid. In May 2000, International Criminal Police Organization investigators arrested a Paraguayan businessman linked to the community center bombing. *Patterns of Global Terrorism 2000* reports that in February, Ali Khalil Mehri, a Lebanese businessman with financial links to the terrorist group Hizballah, was arrested for aiding a criminal enterprise involved in distributing compact discs espousing Hizballah's extremist ideals.¹² He subsequently escaped from Paraguay before trial. Then, in November 2000, Salah Abdul Karim Yassine, a Palestinian who allegedly threatened to bomb the U.S. and Israeli Embassies in Asunción, was arrested and charged with possessing false documents and entering the country illegally.¹³

In October 2001, Paraguayan police alleged that an Arab businessman living in Foz do Iguaçu was sending funds to Hizballah, but Brazilian authorities decided not to arrest him.¹⁴ Arab businessmen send large amounts of money abroad to purchase goods for import. Because much of Paraguay's export business is underground, the situation leaves the Arab community suspect for financially supporting Arab terrorist groups but without clear proof. Although it may be

unwise to assume that all black-market thieves are terrorists, police authorities believe that the amount of money from smuggling and money laundering going from Paraguay to overseas banks is far more than any presumptive business activity. It suggests to local police officials that some in the Arab community are supporting radical terrorism with the spoils of illegal trade.

Indeed, the U.S. State Department clearly advises that there are individuals and organizations with ties to extremist groups operating in Ciudad del Este and along the triborder area between Paraguay, Brazil, and Argentina.¹⁵ Brazilian Judge Walter Fanganiello Maierovitch, former National Drug Enforcement Secretary and now with the Giovanni Falconi Brazilian Criminal Sciences Institute, reports that Osama bin Laden is setting up an al-Qaeda unit near Ciudad del Este under the Arab community's cover. The U.S. Government cannot confirm an al-Qaeda presence in the triborder area. However, other radical Islamic extremists use illegal activities, such as drug and arms trafficking, to help fund terrorist activities throughout the world.

To achieve some control, 10 member countries of the Organization of American States (OAS) InterAmerican Committee Against Terrorism participated in exercises in the triborder area to highlight solidarity against extremist activities. The United States, Argentina, and experts from other countries are providing training to Paraguayan antiterrorist police and military personnel. The objective is to "maintain a presence in the area and to be able to raid homes of persons suspected of being involved in financing terrorism or of radicalized members of Islam residing in the Tri-Border area."¹⁶

The interest seems to be having some results. On 21 September, 16 terrorist suspects from Lebanon, Palestine, and Brazil were arrested in Ciudad del Este for having false documents and being in Paraguay illegally.¹⁷ On 3 October, two Lebanese citizens, Hassam Saleh and Saleh Fayad, were arrested as Hizballah suspects and charged with piracy of commerce and having false documents, including passports that the Paraguayan consulate in Panama issued. Police alleged that they were helping to fund terrorist groups and that they were sending \$50,000 a month to "organizations like Hizbollah."¹⁸ They were found working in a Ciudad del Este store owned by Foz do Iguaçu resident Assad Baracat, who antiterrorist agents had been seeking.¹⁹

On the Brazilian side, the federal police discovered a group of suspects operating a half-dozen clandestine telephone exchanges. The police uncovered this when they identified an account with almost \$30,000 worth of telephone calls from Pakistan, Egypt, Sudan, Saudi Arabia, and the United States. The account was under a false name, and all calls had been made during June, July, and August. In early September, the occupants of the house that identified with the account escaped. All this could be entirely coincidental since contraband and fraud of every kind goes on in the triborder area, but the case is obviously attractive.²⁰ Only time will determine if the investigations and arrests reflect good-faith efficiency on the part of Paraguayan lawmen or if it is just a "round up the usual suspects" reaction to placate the immediate outrage of 11 September.

What Can be Done

If we believe that the best defense against terrorism is a good offense, perhaps the Ciudad del Este triborder area requires an active presence. At a recent meeting of the OAS International Committee on Terrorism, U.S. State Department Counterterrorism Coordinator Francis X.

Taylor announced that the United States will use all elements of its national power against terrorist groups in the triborder area, and in Colombia, including using military force.²¹ The smugglers' haven at Ciudad del Este could find itself at the top of the target list.

Since the 11 September 2001 Arab terrorist attack on the World Trade Center and the Pentagon, the locus of U.S. counteraction has been Southwest Asia and the Middle East. The stunning attack met a prompt response in those regions, but, as U.S. leaders asserted early on, the United States' and worldwide effort to counter terrorism will be protracted, encompassing all regions of the globe, including areas out of the mainstream.

U.S. security strategists are now open to more carefully scrutinizing peripheral geographies and to respecting the dangers that may emanate from them. These are the centers of gravity of the new threat; however, regional states' strategic interests are most immediately implicated. The social and political anomalies associated with the Taliban government in Afghanistan were felt most strongly in Pakistan, a long-time U.S. ally. After Afghanistan fell under the U.S. military loupe, Pakistan's security and stability were directly stressed. While the characterization of governance and the degree of organized criminality is much different in South America, it is similarly true that their Paraguayan neighbors' lack of discipline negatively affects the states of the southern cone. Not only have they suffered more than the United States, but they are also in a far better position to gain intelligence and mount appropriate legal and physical responses. It may be through cooperation with these states that the best U.S. strategy proceeds if the Paraguayan Government proves unable to meet the challenge.

1. "Background Notes: Paraguay" (Washington, DC: U.S. Department of State, April 2001) at <http://www.state.gov/r/pa/bgn/index.cfm?docid=1841>, accessed 26 October 2001. See *Jane's Sentinel*, "Security Assessment," *South America*, August 2001-January 2002 (Alexandria, VA: Jane's Information Group Ltd, August 2001), 440-78.

2. Howard Wiarda and Harvey F. Kline, *Latin American Politics and Development* (Boulder, CO: Westview Press, 1996), 300. Brazil has also strengthened its influence over Paraguay via the Itapú Treaty that provided for a joint hydroelectric dam across the Paraná River.

3. Hugo Olazar, "El regreso de los autos truchos," *Clarín.com Periodismo en Internet*, 16 June 2001, at <http://ar.clarin.com/diario/2001-06-16/1-04001.htm>, accessed 22 October 2001. See also, "Colombia to Host Forum on Car Theft Prevention," *EFE News* [Spain] (19 October 2001) at http://www.prairienet.org/clm/clmnews_files/011019EFE02.html, accessed 23 October 2001.

4. "Paraguay Country Brief," The World Bank Group, at <http://www.worldbank.org>, accessed 17 October 2001.

5. Paraguay had a large influx of Lebanese and other Middle East nationals about 60 years ago, and it formally accepts a small number of naturalized citizens from Arab countries each year (114 Lebanese were naturalized in 1999), but this does not account for the transient population of Arab and Asian people who blend into the scene to stay for a while. See "Resoluciones Sobre Cartas de Naturalización Dictadas Por Año A Según Nacionalidad, Periodo 1995-1999," *Anuario Estadístico 1999*, Dirección General de Estadística, Encuestas and Censos, Paraguay, at <http://www.dgeec.gov.py/Publicaciones/Anuarios/Anua99/ANUA99.htm>, accessed 19 October 2001.

6. Comandante Principal, interview by author, 13 September 2001, Escuadrón 13, Gendarmería Nacional, Iguazú, Argentina.

7. Bill Rogers, "Arabs Accuse Paraguay Police of Extortion," *Voice of America*, at <http://www.voanews.com>, accessed 18 October 2001; and Larry Rohter, "Terrorists Are Sought in Latin Smugglers' Haven," *New York Times* (27 September 2001) at <http://www.nytimes.com>, accessed 18 October 2001.
8. "Latin American Overview," *Patterns of Global Terrorism 2000* (Washington, DC: U.S. Department of State, Office of the Coordinator for Counterterrorism, April 2001) at <http://usinfo.state.gov/regional/ar/terror2000.htm>, accessed 19 October 2001.
9. Gendarmería Nacional, *Escuadron 13 'Iguazu': Estadísticas del Funcionamiento del Escuadron 13 'Iguazu'* (Puerto de Iguazu, Argentina: Gendarmería Nacional, September 2001).
10. Ibid., also "Argentina, Paraguay, and Brazil Sign Border Agreement," Press Summary, 27 March 1998, International Policy Institute for Counter-Terrorism, Interdisciplinary Center, Herzliya, at <http://www.ict.org.il>, accessed 22 October 2001.
11. Emilio Jorge Sacchitella, Comandante General, Gendarmería Nacional, Commander, Region II, interview by author, 12 September 2001, Edificio Centinela, Buenos Aires, Argentina.
12. "Latin American Overview."
13. Ibid.
14. "Daily Interview Barakat, No Arrest Warrant in Brazil," Asunción ABC Color, 13 October 2001, Foreign Broadcast Information Service (FBIS) LAP20011015000029, at <http://199.221.15.211>, accessed 23 October 2001.
15. Consular Information Sheet (Washington, DC: U.S. Department of State, 15 February 2001) at <<http://travel.state.gov/paraguay.html>>, accessed 4 October 2001.
16. Carlos Martini and Paz Vera, "Anti-Terrorist Exercises Scheduled in Ciudad del Este," *Noticiero 13 First Edition, Asuncion Channel 13 Television*, 15 October 2001, FBIS LAP20011015000055, at <http://199.221.15.211>, accessed 16 October 2001.
17. "Immigration Fraud Suspects Held," *Reuters* (25 September 2001) at <http://www.cnn.com>, accessed 18 October 2001; and "Border Witchhunt Targets Arabs," *Hoy*, 24 September 2001, as reprinted in *Weekly News Update on the Americas*, Nicaragua Solidarity Network of Greater New York, at http://www.americas.org/news/nir/20010930_borderwichhunt, accessed 18 October 2001.
18. "Paraguay Delves Into 'Arab Funding Link,'" Region Law & Diplomacy, *Latin American Weekly Report*, WR-01-40 (9 October 2001), 470.
19. Carlos Martini, "Two Hizballah Suspects Arrested in Ciudad del Este," *Asuncion Channel 13 Television*, 3 October 2001, FBIS LAP20011003000060, at <http://199.221.15.211>, accessed 16 October 2001.
20. Eleonora Gosman, "Washington está 'muy preocupado' por los extremistas de la Triple Frontera," *Clarín.com Periodismo en Internet*, at <http://www.clarin.com.ar/diario/2001-10-16/i-04001.htm>, accessed 19 October 2001.
21. "Bush No Descarta Usar las Fuerza En Triple Frontera Y En Colombia," *Reuters, Agence France-Presse, EFE*, and ANSA reports compiled by *Ambitoweb*, 19 October 2001, at <http://www.ambitoweb.com/diario/noticiahs.asp>, accessed 24 October 2001.
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