

South America: An Overlooked Proliferation Challenge?

In South America in the 1990s, nuclear capability was seen as an impediment to achieving the goals of economic modernization and technological advance rather than as a sign of prestige. [1] As a result, Argentina and Brazil, the two South American countries to actively pursue nuclear energy and technological development programs, including uranium enrichment, became examples of proliferation 'rollback.' The governments of Argentina and Brazil, for example, created the Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials (ABACC), which is responsible for verifying the peaceful use of nuclear materials that could otherwise be used for the manufacture of nuclear weapons. The 1994 Quadripartite Agreement between Brazil, Argentina, ABACC and the IAEA subjected Argentina and Brazil to full international safeguards. This development reflected a growing normative consensus in the region against nuclear weapons.

Today, both Brazil and Argentina continue to expand on their civilian nuclear programs. Argentina maintains an estimated 11 tons of nuclear explosive material—including highly enriched uranium (HEU), plutonium, neptunium 237, and americium; Brazil holds approximately two tons of material. [2] Brazil also has the sixth largest uranium reserves in the world. As might be expected in any state or region with a nuclear infrastructure, preventing unauthorized access to nuclear materials remains a challenge. This, however, is only one reason Brazil and Argentina remain strong supporters of international regimes governing proliferation. The need to move toward disarmament is a theme that Argentina and Brazil, in particular, routinely raise at the international level. In addition, each country has signed and implemented relevant international counterterrorism and counter-proliferation treaties and agreements, including United Nations Security Council Resolutions 1540 and 1373.

Another part of the proliferation story in South America, however, is under-examined, particularly in the region known as the Tri-Border Area (TBA). [3] Bounded by Puerto Iguazu, Argentina; Ciudad del Este, Paraguay; and Foz do Iguacu, Brazil, the TBA is a notoriously lawless region, often described as Latin America's premier black market bazaar and the home of Islamic fundamentalism in the Western Hemisphere. The region is a hub for illicit and non-state activity, and much remains to be done to align the three governments' priorities, capacities, and unevenly distributed resources to address such activity. In terms of potential proliferation of weapons of mass destruction (WMD), a number of challenges combine with the existence of organized criminal and terrorist activity in the TBA to create a demanding agenda. The issues of greatest concern in this regard related to the need to: devote more attention to securing and reducing stocks of all nuclear and radioactive materials in the region; limit the TBA's lucrative illicit drug and arms trafficking, money laundering and other illicit activities; and understand the roles of both indigenous crime groups and Islamic terrorist groups that use the region as a base for operations. [4]

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include fundraising and proselytizing among the zone's Middle Eastern population, as well as document forging, money laundering, contraband smuggling, and weapons and drug trafficking. [11]

Argentine prosecutors also attribute the first major acts of Islamic fundamentalist terrorism in the region to Hezbollah: the detonation of a car bomb outside the Israeli Embassy in Buenos Aires in 1992 and the bombing of the Jewish community center in Buenos Aires in 1994, with support from Iran. According to the Congressional Research Service, “[Hezbollah] clerics and members of other violent Islamic groups reportedly began planting agents and recruiting sympathizers among the Arab and Muslim immigrants in Latin America in the mid-1980s, at the height of the Lebanese civil war. [Hezbollah] cells began to form in the Triborder Region as a result of proselytizing in the Lebanese communities.” [12]

According to former Argentine intelligence officers, Hezbollah continues to play a primary role in providing ‘security’ for contraband smuggling in the TBA, particularly counterfeit intellectual property (IP) such as DVDs and software imported from China via Hong Kong, Panama, and Miami—regional hubs for container traffic. Allegedly ensuring the safe transshipment of up to 1,500 containers per year, Hezbollah extracts a fee for each container, guaranteeing a steady stream of revenue. This security function is welcomed by all involved in the supply chain, according to one Argentine analyst, as ‘no one wants to disrupt the [larger] trade in five thousand containers per year.’ [13] Hezbollah is also thought to be facilitating the relationship between the large suppliers and local importers for consumer goods, weapons, and narcotics, according to officials.

Many experts consulted believe that Hezbollah is unlikely to seek nuclear capabilities, but suggest the threat could potentially come from Al Qaeda. [14] Al Qaeda has expressed its desire to seek and use WMD and was reported to have links to the TBA between 1998 and 2002. [15] Should Al Qaeda pursue WMD terrorism in the region, it would likely need to tap existing extremist networks. After September 11, 2001, reports of a connection between Hezbollah and Al Qaeda began emerging, suggesting that cooperation between the two dates back to the early 1990s. [16] However, these reports are tentative, and while they go against the conventional wisdom that Shiite Hezbollah and Sunni Al Qaeda would never cooperate, they may support the idea of an Al Qaeda presence in the TBA. U.S. and Argentinean sources suggested in interviews that where their interests converge, such as a common hatred of America and Israel, the two groups may be willing to cooperate to some degree, perhaps in the areas of training, transshipment of supplies, and fundraising.

U.S. officials and several former Argentine intelligence officers also cited in interviews extensive cooperation between the Lebanese mafia and Hezbollah in the TBA. Both, motivated by profit, engage in narcotics trafficking and trade in tax free consumer goods, according to officials. Their cooperation often makes it difficult to distinguish their relationship, motivations, or the level of complicity in illicit activity, complicating official efforts to thwart their activities. However, several Brazilian government officials dismissed the claim that terrorists and criminal groups work together in the TBA due to

institutional weaknesses that impede counterterrorism efforts. In 2006, Argentina stood up the National Coordination Unit in the Ministry of Justice and Human Rights to manage the government's anti-money laundering and counterterrorism finance (AML/CFT) efforts and to represent Argentina in the Financial Action Task Force (FATF) and the Financial Action Task Force of South America (GAFISUD). In addition, in June 2008, the Argentine Congress passed legislation entitled "Illegal Terrorist Associations and Terrorism Financing." The law amends the penal code to criminalize acts of terror, terrorism financing, and money-laundering for the purpose of financing terrorism. The new law provided a stronger legal foundation for its FIU, Central Bank, and other regulatory and law enforcement bodies to investigate and prosecute such crimes.

- Brazil has an extensive regulatory framework to prevent money laundering, including the capacity to freeze and confiscate funds, according to the Financial Action Task Force. It outlawed terrorism and its financing in 1983. In 1998, the government included these crimes in its list of predicate offenses for money laundering. In addition, the government established an FIU to examine suspect illicit financial activity, and strengthened its foreign information-sharing ability between 2001 and 2003. Brazil introduced a new antiterrorism law in 2007 imposing stiff penalties for violent acts committed by individuals and organizations. The legislation, however, will likely be used to target criminal gangs in Brazil's favelas, rather than terrorist activity in the TBA. Brazil does not consider groups such as Hezbollah and Hamas as terrorist groups and denies that there is terrorist activity in the region. Brazil has the legal foundation for counterterrorism efforts, but it lacks the political will to implement it for such purposes. [19] Nevertheless, Brazil has invested in border and law enforcement infrastructure in the TBA. [20]

Gaps and imbalances in security and governance are fundamental to the presence and flourishing of powerful transnational networks in the TBA. One prominent Brazilian analyst, speaking on the condition of anonymity, noted that a culture of corruption and impunity is so entrenched that it may not necessarily be viewed in negative terms by the local population. Experts from Paraguay and Argentina echoed this sentiment. Paraguayans, for example, describe their state institutions as so corrupt that criminal groups often represent the only system of local authority, providing financing, infrastructure, and security services. This lawlessness creates an enabling environment conducive to supporting terrorist operations and trafficking in arms, drugs and potentially other dangerous materials. Officials should be concerned, therefore, that institutional imbalances among the three countries of the TBA and gaps in law enforcement capacity could be exploited by terrorists. Combating the threat of WMD terrorism in the TBA is inextricably linked to improving the internal legitimacy and institutional capacity of regional states. [21]

Conclusion

The transnational criminal networks in the TBA that could become involved in WMD trafficking already engage in financial crime and illicit trade. These networks represent a

Hezbollah, or the "Party of God," was organized by Iran's Revolutionary guards during Lebanon's civil war in the 1980s to protect Lebanon's Shiites, expand the "revolution" of Ayatollah Khomeini, and fight Israel and its allies. Hezbollah now operates as an official political party in Lebanon and, in addition to acts of terror at home and abroad, provides extensive social welfare services to fellow Shiites in Lebanon.

Hamas is a Palestinian organization created in 1987 as an offshoot of the Egyptian Muslim Brotherhood to protest Israeli rule in the Palestinian territories. It seeks the establishment of a Palestinian state in the West Bank, Gaza Strip and Jerusalem. Canada, the U.S., the European Union, Israel, Japan, Australia and the United Kingdom consider Hamas a terrorist organization. Since its inception, it has launched numerous bombing and rocket attacks in the Palestinian territories of the West Bank and Gaza and inside the pre-1967 boundaries of Israel. Hamas extends considerable social services to Palestinians in the occupied territories, including school and hospital construction. The Council on Foreign Relations estimates its annual budget at \$70 million, with over 50% of its funds coming from Islamic charity organizations in Saudi Arabia. Hamas won the Palestinian Authority's (PA) general elections in 2006, defeating Fatah, the party of the PA's president, Mahmoud Abbas. Council on Foreign Relations, Hamas Backgrounder, January 7, 2009, <http://www.cfr.org/publication/8968/>.

[8] Jeremy McDermott, "Columbia's Rebels: A Fading Force?" *BBC News*, February 1, 2008, <http://news.bbc.co.uk/2/hi/americas/7217817.stm>.

[9] U.S. Department of State, "Country Reports: Western Hemisphere Overview", Chapter 2, April 30, 2008.

[10] CICTE personnel are seconded by their governments to perform a coordinating function and cannot give "specific personal opinions."

[11] LaVerle Berry et al, "A Global Overview of Narcotics Funded Terrorist and Extremist Groups", A report prepared by the Federal Research Division, Library of Congress, under an Interagency Agreement with the Department of Defense, May 2002, p. 22.

[12] *Ibid*, pp.13-14.

[13] Fund for Peace interview, Buenos Aires, Argentina, 29 February 2008. Note: FfP interviews were designed to supplement the existing literature on governance, terrorism and WMD proliferation in the region.

[14] Karen Walker, "Terrorist Group Proclivity Toward the Acquisition and Use of Weapons of Mass Destruction: A Review of the Terrorism Studies Literature," The Fund for Peace, September 2007, http://www.fundforpeace.org/tc/images/Publications/k_walker_sept_07.pdf; Joshua Hedges, "Evaluating a Terrorist Organization's Likelihood to Utilize Weapons of Mass Destruction," The Fund for Peace, January 2008, http://www.fundforpeace.org/tc/images/Publications/j_hedges_jan_08.pdf.

[15] LaVerle Berry, et al, "A Global Overview of Narcotics Funded Terrorist and Extremist Groups", see source in [11], p 28.

[16] Jeffrey Fields, "Islamist Terrorist Threat in the Tri-Border Region," NTI Issue Brief, October 2002, http://www.nti.org/e_research/e3_16a.html.

[17] Fund for Peace interviews, Brasilia, Brazil, February 26-27, 2008.

[18] U.S. Department of State Website, "Communiqué of the 3+1 Group on Tri-Border Security," December 6, 2004, <http://www.state.gov/p/wha/rls/70992.htm>; U.S. Department of State Website, "Country Reports on Terrorism", April 30, 2008, <http://www.state.gov/s/ct/rls/crt/2007/103710.htm>.

[19] Matthew Levitt and David Jacobson, "Brazilian Counterterrorism Efforts: Legislative Progress, But Little Action on the Ground," PolicyWatch #1222, The Washington Institute for Near East Studies, April 18, 2007, <http://www.washingtoninstitute.org/templateC05.php?CID=2591>.

[20] For instance, the Brazilian government set up a "fusion center" in Foz de Iguazu in 2005 in order to monitor narcotics trafficking and financial crime in the TBA. It was re-designed in 2006 to promote joint monitoring of the border area and to coordinate security among the three countries in the TBA by inviting representatives from Argentine and Paraguayan intelligence and police to co-locate at the center. This developed into an intelligence-sharing effort and a hub for international cooperation on surveillance and law enforcement in the TBA. However, regional analysts and former intelligence officers described it as a mere "store front" with no functional capabilities. The U.S. does not currently maintain any official personnel at the center.

[21] For more information about WMD terrorism in the TBA and for recommendations, please see Patricia Taft, David Poplack and Rita Grossman-Vermaas, "The Crime-Terrorism Nexus: Threat Convergence Risks in the Tri-Border Area," The Fund for Peace, June 2009.