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HEZBOLLAH OPERATIONS IN THE TRI-BORDER AREA OF SOUTH AMERICA

A Thesis

Submitted to McAnulty College and Graduate School of Liberal Arts

Duquesne University

In partial fulfillment of the requirements for

the degree of Master of Arts

By

Nicholas Kleck

May 2011

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Nicholas Kleck

2011

HEZBOLLAH OPERATIONS IN THE TRI-BORDER AREA OF SOUTH AMERICA

By

Nicholas Kleck

Approved March 22, 2011

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ABSTRACT

HEZBOLLAH OPERATIONS IN THE TRI-BORDER AREA OF SOUTH AMERICA

By

Nicholas Kleck

May 2011

Thesis supervised by Dr. John Sawicki and Dr. Lewis Irwin

This study examines Hezbollah's depth of involvement in the illegal activities of the tri-border area of South America. This case study used multiple sources ranging from press releases, government publications, to Latin American Journals. The methodology used was supported by Joe Feagin's imaginary analytical induction, which complemented the wide-berth of sources. This study hypothesizes that Hezbollah is utilizing the tri-border area of South America to generate multiple sources of revenue. This concept is confirmed by this study where Hezbollah's activities were researched in depth. Consideration of this research by American policymakers would aid in the development of tailored strategies for the triple border region.

ACKNOWLEDGEMENT

This study would not have been completed without the tireless efforts of these people: First and foremost, I have to thank my wife Carlinda, for enduring the lengthiness of this process. Without your support I would not be where I am today.

To my family: thank you for never giving up on me, even though I often contemplated giving up myself. Thank you mom and dad for keeping after me and my studies. You have taught me the importance of continuously seeking to better myself through education. My brother Steve: your success in life pushes me to better myself. My brother Dan: while you inflate my utilities, you provide a great source of stress relief. I greatly appreciate your support throughout the completion of this thesis.

This study would not have been complete without the efforts of my readers, Dr. Sawicki and Dr. Irwin: Thank you for your expert advice and patience. I would have not have gotten this far without your guidance. Thank you all for enriching my study and my experience.

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LIST OF ABBREVIATIONS

AMIA - Argentine Israelite Mutual Association

BR - Brazilian Route

CIA - Central Intelligence Agency

DEA - Drug Enforcement Agency

DPF - Federal Police Department - Brazil

FARC - The Revolutionary Armed Forces of Columbia

FATF - Financial Action Task Force

FBI - Federal Bureau of Investigation

GWOT - Global War On Terrorism

KIA - Killed In Action

KM - Kilometer

OAS - Organization of American States

SRF - Secretariat of Federal Revenues - Brazil

TBA - Tri-Border Area

U.S. - United States

USD - United States Dollars

WMD - Weapon of Mass Destruction

INTRODUCTION

Hezbollah was responsible for more American deaths than any other terrorist organization prior to the attacks on September 11, 2001.[1] Their global reach and struggle for legitimacy makes them a terrorist organization of a different breed. Former CIA director George Tenet testified in 2003: "Hezbollah, as an organization with capability and worldwide presence, is [al Qaeda's] equal, if not a far more capable organization. I actually think they're a notch above in many respects."[2]

Map showing the Tri-Border Area in the circle with detailed map of cities.
Source: Rex A. Hudson, **Terrorist and Organized Crime Groups in the Tri-Border Area of South America** (Washington D.C.: Federal Research Division, Library of Congress, 2003), 4,

The Tri-Border Area, bounded by Puerto Iguazu, Argentina; Ciudad del Este, Paraguay; and Foz do Iguacu, Brazil, developed into a breeding ground for a wide array of illegal interests. As a result, the research community considers it to be lush ground for terrorist organizations to operate unrestricted, including Hezbollah.[3]

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[1] Douglas Philippone, **Hezbollah: The Network and its Support Systems, Can they be Stopped?** (Monterey, CA: Naval Postgraduate School, 2008), 3. The following is a record of Hezbollah attacks on U.S. targets: April 18, 1983 suicide bombing of U.S. Embassy in Beirut (60 KIA, 17 Americans); October 23, 1983 truck bombing of Marine Barracks (241 soldiers KIA); January 1984 Kidnapping/torture/and execution of Beirut CIA station chief William Buckley; September 20, 1984 bombing of U.S. Embassy Annex in Beirut (30 KIA); July 14, 1985 hijacking of TWA flight 847; 1992 bombing of Israel Embassy in Buenos Aires, Argentina; 1994 bombing of Jewish Community Center, Buenos Aires; 1996 bombing U.S. Military base at Khobar Towers (19 soldiers KIA); 1998 Bombings at U.S. Embassies in Kenya and Tanzania (12 Americans KIA); October 12, 2000 Bombing of USS Cole in Yemen (17 Sailors KIA).
[2] U.S. Senate Committee on Armed Services, **Current and Future Worldwide Threats to the National Security of the United States** (U.S. Government Printing Office, February 12, 2003), 60.
[3] Pablo Halaburda, **Terrorism Base Potential in the Tri-Border Area of Latin America** (Monterey, CA: Naval Postgraduate School, 2006), 2.

CONTRIBUTIONS OF THIS RESEARCH

The relevance of this research rests on the effort of the United States government in combating terrorism. Former President George W. Bush stated that the war on terrorism "will not end until every terrorist group of global reach has been found, stopped and defeated."[4] Hezbollah is a terrorist organization and claims legitimacy in its operations and political might. Different policy and tactics will be necessary to combat Hezbollah. Military actions alone may not prove to be the best strategy against Hezbollah.

Hezbollah's actions, as well as those of other criminal organizations in the tri-border area are destabilizing a region within Brazil, Paraguay, and Argentina. Their illegal activities undermine fair trade as well as the authority of the aforementioned governments. Furthermore, the counterfeit trade throughout the region has provoked companies like Disney to remove their products from the area. On a larger scale, counterfeit trade creates problems for legitimate trade. These issues are of concern to the United States for a number of reasons. First, the tri-border area is in close proximity to the United States. The potential security threat should be of concern to United States policy makers. Second, the illegitimate trade practices of the tri-border area most likely affect commerce with the United States.

As has been noted, Hezbollah has killed more Americans than any other terrorist organization prior to 2001.[5] Hezbollah has demonstrated a willingness to target the United States. These issues are of concern to United States policymakers because of the

[4] ***CNN***, "Address to the Nation," ***CNN***, September 20, 2001, http://edition.cnn.com/2001/US/09/20/gen.bush.transcript/. Accessed January 18, 2010.
[5] Philippone, 3.

close proximity of the tri-border area to the United States as well as the lack of authority in the region.

Finally, American policymakers need to address the issues of the tri-border area because Hezbollah is an enemy of Israel. Israel is a close ally of the United States and has received support from the United States in the past. It is unlikely a serious threat to Israel from any region of the world, including the tri-border region of South America can be ignored by American policymakers.[6]

Existing literature has analyzed the illegal activities in the tri-border area. Other research analyzed the tri-border environment in an attempt to determine why it is very conductive to illegal activities. Several studies have mentioned an Hezbollah presence in the tri-border area. This research closely examines the Hezbollah presence in the tri-border area. Successful analysis by policymakers will result in tailored policy suggestions.

THEORETICAL FORMULATIONS AND RESEARCH QUESTIONS

Hezbollah's operations in the tri-border area is the topic of interest in this research. In order to thoroughly explore the subject matter, this case study will answer four research questions. First, ***why is Hezbollah conducting operations in the tri-border area?*** Answering this question is key to understanding Hezbollah operations in the tri-border area. Traditionally, Hezbollah operates in the Middle East, with the majority of their operations taking place in Lebanon. The addition of South American operations is a variation in tactics worthy of research.

[6] Frederic Wehrey, et. al., **Dangerous but not Omnipotent: Exploring the Reach and Limitations of Iranian Power in the Middle East** (Santa Monica, CA.: RAND Corporation, 2009), 103.

The next research question this study will examine is ***what operations are Hezbollah conducting in the tri-border area?*** The tri-border area is riddled with drug trafficking, money laundering, recruiting, kidnapping, extortion, bribery, electronic pirating, murder, bombings, and plotting terrorist operations. Groups such as organized crime, drug cartels, and terrorist organizations are involved in these various activities.[7] This research will determine which operations Hezbollah is engaged in by sorting through the various activities and organizations of the tri-border area.

The third research question is ***will Hezbollah be successful in their operations in the tri-border region?*** This question aims to determine Hezbollah's level of success, if any, in order to anticipate the utility of Hezbollah operations. The fourth research question is ***what are the implications of Hezbollah's operations in the tri-border area and how does this affect United States policymakers?*** Once establishing the why and what of this line of reasoning, it is imperative to understand the repercussions of Hezbollah's activities. The consequences of Hezbollah's operations in the tri-border area require American policymakers to adopt a new policy strategy. This study's analysis of Hezbollah operations in the tri-border area will result in several useful nuances in strategies for policymakers.

LITERATURE REVIEW

The Tri-Border Environment

The most referenced publication on the tri-border area is Rex A. Hudson's report.[8] His report was prepared by the Federal Research Division of the Library of Congress.

[7] Rex A. Hudson, **Terrorist and Organized Crime Groups in the Tri-Border Area (TBA) of South America** (Washington D.C.: Federal Research Division, Library of Congress, 2003), 1-3.
[8] Rex A. Hudson, **Terrorist and Organized Crime Groups in the Tri-Border Area (TBA) of South America** (Washington D.C.: Federal Research Division, Library of Congress, 2003).

The report is highly valued in triple border research because it examines the social and political environments which permit such activities as money laundering, drug trafficking, illegal weapon sales, and police/political corruption. Hudson's essay was crucial to this research because it described the atmosphere in which organizations operate within the tri-border area. While Hezbollah is not the focus of his research, Hudson does discuss in length the link between the Lebanese Diaspora community in the triple border and Hezbollah fundraising activities.[9] He also explores the operational link between Hezbollah and various tri-border organizations like the Lebanese Mafia, Chinese Tong, Russian Mafia, and FARC.[10]

Larry Rohter has written a number of newspaper articles for the ***New York Times*** on the triple border which are commonly referenced in triple border research. Rohter's articles are very valuable to triple border research because they describe the problems with corruption, illegal activities, and the ineffective state responses.[11] Rohter's articles provided this research with a detailed description of the atmosphere of illegal practices and explains the difficulties the states are having in regulating the area.[12]

Jane's Intelligence Review has published numerous essays that are important to triple border research because they depict the area as having an environment conducive to terrorist group operations. Mario Daniel Montoya's essay describes several illegal operations within the triple border. The essay describes the disagreement among tri-border states that a problem with terrorist and criminal organizations exists and reasons

[9] Hudson, 24-35.
[10] Ibid, 38-50.
[11] Larry Rohter, "South America Region Under Watch for Sign of Terrorists," ***The New York Times***, December 15, 2001, A1.
[12] Larry Rohter, "Terrorists Are Sought in Latin Smugglers' Haven," ***The New York Times***, September 27, 2001, A3.

that this is a factor preventing agencies from combating the issue.[13] Daniel Sobelman's publication highlights the numerous attacks against the Jewish communities of the region and discusses claims that Hezbollah is responsible for the attacks.[14] These papers were crucial to this research in understanding the problems of the triple border area.

Hugh Smith's essay is widely referenced in tri-border research. This instance, however, was unable to use much of its information because Smith's essay moved in a different direction by applying the *DIME* approach to determining policy effectiveness. His article furthermore describes how the tribulations of the tri-border area are used by terrorist organizations to support worldwide operations, and much of this information is available in other sources like the Hudson essay.[15]

Criminal Activities of the Triple Border Area

There are genuinely useful sources that explain the criminal industry within the triple border. Peter Hudson's essay was very useful to this research because it describes at length illegal trade practices, the drug trade, weapon smuggling, and political corruption.[16] Diana Jean Schemo's article in the ***New York Times*** illustrates in great detail the pirated electronic trade and its impact on legitimate trade within Paraguay.[17]

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[13] Mario Daniel Montoya, "War on Terrorism Reaches Paraguay's Triple Border," ***Jane's Intelligence Review***, December 2001, Vol. 13, No. 12.
[14] Daniel Sobelman, "Israel Takes Special Interest in the Triple Border Area," ***Jane's Intelligence Review***, November 21, 2001.
[15] Hugh Smith, **Terrorism in the Iguaza Falls Region: $100 Bills, A DIME at a Time** (Ft. Leavenworth, KS: School of Advanced Military Studies, 2005), 2-24.
[16] Peter Hudson, "There Are No Terrorists Here; In A Lawless No Man's Land Deep In the Heart of South America, Muslims Face Down A Suspicious World," ***Newsweek***, November 19, 2001, 19.
[17] Diana Jean Schemo, "In Paraguay Border Town, Almost Anything Goes," ***The New York Times***, March 15, 1998, 2.

An important reference drug trafficking within the triple border is Alvaro de Souza Pinheiro's essay on narcoterrorism.[18] While the focus of his essay is drug trafficking in Brazil, multiple key elements were used in this research. He described a professional relationship between Hezbollah and FARC operating throughout Paraguay and Brazil.[19]

An important source for weapons trafficking in South America is Cragin and Hoffman's essay published by the ***RAND Corporation***. While the focus of their essay is weapon trafficking across South America, numerous aspects were used in this research. Cragin and Hoffman discuss the weapon trafficking operation between Hezbollah and the FARC through Brazil and the triple border.[20] They also discuss in less detail the Hezbollah-FARC drug trafficking operation.

Financing Activities of the Triple Border Area

A valuable source of information on Hezbollah financing operations in the triple border is an essay written for ***Telemundo*** and ***MSNBC*** by Pablo Gato and Robert Windrem.[21] The authors highlight a significant flow of money from the tri-border area to Lebanon and the operations that generate the revenue.[22] They further discuss the atmosphere of corruption in Paraguay that permits the illegal activities.[23] This essay was

[18] Alvaro de Souza, **Narcoterrorism in Latin America: A Brazilian Perspective** (Hulbert Field, FL: Joint Special Operations University, 2006).
[19] Souza, 8-39.
[20] Kim Cragin and Bruce Hoffman, **Arms Trafficking and Colombia** (Santa Monica, CA: RAND National Defense Research Institute, 2003), 22-23, 26.
[21] Pablo Gato and Robert Windrem, "Hezbollah Builds a Western Base: From Inside South America's Tri-Border Area, Iran-Linked Militia Targets U.S.," ***MSNBC***, 2007, http://www.msnbc.msn.com/id/17874369/ns/world_news-americas/. Accessed on January 12, 2011.
[22] Gato and Windrem, 1-3.
[23] Ibid, 4.

significantly useful to this research because they make connections between Hezbollah linked violence in South America with Iran.[24]

Blanca Madani's essay is a valued source of information and widely cited in research on Hezbollah financial networks.[25] This researcher found her article useful as an overview of Hezbollah utilizing the triple border Lebanese Diaspora community for financial operations. Another valuable source of information on Hezbollah fundraising operations in the tri-border area is Howard Vincent Meehan's essay.[26] While much of his research focuses on operations in Ecuador, many elements of Meehan's research proved valuable to this study. Meehan's research explores illegal operations like money laundering and the Lebanese Diaspora community connection. Meehan's research proved significantly valuable to this study as he explored lesser researched operations like kidnapping, extortion, and the connection between Hezbollah and FARC.[27]

Louise Shelley's, et. al.[28] publication is a crucial source of information on Hezbollah operations with other transnational criminal organizations. This researcher found their connections between Hezbollah and the Russian Mafia, Chinese Tong, Islamic Jihad, and Lebanese Mafia to be very useful.[29] Several articles from ***ABC Color***[30]

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[24] Ibid, 5.
[25] Blanca Madani, "Hezbollah's Global Finance Network: The Triple Frontier," ***Middle East Intelligence Bulletin***, January 2002, Vol. 4, No. 1.
[26] Howard Vincent Meehan, **Terrorism, Diasporas, and Permissive Threat Environments. A Study of Hizballah's Fundraising Operations in Paraguay and Ecuador** (Monterey, CA: Naval Postgraduate School, 2004).
[27] Ibid, 15-46.
[28] Louise Shelley, John T. Picarelli, Allison Irby, Douglas Hart, Patricia Craig-Hart, Dr. Phil Williams, Steven Simon, Nabi Abdullaev, Bartosz Stanislawski, and Laura Covill, **Methods and Motives: Exploring Links between Transnational Organized Crime and International Terrorism** (Washington D.C.: National Institute of Justice, September 2005).
[29] Shelley et. al., 49-81.
[30] ***ABC Color*** is a major Paraguayan newspaper with offices in the city of Asuncion.

support Dr. Shelley's argument by establishing connections between Hezbollah and criminal organizations.[31]

Literature on Hezbollah

A genuine source of information on violent Hezbollah operations within the triple border area are ***ABC Color*** and the ***New York Times***. This research found these sources significantly valuable since they have published numerous articles that link Hezbollah to violent operations from the tri-border area, including the Argentine Israelite Mutual Association (AMIA) attack in 1994.[32]

STRATFOR is an important source of information because it provides a unique insight into political, economic, and military developments across the world to corporations and policymakers. This researcher found their publications on Hezbollah and the triple border region beneficial to this study because their research provides new insight on the illegal activities in the triple border region and analyzes the potential for future Hezbollah operations.[33]

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[31] ***ABC Color***, "Hong Kong Mafia Linked to Hizballah in Tri-Border Region," ***ABC Color***, November 22, 2002, November 22, 2002, http://archivo.abc.com.py/2002-11-22/articulos/21378/mafia-hongkonesa-estaria-ligada-al-hizbullah-en-la-triple-frontera. Accessed March 15, 2010. and ***ABC Color***, "Paraguay: 'Strong Ties' Seen Between Hong Kong Mafia, Tri-Border Based Hizballah," ***ABC Color***, November 22, 2002, http://archivo.abc.com.py/2002-11-22/articulos/21378/mafia-hongkonesa-estaria-ligada-al-hizbullah-en-la-triple-frontera. Accessed March 15, 2010.

[32] ***ABC Color***, "Argentine Prosecutors Link Tri-Border Hizballah Leaders to AMIA Attack," ***ABC Color***, May 28, 2003, http://archivo.abc.com.py/2003-05-28/articulos/50080/gobierno-argentino-implementa-fuertes-medidas-contra-evasion. Accessed March 15, 2010. and Larry Rohter, "Iran Blew Up Jewish Center in Argentina, Defector Says," ***The New York Times***, July 22, 2002, http://www.nytimes.com/2002/07/22/world/iran-blew-up-jewish-center-in-argentina-defector-says.html. Accessed March 15, 2010. and ***The New York Times***, "Bomb Caused Plane Crash, Panama Official Says," ***The New York Times***, July 21, 1994, http://www.nytimes.com/1994/07/21/world/bomb-caused-plane-crash-panama-official-says.html. Accessed March 15, 2010.

[33] STRATFOR, **Paraguay: An Alleged Hezbollah Arrest** (STRATFOR, June 17, 2010) and STRATFOR, **Hezbollah: Gaming Out a Threat Matrix** (STRATFOR, July 19, 2006) and Scott Stewart, **Iranian Proxies: An Intricate and Active Web** (STRATFOR, February 3, 2010).

Several valuable sources of information are Douglas Philippone's essay as well as Kellie Rourke's essay.[34] This researcher found their essay's significantly valuable to this study because they discuss Hezbollah as an organization and discuss their operations in the triple border region. Their studies are of particular interest to this research because they provide insight on Hezbollah's global operations and explore various policy options. Another essay that proved important to this study is Andy Crowe's research that explored the impact Hezbollah operations have had on Argentina.[35] While the focus of Crowe's study is Argentina, many key points are useful in this research because Crowe describes Hezbollah operations within the triple border.

There is some literature that is widely referenced in research on the link between terrorist and criminal organizations. Tamara Makarenko's article discusses the influence of diaspora communities on areas of operations and the changes over time between relationships among criminal organizations and terrorist organizations.[36] This researcher found Makarenko's article of little value in this thesis because there is no discussion of Hezbollah or the tri-border area.

It stands to reason that Heather Golding's paper would be topical in this research.[37] Golding's paper, however, was unsuccessful in presenting any new information that was not already available in more detail in other studies.

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[34] Douglas Philippone, **Hezbollah: The Network and its Support Systems, Can they be Stopped?** (Monterey, CA: Naval Postgraduate School, 2008) and Kellie Rourke, **U.S. Counterinsurgency Doctrine: Is it Adequate to Defeat Hezbollah as a Threat Model of Future Insurgencies?** (Ft. Leavenworth, KS: U.S. Army Command and General Staff College, 2009).

[35] Andy Crowe, **Stopping the Next Global Terrorist: a Case Study of Hezbollah in Argentina** (Newport, R.I.: Naval War College, 2004).

[36] Tamara Makarenko, "The Crime-Terror Continuum: Tracing the Interplay Between Transnational Organized Crime and Terrorism," ***Global Crime***, February 2004, Vol. 6, No. 1, pgs 129-145.

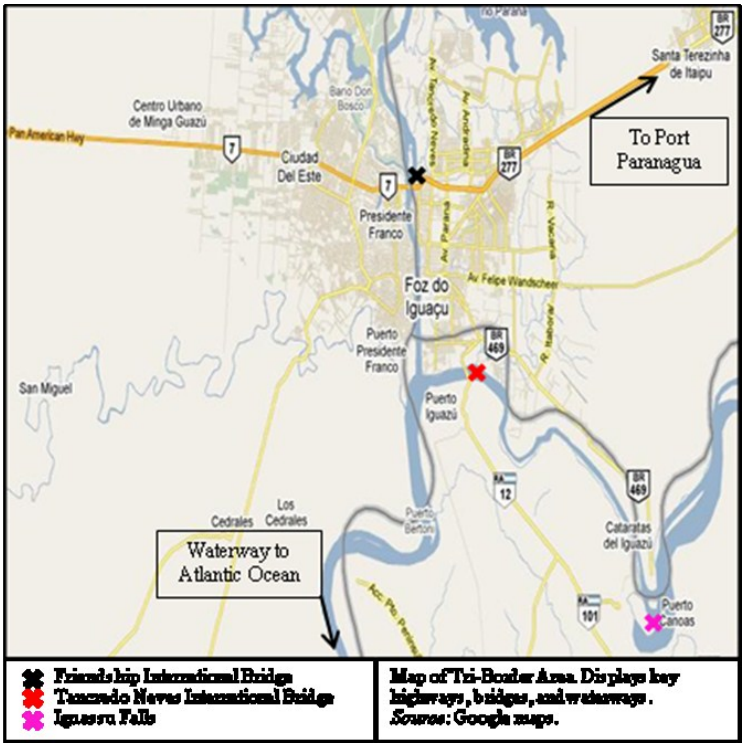
[37] Heather Golding, "Terrorism and the Triple Frontier," ***Woodrow Wilson Center Update on the Americas***, April 2002, Issue No. 4.

TOPICAL BACKGROUND

The objective of this research is to determine what factors are allowing Hezbollah to operate in the tri-border area well as evaluate Hezbollah's various operations in the region. Prior research has analyzed the illegal activities of the tri-border area and attempted to determine why it is very conductive to these activities. Evidence has indicated that Hezbollah conducts operations in the tri-border area.[38]

Geography

The tri-border area is comprised of three cities, one from each of the bordering countries. The Argentine city Puerto Iguazu, the Brazilian city Foz do Iguacu, and the Paraguayan city Ciudad del Este establish the tri-border area of South America. The tri-border area has a radius of 20 km and an influence of approximately a 200 km radius.[39] In 1970, the respective national governments established a free-trade zone in Ciudad del Este in order to exploit the tourism trade and the cheap energy source provided by the Itaipu Dam.[40] During the 1980's, Ciudad del Este saw its best economic growth. In



[38] Hudson, 14-24.
[39] Pablo Halaburda, **Terrorism Base Potential in the Tri-Border Area of Latin America** (Monterey, CA: Naval Postgraduate School, 2006), 3.
[40] Sebastian Junger, "Terrorism's New Geography," ***Vanity Fair***, Issue No. 508, December 2002, pg. 196. as cited in Hudson, 6.

the 1990's, the city shifted its economy towards illegal activities.[41]

Ciudad del Este is East of the Pan American Highway. Paraguayan Route 7 runs from Asuncion, Paraguay, turns into BR 277[42] and continues toward Curitiba, Brazil, which is located near the port of Paranagua. The Brazilian city Foz do Iguacu is across the 303 meter Friendship International Bridge from Ciudad del Este.[43] The Argentine city of Puerto Iguazu is located where the Parana and Iguazu rivers merge. Puerto Iguazu has access to the Atlantic Ocean via small freighters. While Puerto Iguazu cannot access Ciudad del Este because of the Parana river, it has access to Brazil's Foz do Iguacu via the 489 meter Tancredo Neves International Bridge.[44] The geographic location of these cities creates a cheap supply-trade chain from the Pan American Highway to the Atlantic Ocean.

Economy

Factors such as tepid economic policy, a lack of state effort to control the region, and a cheap source of energy create an environment conducive to illegal activities in the tri-border area. As we have noted, free-trade laws allow the region to prosper economically. The *Sacoleiros*, which are human porters who smuggle illegal goods, import goods in Ciudad del Este, Paraguay without paying taxes. In turn they carry the goods across the Friendship Bridge into Brazil.[45] This process jumpstarted an idle economy in the 1980's. This method of transport while illegal, was tolerated by officials

[41] Anthony Faiola, "US Terrorist Search Reaches Paraguay: Black Market Border Hub Called Key Finance Center for Middle East Extremists," ***The Washington Post***, October 13, 2001, A21.
[42] Brazil Highway Route 277.
[43] Hudson, 7.
[44] Ibid, 8.
[45] Mariano Bartolome, "Threats to the Security of States: The Triborder as a 'Grey Area' in the Southern Cone of South America," ***Military Review***, Spanish Edition, July-August 2002, 2.

due to economic success.[46] Organized crime and terrorist organizations saw how lenient border protection was between Paraguay and Brazil and started using it to traffic weapons, drugs, and money.[47]

Immigration

Loose immigration policy allows people from any country belonging to MERCOSUR[48] to transit freely among countries. Criminals are difficult to detect by authorities since they move fluidly from one country to another. Brazil has the largest population of Arab ancestry outside of the Middle East, approaching 12 million.[49] Approximately 9 million of this population is of Lebanese descent.[50] While the tri-border area does not compete with the population numbers of Brazil, its statistics are noteworthy. It is estimated that the tri-border area encompasses an Arab community of up to 30,000 immigrants.[51] Approximately 90% of this community is from Palestinian and Lebanese ancestry.[52] Argentina estimates its Muslim population ranges from 700,000 to

[46] Adriano Barbosa, **Combating Terrorism in the Brazilian Tri-Border Area: A Necessary Law Enforcement Strategic Approach** (Monterey, CA: Naval Postgraduate School, 2007), 16.
[47] Barbosa, 13.
[48] Halaburda, 3. MERCOSUR is the South Common Market. The countries that belong to this market are Argentina, Brazil, Paraguay, and Uruguay. Brasiguayos are Brazilians of Arab descent who settle in Paraguay or Paraguayans who settle in Brazil.
[49] Barbosa, 16.
[50] Ibid, 16.
[51] The ***New York Times*** reports that "more than 20,000 Middle Eastern immigrants, most from Lebanon and Syria, live in the area." See Larry Rohter, "South America Region Under Watch for Signs of Terrorists," ***New York Times***, December 15, 2002, 1A. ***Jane's Intelligence Review*** notes that the region's 629,000 population includes 23,000 Arabs of Palestinian and Lebanese descent. See John Daly, "The Suspects: The Latin American Connection," ***Jane's Terrorism & Security Monitor***, October 1, 2001. The 30,000 figure is cited by Marc Perelman, "U.S. Joining Terrorism Probe Along Lawless Brazil Border: Hezbollah, Al Qaeda Links Sought," ***The Lebanese Foundation for Peace*** (LFP), December 13, 2002. http://www.free-lebanon.com/LFPNews/2002/terrorprobe/terrorprobe.html. accessed January 12, 2010.
[52] Bartolome, 4.

900,000.[53] Argentina's Jewish population is approximately 250,000; with the majority living in Buenos Aires.[54]

The Arab communities of Ciudad del Este and Foz do Iguacu maintain their own schools, clubs, and many live in gated communities.[55] A closed society such as this is very difficult to penetrate externally. This cultural isolation makes this population ideal for Arabic-speaking transnational groups.

State Control

It is estimated that in 2001 Ciudad del Este's economy was larger than that of the rest of Paraguay.[56] Heavy person and vehicle traffic crosses the Friendship Bridge between Ciudad del Este and Foz do Iguacu daily. The travelers often cross without documents since spot checks are limited to 10 percent of the traffic.[57] Brazil and Argentina, however, have since implemented stringent border regulations to combat the smuggling. Commerce between Ciudad del Este and Foz do Iguacu has dropped by an estimated 90 percent.[58] Smuggling has not disappeared though. Skeptics of the regulations believe change can only take place when the bribe culture and customs of the border agents changes.[59]

Illegal Organizations and Activities

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[53] Pedro Brieger and Enrique Herszkowich, "The Muslim Community of Argentina" in **The Muslim World** (Hartford, 92, No. 1/2, Spring 2002), 157-68.
[54] Jacob Kovadloff, **Crisis in Argentina**. (New York: American Jewish Community, June 2002).
[55] ***BBC Monitoring Service***, "Argentina, Paraguay, Brazil Step Up Search for "terrorists" in Triborder Area," ***BBC Monitoring***, September 15, 2001.
[56] ***Vanguardia/ABC Color*** "Commerce between Ciudad del Este and Foz do Iguacu Drops by 90 Percent," ***ABC Color***, December 3, 2002, http://www.vanguardia.com/. Accessed November 12, 2010.
[57] Ibid, 2.
[58] Ibid, 2.
[59] ***Vanguardia/ABC Color***, "Brazil, Paraguay Border Customs Integration Facing Problems," ***Vanguardia/ABC Color***, April 11, 2003, 1, http://www.vanguardia.com/. Accessed November 12, 2010.

Organized crime and terrorist groups utilize the environment of the tri-border area for a number of financing operations including: narcotics trafficking, money laundering, counterfeiting United States dollars, smuggling pirated software and counterfeit products, swindling schemes, extortion, bribery, attacks against local officials, attacks against Jewish communities, and plots to attack the United States.[60]

The Lebanese Mafia plays a large role in the trafficking of Andean cocaine through Ciudad del Este and Foz do Iguacu to Brazilian seaports.[61] Numerous studies have stated that "the distinction between Hizballah and the Lebanese Mafia is not at all clear;"[62] thus blurring the border between organized crime and terrorist groups. If they are not unified, they are most likely working closely. The FARC[63] is not clearly related to the tri-border area. During the 1990's, however, their drug trafficking activities brought them into contact with Brazilian and Russian Mafias connected to the tri-border area. One of the FARC's largest havens was located 100 miles north of Foz do Iguacu. This haven was owned by Ahmad Mohamad, a naturalized Lebanese businessman living in Paraguay.[64]

Money laundering operations in the tri-border area are believed to be financing Hezbollah. An Argentine official stated that "thousands of U.S. dollars bearing stamps from Lebanese currency exchange banks, tens of thousands of dollars in phony bills, and

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[60] Subjects covered by multiple sources including: Hudson, Bartolome, Halaburda, and Barbosa.
[61] U.S. Department of State, **International Narcotics Control Strategy Report**. (Washington D.C.: Bureau for International Narcotics and Law Enforcement Affairs, March 2003), http://www.state.gov/g/inl/rls/nrcrpt/2002/html/17952pf.htm. Accessed March 15, 2010.
[62] Hudson, 37.
[63] Fuerzas Armadas Revolucionarias de Colombia - the Revolutionary Armed Forces of Colombia.
[64] Roberto Godoy "FARC uses Brazil to Shelter the Guerrilla Elite," ***O Estado de Sao Paulo***, March 1, 2003, http://www.estado.estadao.com.br/editorias/2003/03/01/pol024.html. Accessed January 12, 2011. as cited in Hudson, 29.

receipts from wire transfers (are) made between the tri-border area and the Middle East."[65]

Chinese Tongs operating in the tri-border area extort the local population by offering protection to local businesses and tax containers imported from Asia.[66] The Hong Kong criminal groups are known to traffic pirated software into Ciudad del Este from China. It is suspected that this criminal organization sustains a working relationship with the tri-border Hezbollah.[67] These organizations routinely bribe Paraguayan judges in order to operate without restriction.[68]

Violent activities permeate the tri-border area. Violence attacks are known to occur against local business and officials.[69] Furthermore, two terrorist attacks occurred in Argentina in the 1990's. On March 17, 1992 the Israeli Embassy in Buenos Aires was bombed, killing 29 and wounding 242 civilians. This attack was followed by the bombing of a Jewish Community Center[70] on July 18, 1994 that killed 85 civilians. Investigations into both bombings pointed to Hezbollah agents operating within the tri-border area.[71] These attacks are unique in that they are Hezbollah response to Israel targeting Hezbollah's leadership in Lebanon. What makes these attacks interesting is that

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[65] Mike Boettcher and Ingrid Arnesen, "South America's 'Tri-Border' Back on Terrorism Radar," ***CNN***, November 8, 2002, http://www.cnn.com/2002/WORLD/americas/11/07/terror.triborder. Accessed March 15, 2010.
[66] Bartolome, 7 and Hudson, 41.
[67] ***ABC Color***, "Paraguay: 'Strong Ties' Seen Between Hong Kong Mafia, Tri-Border Based Hizballah," ***ABC Color***, November 22, 2002, http://archivo.abc.com.py/2002-11-22/articulos/21378/mafia-hongkonesa-estaria-ligada-al-hizbullah-en-la-triple-frontera. Accessed March 15, 2010.
[68] Bartolome, 16.
[69] ***La Republica***, "Threats to Lissidini Possibly Linked to Terrorism," ***La Republica***, November 21, 2002, http://www.larepublica.com.uy/justicia/98673-ocho-dias-para-liberar-la-carga. Accessed March 15, 2010. and ***Itapiru Radio***, "Foz City Council President Shot in Attack," ***Itapiru Radio***, February 24, 2003. as cited in Hudson, 33.
[70] The Argentine-Israeli Mutual Association-AMIA in Buenos Aires was bombed.
[71] Daniel Sobelman, "Israel Takes Special Interest in the Triple Border Area," ***Jane's Intelligence Review***, November 2001, Vol. 12, No. 13, pg. 13-14.

Hezbollah staged attacks in a remote part the world away from their core organization. This is an indication of the robustness of Hezbollah's infrastructure.

In a hearing before Congress, an American Congressman stated that "open-source reporting indicates that the FBI claims that Islamic extremist cells linked with Hizballah, Islamic Jihad, and al Qaeda are operating in Paraguay, Uruguay, and Ecuador."[72] The Brazilian newsweekly *Veja* reported that Osama bin Laden visited Foz do Iguacu in 1995.[73]

Hezbollah

Hezbollah[74] was officially established in 1982 as an armed resistance movement. Over the course of a decade it transformed into a political, military, and social institution.[75] In 1992 Hezbollah participated in Lebanon's parliamentary elections and won 12 seats.[76] Israel's withdrawal from Lebanon in 2000 validated Hezbollah's shift in the tactics used to achieve their goals.[77]

Hezbollah funds its operations through state sponsorship, the diaspora communities from West Africa, the United States, and the tri-border area of South America, as well as illegal activities. It is estimated that Iran not only provides weapons

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[72] Cass Ballenger, "Prepared Statement of Representative Cass Ballenger, Chairman, Subcommittee on the Western Hemisphere, U.S. House of Representatives," Transcript of House Western Hemisphere Subcommittee Hearing, ***Center for International Policy***, Colombia Project, October 10, 2001.
[73] ***The Washington Post***, "Bin Laden Reportedly Spent Time in Brazil in '95," ***The Washington Post***, March 18, 2003, A24, http://www.lexisnexis.com.authenticate.library.duq.edu/us/lnacademic/search/homesubmitForm.do. Accessed January 12, 2010.
[74] Hezbollah means: Party of God.
[75] Martha Crenshaw, "Theories of Terrorism: Instrumental and Organizational Approaches" in David Rapoport's **Inside Terrorist Organizations** (New York: Colombia University Press, 1988). As cited by Meehan, 10.
[76] Howard Meehan, **Terrorism, Diasporas, and Permissive Threat Environments. A Study of Hizballah's Fundraising Operations in Paraguay and Ecuador** (Monterey CA: Naval Postgraduate School, 2004), 11.
[77] Augustus Norton, "Hizballah: From Radicalism to Pragmatism," ***Middle East Policy***, January 1998, Vol. 5, No. 4.

and training but also up to 100 million dollars annually.[78] Syria is also a sponsor of Hezbollah. Their contribution, however pales in comparison to Iran. Iranian support is especially important in funding Hezbollah's political, military, and social operations. Since Lebanon is ravaged by war, Hezbollah funds community reconstruction projects as part of its social service operations. These programs designed to win the *hearts and minds* of the local population are called *the construction Jihad* by Hezbollah. They are key to their claim for legitimacy and campaign for continuous financial support.[79]

Hezbollah's use of the tri-border area as a financial resource indicates a drive toward self-sufficiency.[80] The global war on terrorism (GWOT) has pressured States to discontinue sponsorship of terrorist organizations. After pressure from the United States, Libya recently reversed state policy and ceased WMD[81] attainment operations. If Iran and Syria yield to the GWOT pressures, Hezbollah will be required to satisfy its financial needs independent of state sponsorship.[82] The result would force Hezbollah to increase operations in the tri-border area for financial support. To date, both Iran and Syria continue to support Hezbollah.[83]

RESEARCH DESIGN

This case study will employ the method of analytical induction as explained by Joe Feagin. The concept of analytical induction has changed over time. Initially, it was

[78] Blanca Madani, "Hezbollah's Global Finance Network: The Triple Frontier," ***Middle East Intelligence Bulletin***, January 2002, Vol. 4, No. 1.
[79] Meehan, 11.
[80] Ibid, 12-13.
[81] Weapon of Mass Destruction.
[82] Meehan, 13-14.
[83] U.S. Department of State, **State Sponsors of Terrorism Overview** (Washington D.C.: Office of the Coordinator for Counterterrorism, April 30, 2007), http://www.state.gov/s/ct/rls/crt/2006/82736.htm. Accessed March 15, 2010.

used to identify *universals* in social life.[84] The theory evolved because the term *universal* does not account for irregularities in cases. A looser definition has been adopted: "(i)t is often used to refer to any systematic examination of similarities that seeks to develop concepts or ideas."[85]

This hybrid definition has the researcher investigate evidence that challenges or refutes the ideas they are developing. By comparing evidence, the researcher is better able to define categories or concepts. Sociologists Barney Glaser and Anselm Strauss termed this the *constant comparative method*. In this method, the researcher compares evidence across cases to develop concepts or ideas.[86]

Analytical induction and the constant comparative method work best when there are many examples of the phenomenon being studied.[87] Utilizing several cases allows the researcher to develop the necessary comparative framework.[88] This framework ensures research reliability or the ability to replicate the study. What method, however, is the research to employ when the event being studied occurred once or is a single historical period? Joe Feagin and Anthony Orum argue that a single-case study is structured in a way that provides a solution to this problem. The answer lies in using a methodology similar to analytical induction.[89] This methodology was demonstrated in Anthony Orum's case study of Austin, Texas.

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[84] Charles Ragin, **Constructing Social Research** (Thousand Oaks, CA: Pine Forge Press, 1994), 93.
[85] Ibid., 93.
[86] Ibid, 93-94.
[87] For examples see: Lindesmith 1947; Cressey 1953; Turner 1953; Robinson 1951; Katz 1982; Glaser and Strauss 1967; Denzin 1978; Ebaugh 1977 & 1988; Becker 1963; Goffman 1963.
[88] Anthony Orum, Joe Feagin, and Gideon Sjoberg, "The Nature of the Case Study", in Feagin et al **A Case for the Case Study** (North Carolina: The University of North Carolina Press, 1991), 16-17.
[89] Anthony Orum and Joe Feagin, "A Tale of Two Cases", in Feagin et al **A Case for the Case Study**, 121-124.

In Orum's case study of Austin, Texas he sought to determine who was behind the development of the city and how its growth would impact the political composition of the city. The study turned into an analysis of urban growth. Instead of using theoretical generalizations to label Austin as a certain type of city, he analyzed Austin's history.[90]

In order to accomplish this, a new methodology needed to be developed to analyze various kinds of data instead of traditional surveys. His data was composed of newspaper scraps, diaries, city records, as well as letters and oral histories. The methodology would have to be able to identify social contexts within events as well as enable the researcher to draw inferences from the evidence and even causality. The method was termed *imaginary analytical induction*.[91] Because the research lacked the cross-case comparison of traditional analytical induction, the researcher made comparisons *to some extent on an imaginary basis*.[92] In the end, he was able to determine that several forces were responsible for the expansion of Austin.

This research will use a method similar to Feagin's *imaginary analytical induction* and analyze data gathered from historical materials, newspaper articles, government documents, books, interviews and military publications related to the tri-border area. The strength of analytical induction as it applies to this research is its ability to remain fluid with data sets. As analysis develops, the data search may be altered to re-define concepts or further analysis. This method is limited to purely qualitative standards. In turn it fails to draw statistical values associated with quantitative research.[93] Adopting this strategy

[90] Orum and Feagin, 124.
[91] Ibid, 125.
[92] Ibid, 125.
[93] N.J. Smelser and P.B. Baltes, "Analytical Induction," in **International Encyclopedia of the Social and Behavioral Sciences** (Oxford, UK: Elsevier Science Ltd., 2001), 8.

will allow this research to develop concepts linking Hezbollah to numerous activities in the tri-border region.

VARIABLES

The independent variables in this research are factors that have caused Hezbollah to conduct operations in the tri-border area. Analysis of these variables will diagram a cause-effect relationship between the atmosphere encompassing the tri-border area and Hezbollah operations. The first variable to be analyzed is the geographic layout of the tri-border area. This includes the close proximity of the cities, highway routes, bridges, and waterways.

The second variable to be analyzed is Arab immigration into the tri-border area. A sizeable Arab community is key to establishing a basis of operations for Hezbollah. In his research Adriano Barbosa noted that there are 12,000,000 Brazilians with Arab ancestry, of which 9,000,000 are traced to Lebanon; the home of Hezbollah.[94]

The third independent variable subjected to analysis is the economic environment. Factors like the free-trade laws established by Brazil and Paraguay established an environment conducive to illegal activities. The aforementioned governments established a free-trade zone in order to develop the region of Iguassu Falls and promote trade. Migration and trade grew in the area. Illegal activities, however, became custom as a consequence.[95]

The fourth independent variable is the lack of state regulation controlling problems like cross-border travel and corruption. *Sacoleiros* are small businessmen that

[94] Adriano Barbosa, **Combating Terrorism in the Brazilian Tri-Border Area: A Necessary Law Enforcement Strategic Approach** (Monterey, CA: Naval Postgraduate School, 2007), 16.
[95] Hudson, 6.

travel to Paraguay to purchase goods with little or no payment of taxes.[96] The goods are then smuggled across the Friendship International Bridge back into Brazil to be traded for profit. Travelers often cross the bridge without documentation since authorities are limited to infrequent spot-checks.[97] Enforcement is difficult when the economy of Ciudad del Este is larger than the rest of Paraguay.[98]

Analysis of the independent variables will search for causal links to the dependent variable. The dependent variable is Hezbollah operations in the tri-border area. This variable encompasses subsets that will be analyzed including: trafficking weapons, drugs, humans, and pirated electronics through the tri-border for financial support as well as Hezbollah's financial support from the diaspora community and extortion operations of the local population. The planning of operations against American targets and Jewish communities in the tri-border area will also be examined.

The method of analytical induction allows this study to determine why Hezbollah is involved in a number activities of the tri-border area. Furthermore, once this research has determined what operations Hezbollah is conducting and their level of success, it will draw the implications of Hezbollah's presence in the tri-border area. Finally, this method allows for an accurate policy prescription by focusing on Hezbollah's activities and not every activity of the tri-border area.

ANALYSIS

This essay focuses on the social, political, economic, and geographic factors surrounding the tri-border area of South America. Examining each factor led to a better

[96] Barbosa, 13.
[97] Hudson, 11.
[98] Larry Rohter, "Terrorists are Sought in Latin Smugglers' Haven," ***The New York Times***, September 27, 2001, A3.

understanding of Hezbollah operations. The subsequent analysis is broken down in the following sections.

Hezbollah Use of the TBA Geographic Features

We have noted the three cities comprising the tri-border area are Puerto Iguazu, Foz do Iguacu, and Ciudad del Este. The areas encompassing each city makes up the 20km radius known as the tri-border area.[99]

Iguaçu Falls
Source: *Correiro Braziliense*, October 30, 2002.

The Brazilian city of Foz do Iguacu is located in the extreme west part of Parana state.[100] It serves as the center of tourism for the tri-border area. Its location makes it the nexus between Puerto Iguazu and Ciudad del Este. The cities are divided by two rivers. The Rio Parana flows North to South, separating Foz do Iguacu with Ciudad del Este. The Rio Iguacu flows west to east and merges with the Rio Parana at Puerto Iguazu. This divides Foz do Iguacu with Puerto Iguazu. The Friendship International Bridge links Foz do Iguacu with Ciudad del Este, where the slogan 'anything goes' describes the atmosphere.[101] It is estimated that 30,000-40,000 people and 20,000 vehicles travel the bridge daily.[102] Many of those employed in Ciudad del Este cross the bridge to reside in the safer atmosphere of Foz do Iguacu.[103]

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[99] Halaburda, 3.
[100] Foz do Iguacu municipal homepage, *Tourism*, *Foz do Iguacu*, http://www.fozdoiguacu.pr.gov.br/portal2/home_turismo/ingles/index.asp. Accessed on 12 January 2011.
[101] Diana Schemo, 2.
[102] Sebastian Rotella, "Jungle Hub for World's Outlaws," ***Los Angeles Times***, August 24, 1998, 1. and Ricardo Grinbaum, "In Paraguay, Smugglers' Paradise," ***World Press Review***, January 1996, Vol. 43, No. 1, 25-26. as cited in Hudson, 11.
[103] Ibid, 7.

Tourism is the primary source of economy in Foz do Iguacu.[104] A notable contributor to the economy is BR 277, a 650 km Brazilian highway that runs from Ciudad del Este, through Foz do Iguacu, to the Brazilian seaport Paranaguá. The Fraternity Bridge connects Foz do Iguacu with the Argentine seaport Puerto Iguazu.[105] Small freighters can access this port from the Atlantic Ocean.

Map labeling the cities, Highways, and Rivers of the TBA.
Source: Google.com/Maps

The Paraguayan city of Ciudad del Este is located to the West of Foz do Iguacu. This city is the site of illegal manufacturing, trade, and sale of everything from electronics to Kalashnikov automatic rifles.[106] This will be discussed in further detail under *economic environment*.

Paraguay relies heavily on the BR 277 for importation and exportation. Ciudad del Este is connected to the Pan American Highway via Route 7. The Pan American Highway is a system of highways connecting North America with South America and is important to the economies of all three countries.[107] Ciudad del Este also relies on the Rio Parana for trade since it connects to the Atlantic Ocean at Buenos Aires.

[104] Foz do Iguacu municipal homepage, *Tourism*, *Foz do Iguacu*, http://www.fozdoiguacu.pr.gov.br/portal2/home_turismo/ingles/index.asp. Accessed on 12 January 2011.
[105] AKA Tancredo Neves International Bridge. Fraternity Bridge is most commonly used name.
[106] Jeffrey Goldberg, "In the Party of God," ***The New Yorker***, Issue No. 32, October 28, 2002, pg. 79, http://www.newyorker.com/archive/2002/10/28/021028fa_fact2. Accessed March 15, 2010.
[107] Hudson, 6-7.

The Itaipu Dam has the capacity to generate the most electricity in the world. The dam is 15 km north of the Friendship Bridge and crosses the Rio Parana. It is owned by both countries. The Itaipu Binacional Company manages dam operations. The plant has 18 turbines, nine on each country's side.[108] The greatest significance of the dam is that it provides cheap electricity to the tri-border area.[109]

Puerto Iguazu has developed its own infrastructure around tourism.[110] The city's port is designed to accommodate small Atlantic freighters. The transports travel the Rio Parana to the Atlantic Ocean through Buenos Aires. Puerto Iguazu has the least economic activity of the three cities that make up the tri-border area.[111]

A system of highways, bridges, and waterways creates an environment conducive for trade. Foz do Iguacu, Ciudad del Este, and Puerto Iguazu are connected by two large bridges. Highway 12 runs through Argentina and Puerto Iguazu to Foz do Iguacu. Highway BR 277 runs from the Atlantic seaport Paranaguá to Foz do Iguacu. Paraguay Highway 7 connects to the Pan American Highway. This highway system connects the cities of the tri-border area with seaports and an intercontinental highway.

The geographic layout of the tri-border region is conducive to trade and illegal activities. The close proximity of the three cities as well as the bridge and highway systems allows goods to flow through the area. Another way commerce flows through the tri-border area is through Port Iguacu, which brings in freighters from the Atlantic. The Itaipu Dam provides a cheap source of energy for the clandestine assembly plants just

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[108] Alvaro de Souza Pinheiro, **Narcoterrorism in Latin America: A Brazilian perspective** (Hurlburt Field, FL: Joint Special Operations University, 2006), 36.
[109] Junger, 196.
[110] Puerto Iguacu municipal homepage, *Tourism*, *Puerto Iguacu*, http://www.iguazuinside.com.ar/. Accessed on 12 January 2011.
[111] ***Vanguardia***, "Brazil, Paraguiay Border Customs Integration Facing Problems," ***Vanguardia***, April 11, 2003, http://www.vanguardia.com/. Accessed November 15, 2010.

above merchant shops.[112] This study found that Hezbollah capitalizes on the geographic layout of the triple border region and uses illegal trade networks to move counterfeit goods, drugs, and weapons throughout the region. Specific examples of Hezbollah involvement in counterfeit trade practices, drug routes, and weapon trafficking will be examined in the subsequent sections.

Hezbollah Exploitation of Arab Diaspora in the Triple Border

The tri-border area is home to approximately 25,000 to 30,000 Arab residents.[113] Many of these residents are decedents of families that fled Lebanon after the Arab-Israel war in 1948 and the Lebanese civil war in 1985.[114] The result of this immigration pattern is that the majority of Muslims residing in the tri-border area are of Lebanese origin.[115]

It is difficult to determine exact figures on how many residents in Foz do Iguacu, Ciudad del Este, and Puerto Iguazu are of Arab origin. One estimate reports that Foz do Iguacu contains 10,000 to 21,000 Arabs of Lebanese descent.[116] The remaining Arab immigrants most likely reside in Ciudad del Este. This is a result of Arab immigrants not feeling welcome in Puerto Iguazu, thus avoiding the area.[117] Ciudad del Este contains an estimated 7,500 retailers of Arab origin.[118]

Assad Barakat awaiting extradition to Paraguay
Source: *ABC Color*, June 9, 2003

[112] Schemo, 6.
[113] Pablo Gato and Robert Windrem, "Hezbollah Builds a Western Base: From Inside South America's Tri-Border Area, Iran-Linked Militia Targets U.S," ***MSNBC***, May 9, 2007, http://www.msnbc.msn.com/id/17874369/ns/world_news-americas/. Accessed January 12, 20011.
[114] Gato and Windrem, 1.
[115] Blanca Madani, "Hezbollah's Global Finance Network: The Triple Frontier," ***Middle East Intelligence Bulletin***, January 2002, Vol. 4, No. 1, pg. 3.
[116] ***A Gazeta do Iguacu***, "Muslims Prevail Among Small Religions in Foz," ***A Gazeta do Iguacu***, February 3, 2003. as cited by Hudson, 9.
[117] Franco Iacomini, "Lawless Border: The Division with Paraguay and Mercosul's Headache," ***Veja***, April 8, 1998, No. 1541. as cited in Hudson, 8.

In February 2002, Paraguayan police arrested Ali Khalil Mehri, a Lebanese businessman in Ciudad del Este. Mehri had sold millions of dollars of pirated electronics and funneled the profits to Hezbollah.[119] Some accounts state Mehri was released on bail, others state he bribed guards and subsequently fled to Brazil and finally to Syria.[120]

Assad Ahmad Barakat is not only chief of military operations but also chief Southern Cone fun-raiser for Hezbollah in the tri-border area.[121] Barakat arrived in Paraguay in 1985 after fleeing the Lebanon Civil war. He established a network of businesses in Ciudad del Este that are linked to Hezbollah fundraising.[122] In 2003, Argentine authorities linked Barakat to the 1994 bombing of the AMIA.[123] Barakat fled to Brazil after feeling pressure from Paraguayan authorities.

Paraguay began to raid his shops and arrested several of his employees for sending money to Hezbollah. A letter was seized, written by Hezbollah Secretary-General Hassan Nasrallah where he states that he "is one of the most thankful for the contributions Assad Ahmad Barakat has sent from the Triple Border".[124] Sobhi Mahmoud Fayad was arrested by Paraguayan anti-terrorist police for funneling money to Hezbollah.

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[118] Madani, 3.
[119] Ibid, 4.
[120] ***El Pais Internacional S.A.***, "Terrorist Commandos Hide in the Triple Border," ***El Pais Internacional S.A.***, November 9, 2001, http://www.elpais.com/articulo/internacional/Comandos/terroristas/refugian/triple/frontera/elpepiint/20011109elpepiint_21/Tes. Accessed October 10, 2010.
[121] ***EFE News Services***, "Government Keeps Watchful Eye on Paraguay's Arab Community," ***EFE News Services***, October 13, 2001, http://www.efe.com/. Accessed April 13, 2010.
[122] Madani, 6.
[123] ***ABC Color***, "Argentine Prosecutors Link Tri-Border Hizballah Leaders to AMIA Attack," ***ABC Color***, May 28, 2003, http://archivo.abc.com.py/2003-05-28/articulos/50080/gobierno-argentino-implementa-fuertes-medidas-contra-evasion. Accessed March 15, 2010.
[124] Madani, 6.

Fayad was linked to Barakat. On a raid at another of Barakat's stores, Kassen Hassan Baalbaki was arrested while destroying computer equipment.[125]

Argentine intelligence discovered a link between Sheik Mounir Fadel, a spiritual leader of Ciudad del Este's main mosque and a number of terrorist groups. The groups include Hezbollah and Egypt's al-Gama'a al-Islamiyya and Islamic Jihad.[126] In 2001, ten Lebanese Arabs were caught in Mexico City on a mission to assassinate President Vicente Fox. The terrorist reported that they traveled to Mexico through the tri-border area after receiving some training.[127]

Osama bin Laden visited Foz do Iguacu in 1995.[128] By 1999, several extremist groups in the tri-border area were operating under guidance from bin Laden.[129] At the end of 1999, simultaneous terrorist attacks against Jewish targets in Ciudad del Este, Buenos Aires, and Ottawa, Canada were prevented. Osama bin Laden has been planning the attacks with Hezbollah leader Imad Mouniagh.[130] In 2002, Barakat was linked to Osama bin Laden. Barakat was funneling money from a company he owned in Beirut to al Qaeda.[131]

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[125] ***AFP***, "Paraguayan Police Detain Suspected Hezbollah Member," ***AFP***, November 12, 2001, as cited by Madani, 2.
[126] Peter Hudson, "There Are No Terrorists Here; In A Lawless No Man's Land Deep In the Heart of South America, Muslims Face Down A Suspicious World," ***Newsweek***, November 19, 2001, 2. Herein referenced as Peter Hudson.
[127] Hudson, 19.
[128] Kevin G. Hall, "Accused al-Qaeda Terrorist Spent Time in Brazil, Police Say," ***Knight Ridder Tribune News Service***, March 13, 2003, 1.
[129] ***ABC Color***, "Iran Report," ***ABC Color***, January 10, 2000. as cited by Hudson, 17.
[130] ***ABC Color***, "Police Conduct Operation to Intimidate Islamic Extremists," ***ABC Color***, December 23, 1999, http://www.abc.com.py/. Accessed March 15, 2010.
[131] Mariano Bartolome, "Triborder: Company is linked to al Qaeda," ***Ambito Financiero***, April 30, 2002, 14, http://www.ambito.com/diario/index.asp. Accessed April 12, 2010.

The tri-border region represents a fertile area for recruitment for operations because 90% of the Arab population is of Lebanese descent. [132] As a consequence, Hezbollah has targeted the Arab population in the tri-border area for financial and operational support. Mehri, Barakat, and Fayad are examples of Arab individuals living in the tri-border area financing Hezbollah. Sheik Fadel is linked to terrorist organizations in Egypt.[133] The ability to move between tri-border states with little interference makes the area attractive to terrorist organizations like Hezbollah.

Hezbollah Manipulation of the Triple Border Economic Environment

Economic liberalization in the tri-border region initially thrived due to the cheap energy and economic freedoms of the area. When trade and tourism slowed in the 1980's, criminal and terrorist organizations sought to capitalize on the financially lush environment. The result is a lawless land dominated by illegal activities.[134]

While it is difficult to estimate the economy of the tri-border area, Hudson approximates the financial system to generate 12 billion USD per year in legal and illegal commerce.[135] The economy of the tri-border area surpasses that of Paraguay's.[136] In addition to legal trade and tourism, billions of dollars are laundered through the area annually.[137] In

Sacoleiros (bag carriers) carry contraband, such as cigarettes and fake watches, across the Friendship International Bridge. *Source*: *Página/12*.com.ar, October 30, 2001.

[132] Mariano Bartolome, "Threats to the Security of States: The Tribor
Cone of South America," ***Military Review***, Spanish Edition, July-Aug
[133] Harris Whitbeck and Ingrid Arneson, "Sources: Terrorists Find Ha
November 7, 2001, http://articles.cnn.com/2001-11-08/world/inv.terr
assad-ahmad-barakat-intelligence-sources?_s=PM:WORLD. Accesse
[134] Howard Vincent Meehan, **Terrorism, Diasporas, and Permissive**
Hizballah's Fundraising Operations in Paraguay and Ecuador (M
School, 2004), 37.
[135] Hudson, 3.
[136] Hugh Smith, **Terrorism in the Iguaza Falls Region: $100 Bills,**
KS: School of Advanced Military Studies, 2005), 7.
[137] Guido Rauber, "Subsecretary of Drug Control and Prevention of Addictions," ***Ministry of Public Health of Milestones Province***, Argentina, December 31, 2000. as cited by Hudson, 51. While it is difficult to determine exact figures, estimates average $12 Billion USD are laundered annually.

Paraguay, imports are taxed at 10 percent. This is considerably less than Argentina's tax rate of 23 percent. The criminal system, however, in the tri-border area avoids paying any taxes.[138]

Sacoleiros are unemployed or small businessmen in Ciudad del Este who exploit the uneven tax environment of the tri-border area.[139] They move products like cigarettes, electronics, and liquor from Ciudad del Este to Foz do Iguacu. Since the economies of the tri-border cities benefited from the illegal transfer of goods, officials maintained lose control on the border. Organized crime saw how permissive the borders were throughout the region. As a result drugs and weapons were moved through the same channels that illegal trade developed.[140]

This study has described the economic environment in the tri-border area as conducive to not only illegal trade but illegal activities such as drug and weapons smuggling. The close proximities of the cities expedites trade. The absence of taxes in Ciudad del Este creates a demand for cheap products in Foz do Iguacu. Tens of thousands of people cross the bridges daily smuggling the cheap goods. Since this is beneficial for the economies, the States refuse to regulate the borders. Terrorist organizations like Hezbollah and criminal organizations exploit the porous borders to finance their operations. We have noted that Lebanese businessmen like Ali Khalil Mehri, Assad Ahmad Barakat, and Sobhi Mahmoud Fayad exploited the economic environment of the triple border region to launder a significant amount of money to Hezbollah.

Hezbollah's Use of Loose State Regulations in the Triple Border

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[138] Halaburda, 5.
[139] William W. Mendel, "Paraguay's Ciudad del Este and the New Centers of Gravity," ***Military Review***, April 2002.
[140] Barbosa, 13.

In this section, our analysis examines the dynamic relationship between state willingness to acknowledge that a control problem exists and the lack of willingness or inability to manage the problems of the tri-border area. There are three very different systems in charge of managing the tri-border area. Brazil utilizes police and customs officials. Paraguay employs the military to control their portion of the region. Argentina has two paramilitary organizations to control its borders and rivers.[141]

In late 2001, Brazilian President Fernando Henrique Cardoso visited the United States and declared that the tri-border area was "safer than London."[142] At the 3+1 Group[143] meeting in 2004, Brazilian Minister Marcos Pinta Gama stated:

> "Brazil has stepped up surveillance in the TBA and has found no evidence of terrorism in the region or the rest of Brazil. Our intelligence agency says that chance for terrorism activity in the TBA is low to non-existent. It's not that we do not pay attention we just have found no evidence of it."[144]

The public attitude proves otherwise since the tourism economy of the tri-border area is declining.[145] The attacks in Argentina being the exception, Hezbollah keeps the tri-border region at low levels of violence in order to not draw attention.

In terms of corruption of officials, Brazil cannot be overlooked. In 2000, a report commissioned by Brazil's congress accused 827 individuals of organized crimes like drug

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[141] Halaburda, 7.
[142] Peter Hudson, 1.
[143] The 3+1 Group is a policy initiative for Brazil, Argentina, Paraguay, and the United States developed to hold 4 annual sessions as an open forum to speak on strategies and policies to counter the criminal activities of the tri-border area. The most significant result of the dialogues is that divergent views exist on the extent of the problem in the triple border. See a paper by Hugh Smith, **Terrorism in the Iguaza Falls Region: $100 Bills, A DIME at a Time** (Ft. Leavenworth, KS: School of Advanced Military Studies, 2005), 16.
[144] Smith, 16.
[145] Peter Hudson, 1.

dealing, weapon trafficking, and tax evasion.[146] The list included two former state governors, 15 state deputies, mayors, judges, lawyers, and police officers. The conclusion was that corruption was so rampant that it will take years to fix without enlisting the aid of the military.[147]

During the 1980's and 1990, travelers across the Friendship International Bridge were subject to 10% spot checks. In 2005 Brazil sought to increase state control in the tri-border area. They created two offices, the DPF[148] and the SRF.[149] As a result, *sacoleiros* travel between Ciudad del Este and Foz do Iguacu has declined by 90%.[150]

Paraguay has attempted to combat the lawlessness of the tri-border area. The previously mentioned raids were conducted by Paraguayan military with the aid of Argentine intelligence. At the 2004, 3+1 Group meeting, Paraguay outlined a bill in their Congress making the process of money laundering illegal. Minister Gama challenged the Paraguayan official to supply intelligence showing terrorist activity in the tri-border area. The Paraguayan official was unable to supply such intelligence, further reinforcing Brazil's argument that terrorism does not exist in the tri-border area.[151]

Paraguay is not a Financial Action Task Force (FATF) member. A 2010 FATF report proposed that while Paraguay has demonstrated progress in improving its AML/CFT regime[152], it continues to remain deficient in criminalizing terrorist financing, the freezing of terrorist assets, financial transparency, and implementing effective

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[146] Andrew Downie, "Corruption's Roots Deep and Wide-reaching in Brazil," ***Christian Science Monitor***, December 12, 2000, 6.
[147] Raymond Colitt, "Brazil Tracks Down the Real Culprits Behind Surge in Highway Robberies," ***Financial Times*** [London], May 2, 2002, 10.
[148] Federal Police Department.
[149] Secretariat of Federal Revenues.
[150] Barbosa, 15. and Hudson, 11.
[151] Smith, 17.
[152] AML stands for Anti-Money Laundering and CFT stands for Combating the Financing of Terrorism

controls on cross-border cash transactions.[153] Lombardi and Sanchez in *Terrorism Financing* describe Paraguay's legal and financial systems as underdeveloped. The result is that Ciudad del Este attracts criminal and terrorist organizations interested in financing their operations.[154]

Despite Paraguay's efforts, their borders remain porous, extradition problems remain, and their criminal justice system suffers from corruption. A report presented by the National Direction of Civil Aeronautics concluded that 16 foreigners enter Paraguay illegally every week via the Ciudad del Este airport.[155] Active Paraguayan border control remains slack on the Friendship Bridge.[156] This lack of an effective extradition treaty between Brazil and Paraguay has affected Paraguay's ability to establish control in Ciudad del Este. After Paraguay arrested Ali Khalil Mehri, he posted bail and fled to Brazil.[157] Feeling pressure from officials, Assad Ahmad Barakat fled to Brazil and continued to operate his businesses from there. In 2002 he was arrested on tax evasion and was sentenced to six years of jail.[158] Corruption in Paraguay has reached every level of government. Former President Alfredo Stroessner was allegedly involved in drug trafficking.[159] The corruption in the tri-border area allows criminals and terrorist groups to conduct illegal activities like bribing judges and purchasing visas. Paraguayan consul

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[153] ***FATF-GAFI***. "Improving Global AML/CFT Compliance: On-Going Process," ***FATF-GAFI***, February 18, 2010. 3-4.
[154] Barbosa, 14.
[155] Madani, 1.
[156] Ibid, 1.
[157] ***El Pais Internacional S.A.***, "Terrorist Commandos Hide in the Triple Border," ***El Pais Internacional S.A.***, November 9, 2001, http://www.elpais.com/articulo/internacional/Comandos/terroristas/refugian/triple/frontera/elpepiint/20011109elpepiint_21/Tes. Accessed October 10, 2010.
[158] US Department of The Treasury Press Release, "Treasury Designates Islamic Extremist, Two Companies Supporting Hizballah in Tri-Border Area," Treasury Department, June 10, 2004, http://www.treasury.gov/press/releases /js1720.htm. Accessed January 12, 2011.
[159] Amaury Ribeiro Jr., "Used-Up Impunity," ***Istoe Online***, February 2, 2003, http://www.istoe.com.br/capa. Accessed January 12, 2011.

in Miami, Carlos Weiss, was arrested for selling more than 300 passports and visas in the tri-border area.[160]

The government of Paraguay attempts to combat the illegal activities of the tri-border area. Paraguay would suffer the most, however, from increased regulation in the tri-border area. The reality is that Paraguay relies on the underground economy of Ciudad del Este.[161] Paraguay is one of the poorest of the South American States. Since the economy of the tri-border area is larger than Paraguay's, a crackdown on illegal activities would further decimate the economy. The success of controlling the tri-border area relies not only on changing atmosphere of corruption and enforcement, but also economic policy combating Paraguay's loss of wealth from the tri-border area.

Hezbollah attacks in 1992 on the Israeli Embassy in Buenos Aires and the AMIA building in 1994 were clearly planned locally and traced to Hezbollah elements, as Argentina intelligence services found.[162] Argentina recognizes that terrorism in the tri-border exists. The raids and arrests made by Paraguayan military were supported with Argentine intelligence.

Argentina is not immune to corruption. Allegations of corruption were made after the 1994 AMIA bombing in Buenos Aires. A former Iranian Intelligence Officer testified that Iran paid former Argentine President Carlos Saul Menem $10 million to cover up the

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[160] Bill Rogers, "Arabs Accuse Paraguay Police of Extortion," ***Voices of America*** (VOA.com), October 18, 2001, http://www.voanews.com/english/news/a-13-a-2001-10-04-12-Arabs-66437437.html?refresh=1. Accessed January 12, 2011. And Larry Rohter, "Terrorists Are Sought in Latin Smugglers' Haven," ***The New York Times***, September 27, 2001. as cited by Hudson, 50.
[161] Halaburda, 44.
[162] ***ABC Color***, "Argentine Prosecutors Link Tri-Border Hizballah Leaders to AMIA Attack," ***ABC Color***, May 28, 2003, http://archivo.abc.com.py/2003-05-28/articulos/50080/gobierno-argentino-implementa-fuertes-medidas-contra-evasion. Accessed March 15, 2010.

bombing.[163] President Menem appointed a former Syrian colonel to oversee customs at Buenos Aires's Ezeiza International Airport.[164]

Argentina's Puerto Iguazu receives the least amount of economic activity of the tri-border cities. In an attempt to regulate illegal activity, Argentina imposed limits of $100 per month on nondurable merchandise and $150 on durable merchandise that can be purchased in the region and imported into Argentina. The result was that traffic across the Fraternity Bridge decreased from 3.4 million individuals to 1.4 million individuals annually.[165]

Argentina has taken the lead on developing initiatives to combat the problems of the tri-border area. The Trilateral Joint Command was developed to aid in identifying criminal targets. The program designated areas of responsibility for specific agencies. For example, the Argentine Coast Guard has been prominent in the surveillance of the Rio Iguacu. The result has been a number of raids in Ciudad del Este, shared intelligence and tracking systems.[166] Argentina has reached out to the United Nations, Organizations of American States (OAS), MERCOSUR, and the United States in bilateral security agreements.[167] As a result, the Argentine Government and the Central Bank will freeze assets of terrorist groups identified by the United States.[168]

The United States maintains communication with Brazil, Paraguay, and Argentina through the 3+1 Group. The group meets to discuss and analyze preventive

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[163] Larry Rohter, "Iran Blew Up Jewish Center in Argentina," ***The New York Times***, July 22, 2002, http://www.nytimes.com/2002/07/22/world/iran-blew-up-jewish-center-in-argentina-defector-says.html. Accessed March 15, 2010.
[164] Martin Edwin Andersen, "Al-Qaeda Across the Americas," ***Insight on the News***, November 26, 2001, Vol. 17, No. 44, 20-20. as cited by Hudson, 48.
[165] Bartolome, 2 and Hudson, 12
[166] Smith, 22.
[167] Rut Diamint, "Security Challenges in Latin America," ***Bulletin of Latin American Research***, 2004, Vol. 23, No. 1, 55.
[168] Smith, 22.

measures against terrorism.[169] Each country, however, maintains a different view of the tri-border area. For instance, the Brazilian Minister argued that terrorism does not exist in the tri-border area and challenged the Paraguayan Minister to supply intelligence countering the argument.[170] Paraguay recognizes a problem exists, but lacks the ability to regulate it. Argentina views terrorism as a problem of the tri-border area.[171] The United States views the problem as a part of the Global War on Terrorism (GWOT) and is soliciting each state for support on the matter.[172]

In summation, Brazil does not share the same priorities as Argentina and Paraguay, but has demonstrated it has the ability to regulate the problem. Paraguay recognizes there is a problem in the tri-border area, but does not have the will or resources to regulate Ciudad del Este. Argentina was directly affected by terrorist in the tri-border area. They have taken steps to regulate the tri-border area and initiate bilateral talks on regulation. Argentina, however, is limited by a poor economy, abusive intelligence organization, and lack of cooperation from Brazil and Paraguay.

The 3+1 Group is a positive measure, but it is not enough to fully combat terrorism in the tri-border area. As a result, poor state regulations permit illegal trade through tri-border area. This researcher found that inept border control, lack of coordination between the enforcement agencies of Brazil, Argentina, and Paraguay, as well as corrupt government officials allow Hezbollah and other criminal organizations to conduct illegal trade operations in the tri-border area. This study further finds that Hezbollah utilizes the porous borders of the tri-border area to smuggle counterfeit goods.

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[169] ***3+1 Group***, "Communique of the 3+1 Group on Counterterrorism," Asuncion, Paraguay: ***3+1 Group***, December 3, 2003, 2
[170] Smith, 17.
[171] Ibid, 21.
[172] Smith, 21.

Finally, this researcher found that extradition problems and corruption have allowed known Hezbollah agents to operate with impunity and escape justice even when detained.

Hezbollah Smuggling Operations in the Triple Border

Criminal and terrorist organizations conduct a number of smuggling operations in the tri-border area, often in conjunction with each other. These organizations are capitalizing on the lack of trade regulation, close proximity of cities, cheap source of energy, loose border control, and corruption. This section analyzes illegal trade practices, pirated electronic trade, weapon trafficking, drug trafficking, and human trafficking for Hezbollah involvement.

Illegal practices like the sale of counterfeit items allow dealers to sell merchandise well below market prices. Paraguay receives an estimated $35 to $40 million in merchandise monthly.[173] Most of the counterfeit products from Asia are bought in the free trade zone of Iquique, Chile and then smuggled into Paraguay. Small businessmen supply 70% of this commerce to Ciudad del Este.[174] Counterfeit products from the Middle East arrive in the tri-border area from the Ports of Santos (Brazil), Paranagua (Brazil), Montevideo (Uruguay), or Buenos Aires (Argentina).[175]

A few experts estimate 90% of the sales in Ciudad del Este to be counterfeit.[176] Items like counterfeit Motorola cell phones are sold for $90. Their market value is $279. Video games are sold for $3 and CD's for $2. The latest Nikes and Reeboks are sold for $25.[177] The goods arrive in pieces from other countries and are assembled in clandestine

[173] Halaburda, 32.
[174] Hector Guerin, "The Smuggling of Everyday," ***ABC Newspaper***, June 7, 2004, http://abcnewspapers.com/. Accessed March 15, 2010.
[175] Halaburda, 42.
[176] Ibid, 31.
[177] Schemo, 1.

plants, often just above the shop. Fake labels are attached. The items are then sold in stores or by street merchants. Items not sold are shipped to other countries for sale.[178] We have noted that Lebanese Diaspora businessmen in the triple border launder a substantial amount of funds to Hezbollah.[179]

Paraguay's tobacco companies manufacture cigarettes intended to be sold in illegal markets. Paraguay produces tobacco more than twenty times its consumption. As a result, majority of its cigarettes are exported. Majority of the cigarettes are counterfeited and smuggled into Brazil and Argentina as Brazilian and American cigarettes. The same routes drug smugglers use are often employed for cigarette smuggling.

This research was unable to determine if Hezbollah in involved in the illegal cigarette trade of the triple border. Hezbollah cells in the United States have funneled millions from tobacco smuggling to Lebanon. An investigation that began in 1995 led to the indictments of 11 individuals for purchasing cigarettes taxed at 50 cents a carton in North Carolina and selling them in Michigan, where the state tax is $7.50 a carton.[180] Two of the individuals indicted stand trial for funneling profits to Hezbollah.[181] Cigarette smuggling is no new tactic of Hezbollah. It stands to reason that Hezbollah would participate in the illegal cigarette trade in the tri-border area.

Hezbollah is known to participate in illegal trade practices with other criminal organizations in the tri-border area. The Chinese Tongs consist of five clans, each

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[178] Ibid, 1.
[179] It should be remembered that up to $10 million annually is laundered to Hezbollah.
[180] David Kaplan, "Homegrown Terrorists How a Hezbollah Cell Made Millions in Sleepy Charlotte, N.C.," ***U.S. News***, March 2, 2003, http://www.usnews.com/usnews/news/articles/030310/10hez.htm. Accessed March 15, 2010. and ***CNN Justice***, "U.S. Authorities Bust Cigarette-Smuggling Ring Linked To Hezbollah," ***CNN Justice***, July 21, 2000, http://articles.cnn.com/2000-07-21/justice/charlotte.raids.02_1_hezbollah-cigarette-smuggling-immigration-fraud?_s=PM:LAW. Accessed March 15, 2010.
[181] Kaplan, 2.

fighting for supremacy of the region. The clans often unite in their movement of counterfeit items from Hong Kong to Hezbollah dealers in the tri-border area.[182] It is difficult to distinguish between operations conducted by Hezbollah and the Lebanese Mafia. Both are known for smuggling, money laundering, and electronic piracy.[183] For the purposes of this study, Hezbollah and the Lebanese Mafia will be considered separate entities, often operating in unison.

The Hong Kong Mafia is known to conduct large smuggling operations where pirated electronics are shipped from mainland China to Ciudad del Este. Hezbollah maintains a strong relationship with the Hong Kong Mafia and most likely shifts pirated electronics into the 7,500 retailers of Arab origin in Ciudad del Este.[184] It is estimated that pirated electronics gross $150 million annually in Ciudad del Este.[185] As a result, several organizations including Disney, withdrew its products from Paraguay.[186]

Paraguay attempted to destabilize illegal trade and pirated electronic operations by conducting raids on several stores owned by Lebanese businessmen. In February 2000, Ali Khalil Mehri was arrested in Ciudad del Este for numerous software piracy charges. The software Mehri distributed to the Arab population of the tri-border area displayed interviews with suicide bombers prior to the attacks in Argentina.[187] He also exploited the weak Paraguayan property rights laws by registering the Play Station video game brand that is currently owned by Sony.[188] He is believed to be responsible for

[182] ***ABC Color***, "Hong Kong Mafia Linked to Hizballah in Tri-Border Region," ***ABC Color***, November 22, 2002, November 22, 2002, http://archivo.abc.com.py/2002-11-22/articulos/21378/mafia-hongkonesa-estaria-ligada-al-hizbullah-en-la-triple-frontera. Accessed March 15, 2010.
[183] Peter Hudson, 3.
[184] Madani, 3. and Hudson, 44.
[185] Halaburda, 42.
[186] Ibid, 42.
[187] Meehan, 28.
[188] Ibid, 30.

sending Hezbollah millions in donations from pirated CD sales. During the raid on his Ciudad del Este apartment ledgers were found displaying donations to terrorist organizations totaling $700,000 USD. Mehri escaped custody and fled to Brazil and finally Syria after bribing an official $3,000 USD.[189] This researcher found that Hezbollah operates with other criminal organizations in the counterfeit merchandise trade in order to finance Hezbollah operations in Lebanon.

The seizure of pirated electronics has provoked violence from criminal and terrorist organizations. Uruguayan Customs Director Victor Lissidini was shot by four gunmen on motorcycles as retaliation for electronics seized that were in route to Ciudad del Este.[190] In a separate incident, the Foz do Iguacu Council President was shot by men on motorcycles. This researcher is unable to determine if Hezbollah is responsible for these violent attacks.

Weapon and drug trafficking in the tri-border area utilize many of the same routes and personnel.[191] In the following paragraphs, this study examines evidence of the activities, draws on their similarities, and examines Hezbollah's involvement.

Loose border control creates an atmosphere of illegal weapons trade in the tri-border area. Brazilian weapons are exported into Paraguay. The weapons are subsequently re-exported to Brazil with no documentation. This creates large profits for

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[189] ***El Pais Internacional S.A.***, "Terrorist Commandos Hide in the Triple Border," ***El Pais Internacional S.A.***, November 9, 2001, http://www.elpais.com/articulo/internacional/Comandos/terroristas/refugian/triple/frontera/elpepiint/20011109elpepiint_21/Tes. Accessed October 10, 2010.

[190] ***El Pais Internacional S.A.***, "Justice Investigates Attack," ***El Pais***, November 21, 2002, http://www.larepublica.com.uy/justicia/98673-ocho-dias-para-liberar-la-carga. Accessed March 15, 2010. and ***La Republica en La Red***, "Columbian-Style Attack Against the Car of Lissidini," ***La Republica en La Red***, November 21, 2002, http://www.larepublica.com.uy/justicia/98673-ocho-dias-para-liberar-la-carga. Accessed March 15, 2010. as cited by Hudson, 32.

[191] Pinheiro, 15.

weapon traffickers.[192] As a result, assault rifles can be purchased in the tri-border area for as little as $120.[193]

A significant number of weapons reach Argentina as well. In 1999, there was a singular instance of a judicial cases involving weapons and explosives. In 2000 the number of judicial cases involving weapons and explosives increased to 52. This is significant because during this time period traffic across the Puerto Iguazu border decreased from 3.4 million individuals to 1.3 million individuals.[194] During the same period of time, there was a decrease in border crossing due to increased border security. As a consequence, weapon smuggling routes other than the Fraternity Bridge must exist. Hezbollah expert Jeffrey Goldberg was conducting research in the tri-border area when he was offered to purchase an AK-47.[195]

The Revolutionary Armed Forces of Colombia (FARC) are reportedly involved in weapon smuggling within the tri-border area. While no reports include specific activities of FARC agents in the tri-border area, FARC is known to smuggle weapons across South America.[196] A report on weapon trafficking in Colombia revealed that Colombia's neighboring countries, including Brazil, act as sources and transit routes for small arms smuggling.[197] Most of the weapons that reach Colombia from Brazil travel through the tri-border area.[198] In fact, a little less

Barakat at home in Foz do Iguaçu
Source: *Istoé* August 11, 2001

[195] Pinheiro, 15.
[196] Kim Cragin and Bruce Hoffman, **Arms Trafficking and Colombia** (Santa Monica, CA: RAND National Defense Research Institute, 2003), 29.
[197] Cragin and Hoffman, xviii.
[198] Ibid, xix.

than half of all the illegal weapons in Colombia are flown from planes that departed in Brazil.[199] The weapon trade chain from Brazil to Colombia utilizes corrupt local officials, forested terrain, and accessible weapon cashes. The Russian Mafia, Chinese Tongs, Yasir Arafat's al Fatah, and Hezbollah are known to utilize this system.[200] When utilizing commercial trade routes in the tri-border area, weapon smugglers often hide their product among tourist goods.[201] This researcher found that Hezbollah is involved in weapon trafficking through the triple border to Colombia.

Drug trafficking is not a new practice for Hezbollah. Hezbollah controls Lebanon's Bekaa Valley, which is known for growing opium poppies. A significant portion of Syria's economy is derived from drug trade. We already noted that Syria provides financial support to Hezbollah.[202] In January 2002, the Drug Enforcement Administration (DEA) arrested 136 people with ties to Hezbollah. The massive operation encompassed 10 United States cities. Drugs, property, and $4.5 million in cash were seized.[203] The operation discovered that millions of dollars were sent to terrorist organizations in Yemen and Lebanon. [204] In the end, the DEA could not prove that Hezbollah was in control of the drug trafficking operation in the United States.

Loose border regulation and more than 100 clandestine airstrips[205] allow drug smugglers easy transit through the tri-border area. One drug smuggling route brings Andean cocaine through Ciudad del Este and Foz do Iguacu to the Atlantic ports of

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[199] Ibid, xx.
[200] ibid, 22.
[201] Cragin and Hoffman, 26.
[202] Pinheiro, 13.
[203] Smith, 11.
[204] Ibid, 11.
[205] U.S. Department of State, **International Narcotics Control Strategy Report - 2002** (Washington D.C.: Bureau for International Narcotics and Law Enforcement Affairs, March 2003), http://www.state.gov/g/inl/rls/nrcrpt/2002/html/17952pf.htm. Accessed March 15, 2010.

Paranaque, Santos, and Rio de Janeiro.[206] A 2005 UNODC Report stated that Brazil is a transit zone for drug trafficking to places like the United States and Europe.[207]

In January 2003, a Lebanese Mafia ringleader was arrested for trafficking drugs. His arrest exposed an operation that smuggled up to 1,000 kilos of Colombian cocaine every month through Foz do Iguacu to Sao Paulo.[208] Lebanese citizen Ali Assi was arrested in Beirut's airport with 10 kilos of cocaine. Assi operated a coffee shop in the Islamic Welfare Center in Ciudad del Este.[209] Assad Ahmad Barakat's cousin, Bassam Noboulsi, is a Lebanese businessman residing in the tri-border area. On January 29, 2003 Noboulsi was arrested for having ties to a group of drug traffickers residing in Ciudad del Este. Noboulsi owns Hassan Internacional, which is located in Ciudad del Este's Page shopping gallery.[210] Lebanese merchant Hassan Abdallah Dayoub lives in Ciudad del Este. He was arrested with 2.3 kilos of cocaine hidden in an electric piano. Dayoub is also a cousin of Barakat.[211] We have noted that Barakat is Hezbollah's financial key player in the tri-border area. He has many ties to the drug trade through the triple border. This study finds that Hezbollah agents are trafficking drugs through the triple border in order to finance Hezbollah operations.

Research has demonstrated that terrorist groups and criminal organizations have created alliances in order to generate economic gain as well as political control over

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[206] Hudson, 24.
[207] Pinheiro, 9.
[208] Marcelo Godoy, "Brazil: Lebanese Mafia Members in Sao Paulo Arrested, Drugs Seized," *O Estado de São Paulo*, January 24, 2003, http://www.estado.estadao.com.br/editorias/2003/03/01/pol024.html. Accessed March 15, 2010.
[209] ***ABC Color***, "Paraguay: Daily Reports More Evidence of Barakat's Contributions to Hizballah," ***ABC Color***, May 28, 2002, http://www.abc.com.py/. Accessed March 15, 2010.
[210] ***ABC Color***, "Brazilian Police Arrest Lebanese Citizen," ***ABC Color***, January 30, 2003, http://archivo.abc.com.py/2003-01-30/articulos/31470/conocido-comerciante-libanes-de-c-del-este-es-detenido-en-brasil. Accessed March 15, 2010.
[211] ***ABC Color***, "Paraguayan Police Make Arrest, Seize Cocaine From Tri-Border Hizballah Head's Cousin," ***ABC Color***, May 12, 2003, http://archivo.abc.com.py/2003-05-12/articulos/47523/clan-barakat-cuenta-con-un-ala-de-narcos-en-la-triple-frontera. Accessed March 15, 2010.

states.[212] Hezbollah has aligned with other terrorist and criminal organizations to support operations in the tri-border area. FARC is known to export Colombian cocaine to the United States and Europe. FARC is utilizing the tri-border area as a drug trafficking point.[213] FARC is working with the Lebanese Mafia and Hezbollah to move drugs through the tri-border area.[214] While FARC has many safe houses across South America, its largest safe house is located 100 miles north of Foz do Iguacu at the Paraguay-Brazil border. The ranch belonged to Lebanese businessman Ahmad Mohamad, who was arrested by Brazilian Police in September 2002.[215]

In 1996, the Russian Mafia made contact with drug traffickers in the tri-border area. Their goal was to align their operations with smugglers in order to expand distribution of cocaine to Europe. It is known that the Russian Mafia worked with Osama bin Laden in an attempt to establish an al-Qaeda presence in the tri-border area.[216] Bin Laden is known to have planned operations in the tri-border area with Hezbollah operatives. It is entirely possible that the Russian Mafia is working with Hezbollah in the tri-border area to smuggle drugs.

Figure 3. Map showing the locations of three of the FARC's Brazilian havens in Miranda, Mato Grosso do Sul State; the city of Boa Vista, Roraima State; and the city of Guaíra, Paraná State.
Source: Estadao.com.br, March 1, 3002

[212] Pinheiro, 12.
[213] Roberto Godoy, "FARC Uses Brazil to Shelter the Guerrilla Elite," ***O Estado de São Paulo***, March 1, 2003, http://www.estado.estadao.com.br/editorias/2003/03/01/pol024.html. Accessed January 12, 2011.
[214] Pinheiro, 38-39.
[215] Ibid, 2.
[216] Rohter, A1. and Rohter, A6.

In recent years, the importance of drug trafficking in the tri-border area may have declined as a result of increased surveillance of tri-border security forces. Notwithstanding, drug trafficking remains an important activity in the region. This study finds that Hezbollah is involved in drug trafficking in the triple border area and even conducts trafficking operations with FARC elements.[217]

There is limited research on human trafficking in the tri-border area. Brazil traffics the largest number of victims from the triple border region to North America and Europe.[218] It appears to be a source and transit country in human trafficking. Tens of thousands of women and children are trafficked from Latin America and the Caribbean for sexual and labor exploitation.[219] Women and children are trafficked internationally for forced prostitution and sex tourism.[220] The pig iron industry in Brazil uses trafficked victims for forced labor.[221] The Argentine side of the tri-border area has come under scrutiny from human rights groups for human trafficking.[222] A 2008 Argentine law criminalizes trafficking in persons for all purposes. Penalties range from 3 to 15 years in prison. The length of the prison term is dependent on the nature of the violation and age of the victim.[223] Argentina reports that statewide it has conducted 254 raids, arrested 259 persons on human trafficking, and rescued 421 victims.[224] This study, however, is unable to determine if a connection exists between Hezbollah and human trafficking operations in the tri-border area.

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[217] Pinheiro, 38-39. and Hudson, 25.
[218] Clare M. Ribando, **CRS Report to Congress, Trafficking in Persons: U.S. Policy and Issues for Congress** (Washington D.C.: CRS: June 20, 2007), 9.
[219] Ribando, 9.
[220] Ibid, 9.
[221] Ibid, 9.
[222] Smith, 8.
[223] Bureau of Democracy, Human Rights, and Labor, **2009 Human Rights Report: Argentina** (Washington D.C.: Bureau of Democracy, Human Rights, and Labor, March 11, 2010), 11.
[224] Ibid, 11.

Automobile smuggling is a relatively new form of revenue to the tri-border area. Luxury model vehicles are stolen from Brazil and Argentina and taken to Ciudad del Este. The vehicles are sold in Ciudad del Este well under market price. A Mercedes Benz worth $50,000 is sold in Ciudad del Este for $10,000. Paraguayan authorities estimate that more half of their 450,000 vehicles registered annually are obtained illegally.[225] This researcher is unable to determine if Hezbollah is involved in automobile smuggling.

Hezbollah's Use of the Triple Border for Financial Support

Hezbollah's total annual operating budget is estimated to be about $100 million.[226] In an attempt to gain legitimacy, Hezbollah conducts a number of social support operations in Lebanon which they call *the Construction Jihad*. While Hezbollah downplays the significance of its militant branch, the costs of war contribute to the size of their budget. In order to finance a budget this large, Hezbollah utilized various sources of income. Specific to the tri-border area, Hezbollah receives funds from diaspora communities, money laundering, extortion, kidnapping as well as the smuggling operations previously discussed. It is estimated that Hezbollah operations in the tri-border area generate $10-$12 million annually.[227] This accounts for approximately 10% of Hezbollah's annual budget.

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[225]***Cascavel Hoje***, "Investigation on CC-5 Accounts Paralyzed," ***Cascavel Hoje*** [Foz do Iguacu], February 5, 2004. as cited by Hudson, 56.
[226] Jeffrey Goldberg, "In the Party of God," ***The New Yorker***, October 28, 2002, http://www.newyorker.com/archive/2002/10/28/021028fa_fact2. Accessed March 15, 2010.
[227] Matthew Levitt, "Hezbollah: Financing Terror Through Criminal Enterprise," ***The Washington Institute for Near East Policy***, May 25, 2005, 9. and Eric Wishart, **Intelligence Networks and the Tri-Border Area of South America: The Dilemma of Efficiency Versus Oversight** (Monterey, CA: Naval Postgraduate School, 2002), 6.

Iran and Syria are known state supporters of Hezbollah.[228] Initial estimates placed Iran's contributions around $100 million in addition to weapons and training. It is possible that in recent years, Iran's contributions have approached $200 million.[229] Syria contributes much less than Iran. Majority of Syria's contributions are in the form of weapons.[230]

Money laundering in the tri-border area is a common practice among the Arab population. Estimates average approximately $12 billion is laundered annually.[231] Prior to 2000, the most common means to launder money was through the CC-5 accounts. The CC-5 is an account that belongs to someone who resides outside the country. The accounts are usually opened with false documents, which makes investigations difficult.[232] Since 2000, the most common method of money laundering is through *mafiosi*, or dollar exchangers. Reports estimate this channel launders billions annually.[233] Drug trafficking generates approximately 40% of the money laundering in Paraguay.[234]

Foz do Iguacu is the main money laundering city followed by Ciudad del Este.[235] Brazil estimates that $6 billion is laundered annually through Foz do Iguacu. American and Paraguay authorities have confirmed that by 2001, an amount between $50-$500

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[228] Office of the Coordinator for Counterterrorism, **Country Reports on Terrorism, Chapter 3 -- State Sponsors of Terrorism Overview** (Washington D.C.: Office of the Coordinator for Counterterrorism, April 30, 2007), 2-3.
[229] Scott Wilson, "Lebanese Wary of a Rising Hezbollah," ***The Washington Post***, December 20, 2004, A17.
[230] Philippone, 16.
[231] Pedro Oviedo, "In the Triple Border, US$12 Billion is Laundered Per Year From Narcotics Trafficking, According to An Official Report," ***www.MisionesOnLine.net***, Issue No. 745, July 8, 2001. as cited by Hudson, 53.
[232] Pedro Pablo Penaloza, "Brazil Prepares the World's Greatest Trial," ***ABC Color***, August 8, 2001. as cited by Hudson, 51.
[233] Ibid, 51.
[234] ***BBCMundo.com***, "Interview: Traffic in the Triple Border," ***BBCMundo.com***, September 3, 2002, http://news.bbc.co.uk/hi/spanish/specials/2001_-_11_de_septiembre_-_2002/newsid_2234000/2234706.stm. Accessed January 12, 2010.
[235] Hudson, 51.

million has been sent to Islamic terrorist organizations in the Middle East from the Arab residents of Foz do Iguacu through Paraguayan financial systems.[236] Brazilian money launderers utilize a system of depositing money into exchange houses. The money is then distributed into CC-5 accounts at exchange houses in Ciudad del Este.[237] The Lebanese Diaspora community launders money through businesses and CC-5 accounts to Hezbollah.[238] The accounts are untraceable since they were established with false documents. State regulations fail to prevent money laundering operations. This is because corrupt officials sell the false documentation and are involved in money laundering schemes themselves. Furthermore, Paraguay lacks the capacity to enforce financial laws that make supporting terrorist organizations and money laundering illegal. In 2002, Brazil investigated the Banestado Bank in the United States. They found that 12 dealers controlled 135 accounts. From these accounts, approximately $18 billion was deposited into 35,000 accounts across the world.[239]

Ciudad del Este has no control, for political and financial structural reasons, on the amount of money laundered through the city. Estimates state that approximately $5 billion is laundered through Ciudad del Este annually.[240] This is equivalent to half of Paraguay's GDP. Money is laundered through illegal foreign exchange shops located near the Friendship Bridge. The majority of the shops do not have names. Instead the shops have a sign stating that foreign exchange exists.[241]

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[236] Meehan, 32.
[237] Ibid, 32.
[238] Wilson, A17.
[239] Amaury Ribeiro Jr, and Sonia Filgueiras, "Brazil: Federal Police, FBI Unveil $30 Billion Money Laundering Scheme," ***Isote Online***, February 5, 2004. As cited by Hudson, 52.
[240] Hudson, 53.
[241] ***BBC Monitoring***, "Paraguay: Lack of Control System on Border With Brazil Allows Currency Flight," ***BBC Monitoring*** [London] January 23, 2003.

Hezbollah relies heavily on funding from Shi'ite Lebanese Diaspora communities. Diaspora communities of the tri-border area are closely associated with money laundering operations.[242] Hezbollah targets diaspora communities to recruit new members from the tri-border Arab population, as well as solicit donations to charities supporting Hezbollah.[243] The social framework of the Arab community allows terrorist organizations to operate with little chance of detection.[244]

This study finds that the diaspora communities of the triple border are sending financial support to Hezbollah. These communities are motivated to support Hezbollah for communal or ideological reasons. Even the violent attacks in 1992 and 1994 were used by Hezbollah to gain support from the Arab community of the tri-border area.[245] During the arrest of Sobhi Mahamoud Fayad, police found receipts totaling $3.5 million from the Martyrs Social Benefit Organization.[246] The organization supports orphans and families of Hezbollah's suicide bombers. Authorities estimate Fayad has donated over $50 million to Hezbollah since 1995.[247] It has been difficult to track the donations to these front charities because there used to be no laws that made financing terrorist organizations illegal. Paraguay has since

Alleged Hizballah leader Sobhi Mahmoud Fayad (right) talks with Iman Tareb Khasraji at an Al-Mukawama base in Brazil. *Source*: ABC Color [Asunción]; cropped image; January 16, 2002.

[242] Hudson, 51-56.
[243] Andy Crowe, **Stopping the Next Global Terrorist: A Case Study of Hezbollah in Argentina** (Newport R.I.: Naval War College, 2004), 3.
[244] Meehan, 34.
[245] Meehan, 16.
[246] Ibid, 29.
[247] Levitt, 4.

passed anti-terrorist financing laws. They lack the technical means, however, to track donations and enforce the law.

Muhammad Yusif Abdallah is the co-owner and manager of the Galleria shopping center in Ciudad del Este. Reports indicate that he sends a portion of his profits to Hezbollah in Lebanon.[248] Ali Khalil Mehri used propaganda video tapes produced by al-Manar TV to recruit Hezbollah members in the tri-border area as well as solicit donations. Mehri also ran a counterfeit CD operation. During his arrest, police found 4,600 fake CD's and 80 copying machines.[249] The sales of his counterfeit products generated millions for Hezbollah. Assad Ahmad Barakat is in charge of Hezbollah financial operations in the tri-border area. His businesses have laundered millions to Hezbollah.

This study finds that Hezbollah uses extortion tactics in the triple border to generate revenue for Hezbollah operations. Extortion is the act of obtaining money by threat or abuse of authority.[250] Extortion is common practice among the different populations of the tri-border area. Lebanese businessmen are routinely forced to pay protection money to Hezbollah agents in the tri-border area.[251] In addition to laundering money to Hezbollah, Sobhi Fayad was arrested for conducting an extensive extortion operation. He would acquire 'donations' by force from Lebanese businessmen in Ciudad del Este. Businessmen were expected to give as much as 20% of their income to

[248] John Alexander, "Intelligence Scotomas In Central And South America," ***Proteus USA***, March, 2008, Vol. 1, Issue 4, pg. 17.
[249] ***Vanguardia***, "Arab Merchant Sells 'Incinerated' CD's Sold in CDE," ***Vanguardia***, January 31, 2003, http://www.vanguardia.com/. Accessed November 12, 2010.
[250] ***Webster's Dictionary and Thesaurus***, Definition of Extortion (Ashland OH: Landoll Inc, 1997), 62.
[251] Meehan, 30.

Hezbollah.[252] In addition to the tri-border area, Hezbollah utilizes extortion tactics in the Lebanese communities of Ecuador.[253]

Extortion operations in the tri-border area have resulted in violence. Reports have indicated that an unknown organization is utilizing mafia-style attacks against officials that interfere with extortion operations and businesses that refuse to pay 'war tax'.[254] The tax is used to finance terrorist organizations across the world. Lebanese citizen Armando Kassen fled to Beirut after being convicted of murdering a Ciudad del Este businessman. Kassen was president of the Paraguayan Arab Chamber of Commerce. His victim was Ussein Mohamed Taiyen, president of the Ciudad del Este Chamber of Commerce.[255]

Very little information is available on kidnappings in the tri-border area. Kidnapping has been identified, however, as one of the common ways terrorist organizations generate revenue in the tri-border area.[256] Hezbollah has used kidnapping in prior operations. Hezbollah kidnapped Beirut station chief William Buckley and executed him in January 1984.[257] One source states that a growing Argentine criminal group called The Local Connection utilizes kidnapping techniques. The Local Connection may have assisted Hezbollah in the 1993 Israeli Embassy bombing and the 1994 Buenos Aires AMIA bombing.[258] The Local Connection consists of corrupt politicians and former military members. Because of its political affiliation, The Local Connection operates with impunity.

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[252] Ibid, 29.
[253] Meehan, 46.
[254] ***al-Wantan al'-Arabi***, "Brazil: Report on Islamic Terrorism in Iguazu Triangle," ***al-Wantan al'-Arabi*** [Paris], January 9, 1998. as cited by Hudson, 32.
[255] ***Vanguardia***, "Mastermind of Taiyen's Murder Residing in Beirut," ***Vanguardia***, November 11, 2002, http://www.vanguardia.com/. Accessed November 12, 2010.
[256] Meehan, 13.
[257] Philippone, 4.
[258] Carlos Wagner, "Brazil: Argentine Crime Group Local Connection Said to have Ties to Terrorist in Tri-Border," ***Open Source Center*** formerly ***FBIS***, November 10, 2002. As cited in Hudson, 39.

FARC members trained two of Brazil's largest criminal organizations in kidnapping techniques. The organizations included the First Capital's Command and the Red Command.[259] Despite the possible Local Connection-Hezbollah link and Hezbollah's known association with FARC, this research found no evidence of Hezbollah utilizing kidnapping operations in the tri-border area.

Hezbollah Uses the Triple Border to Plan and Conduct Violent Operations

Prior to the September 11, 2001 World Trade Center and Pentagon attacks, Hezbollah was responsible for more American deaths than any other terrorist organization.[260] Their historical record demonstrates that they will use violent measures to further their cause. The evidence of terror activities contradicts Hezbollah's claim as a legitimate social and political organization; but stands as an indication of the robustness of their infrastructure. Their list of attacks is seen in Table 1.

Table 1

DATE	TARGET	CASUALTIES
April 18, 1983	U.S. Embassy in Beirut, Suicide Bomber	60 KIA, 17 Americans
October 23, 1983	Marine Barracks, truck bombing	241 soldiers KIA
January 1984	Kidnapping/torture/and execution of Beirut CIA station chief William Buckley	
September 20, 1984	U.S. Embassy Annex in Beirut, Bombing	30 KIA
July 14, 1985	TWA flight 847, Hijacking	1 Navy diver KIA
1996	U.S. Military base at Khobar Towers, Bombing	19 soldiers KIA
1998	U.S. Embassies in Kenya and Tanzania, Bombings	12 Americans KIA
October 12, 2000	Bombing of USS Cole in Yemen	17 Sailors KIA

The tri-border area is not immune to the violence of terrorist organizations. Numerous attacks were orchestrated out of the tri-border community and have occurred

[259] Pinheiro, 40.
[260] Philippone, 4.

in close proximity. This section does not include violence associated with finance operations like extortion.

At 1442 on March 17, 1992, a pickup truck filled with explosives crashed into the front of the Israeli Embassy in Buenos Aires, Argentina; and subsequently detonated. A nearby church, Catholic school, and embassy were destroyed. The explosion killed 29 people and injured 242. Most of the victims were Argentine children. A terrorist organization called Islamic Jihad claimed responsibility for the attack. Islamic Jihad has known ties to Hezbollah.[261] American intelligence, however, claims Hezbollah was directly responsible for the attack.[262]

At 0953 on July 18, 1994 a van parked in front of the Argentine Israelite Mutual Association (AMIA) building detonated. The explosion killed 85 people and injured more than 300. No organizations claimed responsibility for this attack. Evidence points to Hezbollah's orchestration with support from Iran and Argentine government officials.[263] In 2004, Argentine officials linked Ahmad Barakat and Imad Fayed Mugniyah to the AMIA bombing.[264] At

Aftermath of the AMIA bombing in Buenos Aires, July 18, 1994
Source: AP, *BBC Mundo*, December

[261] ***ABC Color***, "Argentine Prosecutors Link Tri-Border Hizballah Leaders to AMIA Attack," ***ABC Color***, May 28, 2003, http://archivo.abc.com.py/2003-05-28/articulos/50080/gobierno-argentino-implementa-fuertes-medidas-contra-evasion. Accessed March 15, 2010.
[262] Alexander, 21. and Louise Shelley, John Picarelli et al, **Methods and Motives: Exploring Links Between Transnational Crime and International Terrorism** (Washington, D.C.: National Institute of Justice, September 2005), 59.
[263] Larry Rohter, "Iran Blew Up Jewish Center In Argentina, Defector Says," ***The New York Times***, July 22, 2002, A1.
[264] ***ABC Color***, "Argentine Prosecutors Link Tri-Border Hizballah Leaders to AMIA Attack," ***ABC Color***, May 28, 2003, http://archivo.abc.com.py/2003-05-28/articulos/50080/gobierno-argentino-implementa-fuertes-medidas-contra-evasion. Accessed March 15, 2010.

the time of the bombing, both individuals were living in Ciudad del Este. Reports indicate that Barakat paid for the explosives and imported the necessary materials.[265] We have noted that Barakat is a Hezbollah agent in the tri-border area. A former Iranian intelligence officer testified that former Argentine President Carlos Saul Menem was paid $10 million by Iran to cover up the bombing.[266] Hezbollah denies responsibility for the 1992 and 1994 bombings. Hezbollah knows that accepting responsibility for the bombings bring further unwanted attention to the triple border region, which would interrupt their financing operations.

On July 19, 1994 a suicide bomber caused a Panamanian commuter plane to crash. 21 people were killed. The attack killed 12 Jewish people, who were believed to be the targets. The investigation did not determine who was conducted the attack and no organizations claimed responsibility.[267]

In 1999, the Secretariat for State Intelligence (SIDE) began investigating Islamic extremist groups in the tri-border area. They determined that bin Laden was gaining support because Iran withdrew some of its support for the tri-border area's Arab community. Argentine intelligence combined with United States intelligence conducted *Operation Centaur*. The operation prevented multiple large scale terrorist attacks. Osama bin Laden worked with Hezbollah leader Imad Mouniagh to orchestrate simultaneous attacks on Jewish targets in Ciudad del Este, Buenos Aires, and Ottawa.[268] Terrorist

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[265] Ibid, 1.
[266] Rohter, December 15, 2001, A1. and Rohter, July 22, 2002, A6.
[267] ***The New York Times***, "Bomb Caused Plane Crash, Panama Official Says," ***The New York Times***, July 21, 1994, http://www.nytimes.com/1994/07/21/world/bomb-caused-plane-crash-panama-official-says.html. Accessed March 15, 2010.
[268] ***ABC Color***, "Police Conduct Operation to Intimidate Islamic Extremists," ***ABC Color***, December 23, 1999, http://www.abc.com.py/. Accessed March 15, 2010.

operators were from Hamas and Hezbollah. Assad Ahmad Barakat, the top Hezbollah agent in the tri-border area was involved.[269]

Salah Abdul Karim Yassine, a Hamas explosive expert was arrested for using false documents. He was living in Ciudad del Este. Authorities uncovered a plot to attack the American and Israeli Embassies in Asuncion. The plot involved 30 other Islamic terrorist and utilized diversionary attacks elsewhere in the city in order to distract security.[270]

On October 10, 2001 ten terrorists belonging to a Lebanese Hezbollah cell were caught in Mexico City on a mission to assassinate President Vicente Fox. The terrorists reported that they traveled to Mexico through the tri-border area after receiving some training.[271]

Israeli Deputy Defense Minister Mordechai Gur stated in 1994 that "Hezbollah was using [Argentina] as a base for terrorist activities."[272] Hezbollah and al-Qaeda expert Tom Knowlton explains that areas with unstable governments with weak economic policies are important in Hezbollah operations because it allows them to establish and conduct training and operations.[273] Argentina fulfills the requirements for Hezbollah operations.

Hezbollah training camps are dispersed throughout the tri-border area. This research was unable to determine specific locations, but has found evidence that the camps exist. Brazilian authorities found photographs of Arab extremist at the Al-Mukawama training camp. Al-Mukawama is believed to be a pro-Iran wing of Hezbollah

[269] Ibid, 1.
[270] Goldberg, 79.
[271] Hudson, 19.
[272] Crowe, 8.
[273] Ibid, 8.

living in the tri-border area. Authorities speculate the training camp is located at a farm outside Foz do Iguacu.[274] Argentine authorities found that Hezbollah is operating other weekend training camps in the jungle terrain outside Foz do Iguacu.[275]

The tri-border area has hosted secret terrorist summit meetings. Taliban terrorists linked to al-Qaeda are believed to have attended the meeting in 2002.[276] Argentine intelligence learned details of the meeting. In October 2002, they warned the United States that the summit planned attacks against American and Israeli targets in the western hemisphere. Hezbollah and al-Qaeda members were present at the summit.[277] Later, Argentine intelligence reportedly contradicted the CNN report that the meeting was held within the tri-border area.

This research found that Hezbollah is using the triple border region as a base for planning and conducting violent operations. Hezbollah's attempts to conduct violent attacks in the tri-border area have subsided in recent years.[278] This could be a consequence from the arrest of numerous Hezbollah agents in the triple border area. It could be, however, a shift in their focus to minimize state interest in the region. This would allow Hezbollah to continue using the triple border to generate revenue in the millions operations in Lebanon.

FINDINGS

The purpose of this analysis is to answer several research questions. The research questions in this study are *why is Hezbollah conducting operations in the tri-border area*,

[274] Goldberg, 79.
[275] Ibid, 79.
[276] Larry Rohter, "South America Region Under Watch for Signs of Terrorists," ***The New York Times***, December 15, 2002, A1.
[277] Mike Boettcher, and Ingrid Arnesen, "South America's 'Tri-Border' Back on Terrorism Radar," ***CNN***, November 8, 2002, http://www.cnn.com/2002/WORLD/americas/11/07/terror.triborder. Accessed March 15, 2010.
[278] Alexander, 23.

what operations are Hezbollah conducting in the tri-border area, *will Hezbollah be successful in their operations in the tri-border area*, and *what are the implications of Hezbollah's operations in the tri-border area* and *how does this affect American policymakers*? In order to answer the research questions, this study closely examined the various activities of the triple border for Hezbollah involvement. This section is devoted to the results of that analysis. Table 2 displays the results of the analysis. The independent variables in the left column of table 2 are the different features of the triple border area which Hezbollah utilizes to their advantage. The dependent variables in the row across the top of table 2 are the various activities prevalent in the tri-border area.

Table 2

		Dependent Variable: Hezbollah Operations in the Tri-Border Area														
		Illegal Trade (counterfeit goods)	Illegal Trade (Cigarette)	Pirarted Electronics	Weapon Trafficking	Drug Trafficking	Human Trafficking	Diaspora (Businesses)	Diaspora (Donations)	Extortion	Kidnapping	Money Laundering	Terror Attacks	Terror Plots	Terror Meetings	Terror Training
Independent Variables	Geographic Features	X		X	X	X										X
	Arab Immigration	X		X		X		X	X	X		X	X	X		
	Economic Enviroment	X		X				X								
	State Regulation	X		X	X	X		X	X	X		X	X	X	X	X

This study has identified several reasons for *why is Hezbollah conducting operations in the tri-border area*. First, Hezbollah needs multiple sources of funding in order to support their social operations known as *the Construction Jihad*, their quest for political legitimacy, and to finance their military operations against Israel. Hezbollah receives support in the way of money, weapons, and training from Iran and Syria. We have noted that Iran's contributions are much larger than Syria's and gross as much as $100 million USD each year. The global war on terrorism (GWOT) has pressured States

to discontinue sponsorship of terrorist organizations. Libya recently reversed state policy and ceased WMD[279] attainment operations as a result of GWOT pressures. If Iran and Syria yield to the GWOT pressures, Hezbollah will be required to satisfy its financial needs independent of state sponsorship.[280]

The conflicts with Israel have forced a large migration of Lebanese immigrants to the triple border region. We have noted that diaspora communities often feel a connection to their nation and as a result are willing to offer support. Hezbollah operatives were most likely aware of the migration and decided to capitalize on the financial opportunity in a part of the world far from their normal operating region. Hezbollah's operations in the triple border region attest to the organization's robustness and ability to operate globally.

The second reason, *why is Hezbollah conducting operations in the tri-border area*, is simply because the tri-border area is conducive to illegal financial operations that generate a lot of revenue. Geographic features such as close proximity of the cities, highway systems, interconnecting bridges, and Atlantic waterways are conducive to legal and illegal trade. The lack of state regulations or ability to regulate the triple border has attracted Hezbollah and many other criminal organizations. We have observed that many criminal organizations like the Chinese Tong, FARC, Russian Mafia, and Lebanese Mafia have sought out the region because of its rich financial opportunities. It stands to reason that would Hezbollah begin using the tri-border area as a financial source as well.

This study combed over the various activities of the triple border to determine *what operations Hezbollah is conducting in the tri-border area*. Hezbollah agents are utilizing smuggling networks to move counterfeit items in order to generate revenue for

[279] Weapon of Mass Destruction.
[280] Meehan, 13-14.

Hezbollah. Numerous Lebanese businessmen like Ali Khalil Mehri, Sobhi Mahmoud Fayad, and Assad Ahmad Barakat were arrested in the triple border for operating businesses that sold millions in counterfeit goods and pirated electronics. The money from the illegal sales were laundered through untraceable CC-5 accounts to Hezbollah related charities.[281] The fact that Paraguay conducted raids on these businesses attests to the line of reasoning that Lebanese agents are financing Hezbollah. We know furthermore, that Hezbollah often works with criminal organizations like the Chinese Tong to move and sell counterfeit goods and pirated electronics.[282]

We see strong evidence that Hezbollah agents launder millions through CC-5 accounts and dollar exchanges to Hezbollah. Experts estimate laundered revenue approaches $10 billion USD.[283] We found that known Hezbollah agent Fayad donated $3.5 million USD to Martyrs Social Benefit Organization, a charity closely tied to Hezbollah.[284]

The Lebanese Diaspora of the triple border are a close-knit community, making penetration difficult. We have noted, however, that the Lebanese Diaspora and businesses operating within the community will solicit donations to Hezbollah linked charities.[285] Lebanese businessmen in the triple border like Muhammad Yusif Abdallah have been arrested for sending portions of their business's profits to Hezbollah.[286] Barakat's businesses have laundered millions to Hezbollah. Barakat was so successful in funneling

[281] Crowe, 3.
[282] ***ABC Color***, "Hong Kong Mafia Linked to Hezbollah in Tri-Border Region," ***ABC Color***, November 22, 2002, http://archivo.abc.com.py/2002-11-22/articulos/21378/mafia-hongkonesa-estaria-ligada-al-hizbullah-en-la-triple-frontera. Accessed March 15, 2010.
[283] Levitt, 9 and Wishart, 6.
[284] Meehan, 29.
[285] Crowe, 3 and Meehan, 29.
[286] Alexander, 17.

money to Hezbollah that he rose to head of Hezbollah financial operations in the Southern Cone.[287]

We have established that Hezbollah agents conduct extortion operations within the triple border. Sobhi Fayad was arrested for extorting Lebanese businessmen.[288] We discovered that Lebanese businessmen are regularly forced to pay a donations called a *war tax* to Hezbollah agents, who in turn launder the money to Hezbollah.[289] This researcher was unable to determine if Hezbollah agents are involved in kidnapping operations within the triple border.

We know that the triple border region stands as a transit point for weapon trafficking into Colombia.[290] This researcher found that numerous criminal organizations and Hezbollah utilize a system of corrupt officials, forested terrain, and weapon cashes to traffic weapons from the triple border to Colombia.[291]

We have determined that several Lebanese Mafia and Hezbollah agents have been arrested for drug trafficking. Lebanese businessman Ali Assi owns a coffee shop in Ciudad del Este and was arrested for transporting cocaine.[292] Bassam Noboulsi and Hassan Abdallah Dayoub are Lebanese businessmen residing in Ciudad del Este. They are also cousins of Barakat. In separate incidences, they were arrested for possessing large quantities of drugs and associating with known drug traffickers.[293] This study found a FARC-Hezbollah drug connection. It was determined that FARC was working with the

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[287] ***EFE News Service***, "Government Keeps Watchful Eye on Paraguay's Arab Community," ***EFE News Service***, October 13, 2001, http://www.efe.com/. Accessed April 13, 2010.
[288] Meehan, 30.
[289] Ibid, 46.
[290] Cragin and Hoffman, 29.
[291] Ibid, 22.
[292] ***ABC Color***, "Paraguay: Daily Reports More Evidence of Barakat's Contributions to Hizballah," ***ABC Color***, May 28, 2002, http://www.abc.com.py/. Accessed March 15, 2010. As cited by Hudson, 73.
[293] Hudson, 26.

Lebanese Mafia and Hezbollah to move drugs through the tri-border area.[294] Finally, this study speculates that the Russian Mafia is working with Hezbollah to establish drug trafficking routes.[295]

This researcher has found that Hezbollah has used the triple border to plan terrorist attacks. Although Islamic Jihad claimed responsibility for the 1992 Israeli Embassy bombing in Buenos Aires, American Intelligence claims Hezbollah was directly responsible for the attack.[296] It is worth noting that Islamic Jihad has known ties to Hezbollah.[297] We know that Argentine officials linked Hezbollah agents Barakat and Mugniyah to the 1994 AMIA bombing.[298]

We found that Hezbollah has been involved in multiple plots against Jewish and Mexican targets. This researcher found that Osama bin Laden and Hezbollah leader Imad Mouniagh enlisted the assistance of Barakat in a plan to attack several Jewish targets through North and South America.

This researcher found that Hezbollah utilizes the tri-border area to train agents in conducting attacks. This is supported by the evidence that a Lebanese Hezbollah cell trained in the triple border and planned to assassinate Mexican President Vicente Fox.[299] Argentine officials believe several Hezbollah run training camps, including the al-Mukawama training camp, are located outside Foz do Iguacu.[300] This researcher was

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[294] Pinheiro, 38-39.
[295] Rohter, December 15, 2002, A1 and Rohter, July 22, 2002, A6.
[296] Alexander, 21 and Shelley, 59.
[297] Hudson, 13.
[298] ***ABC Color***, "Argentine Prosecutors Link Tri-Border Hezballah Leaders to AMIA Attack," ***ABC Color***, May 28, 2003, http://archivo.abc.com.py/2003-05-28/articulos/50080/gobierno-argentino-implementa-fuertes-medidas-contra-evasion. Accessed March 15, 2010.
[299] Hudson, 19.
[300] Goldberg, 79.

unable to determine if Hezbollah partook in the terrorist summit meetings held outside the triple border region in 2002.[301]

This study scrutinized many sources to determine whether *Hezbollah will be successful in their operations in the tri-border area* and found that Hezbollah has been successful in their triple border operations. This line of reasoning rests on whether Hezbollah has been successful in their previous operations, and if they will have continued success. First, Hezbollah has demonstrated a significant ability to utilize the triple border to generate revenue through the sale of counterfeit goods, pirated electronics, weapon and drug trafficking, extortion, and money laundering. Second, Hezbollah has successfully carried out numerous violent attacks within the region. The attacks attracted the attention of the United States and Argentine intelligence. Subsequent attacks have been prevented as a result of the increased surveillance. The number of violent attacks has subsided in the region, which could be indicative that Hezbollah is choosing to focus on its financial operations. In all probability Hezbollah understands that heightened surveillance will put strain on fundraising operations. Thus violent operations are at a minimal. Even though Brazil increased border security, smuggling operations persist and money laundering continues to finance Hezbollah. This is a result of ineffective laws and lack incapable agencies from all of the tri-border states.

This study's analysis provides some very useful insight into *what are the implications of Hezbollah's operations in the tri-border area*. The foremost repercussion of Hezbollah activity in the triple border is the amount of revenue operations generate. We have noted that Hezbollah receives up to $10 million USD annually from the tri-border area. This significant amount of money supports *the Construction Jihad* in

[301] Rohter, December 15, 2002, A1.

Lebanon. The social movement serves to recruit support throughout Lebanon as well as globally. As a result, Lebanese Diaspora communities like the one in triple border actively support Hezbollah operations. The revenue also supports the Hezbollah political movement in Lebanon. We have observed Hezbollah's political success in 1992 when the organization won 12 seats in Lebanon's parliamentary elections.[302] Throughout its existence, Hezbollah has waged war against Israel and the United States throughout the Middle East and the world. Revenue generated from the triple border most likely finances some of Hezbollah's global military capabilities. Continued use of the triple border will serve to finance Hezbollah's Construction Jihad, political movement, and military operations.

The second ramification of Hezbollah operations in the triple border is the operational foothold they gain in the western hemisphere. The presence of Hezbollah agents operating in the West is a serious threat to the United States. We found that Hezbollah has used the triple border to orchestrate violent attacks in South America. Hezbollah was successful conducting attacks against Jewish targets in 1992 and 1994. Multiple plots to attack Jewish targets in South America and Canada have been prevented.[303] These plots and attacks are indicative of Hezbollah's ability to strike globally. The triple border is significant because it is a base of operations for Hezbollah far from their Lebanon home. This provides Hezbollah with an effortless capability to strike anywhere in the Western Hemisphere, including the United States. We know that Hezbollah has displayed the capability and willingness to attack American targets. This signifies that the tri-border area is crucial to American security.

[302] Meehan, 11.
[303] Hudson, 16.

This study has drawn multiple inferences from the analysis to determine *how Hezbollah operations in the triple border affect American policymakers*. In order to asses this effect on policymakers; we must consider what would make the tri-border area less conducive toward Hezbollah operations. Analysis determined that Hezbollah capitalizes on the geographic layout of the tri-border area. The close proximity of the cities, highway systems, waterways, and bridges cannot be altered. Heightened enforcement, however, along each of these factors will combat Hezbollah operations. Analysis further determined that Hezbollah is utilizing the Lebanese Diaspora and economic environment of the tri-border area to generate revenue for their organization. Initiatives to combat illegal trade practices as well as eliminating the free trade agreement would dwindle criminal interest in the area. The consequence of these policies would negatively affect Paraguay's economy, which is largely dependent on the tri-border area. Paraguay would be completely ineffective against illegal operations if its' already fragile economy were further depleted.

Military and political leaders often debate the best course of action in dealing with terrorist organizations. A popular course of action would be hard military action from the triple Border States. Article 51 of the United Nations states that "nothing in the present charter shall impair the inherent right of individual or collective self-defense if an armed attack occurs against a member of the United Nations".[304] This study has demonstrated that Hezbollah has undertaken military operations from the triple border. As a result, they are a legitimate target and may be lawfully killed. The consequences of these actions, however, must be examined. Hard Military action may deplete the leadership ranks of Hezbollah in the tri-border area, and as a result deter some from participating in illegal

[304] United Nations Charter: Article 51.

activities.[305] On the other hand, it does not address the root causes of all of the illegal activity in the tri-border area. Military action may be successful in establishing effective border control and combating illegal trade operations, but it fails to address the illegal activities like money laundering to finance terrorist organizations.

Furthermore, several studies have attempted to quantify the *martyr effect*, a consequence of direct military action and targeted killing. The studies indicate that recruitment of additional supporters increased all the while operational quality decreased.[306] Direct military action in the tri-border area would most likely result in more Hezbollah agents in the tri-border area.

Indirect policy action is necessary to combat the root causes of the criminal activities in the triple border. These potential policy options include legislation outlawing financing terrorist organizations and their known charities. Paraguay recently proposed legislation to outlaw money laundering.[307] The legislation is a step in allowing Paraguay to become a FATF member. Paraguay, however, lacks the capability to enforce the anti-terrorism laws strictly. Paraguay needs to develop further anti-terror legislation and develop a means to enforce the policies.

Further indirect policy action includes effort with organizations external to the triple border states. Argentina recently developed initiatives with the United Nations, OAS, MERCOSUR, and United States through bilateral security agreements to freeze assets of known terrorist groups.[308] Argentina's movement is beneficial to combating the

[305] Philippone, 43.
[306] Philippone, 44.
[307] Smith, 17.
[308] Diamint, 55.

problems of the triple border, but progress is hindered by the reluctance of the other states to address the problems.

Brazil continues to assert that no terrorist organizations are present in the tri-border area.[309] This perspective is most notable in the 3+1 Group meetings where Brazilian ministers argue against the Argentina and Paraguay perspective that a problem exists in the region. Brazil is the most capable of the triple border state in combating the criminal activities. Their reluctance, however, prevents the other states from making significant progress.

The 3+1 Group meetings are an excellent forum for open discussions on the criminal activities of the tri-border area. The 3+1 Group, however, needs to improve in their development of anti-criminal legislation. Aligning the priorities of the triple border states will result in linear anti-terror policy. The 3+1 Group should establish regulations that allow each of the triple border state's investigative and criminal agencies to collaborate on anti-terror and criminal operations. Paraguay and Argentina have already worked together in numerous raids on the business of Hezbollah agents. Cooperation from Brazil will open further collaboration between the enforcement agencies of the triple border region.

DISCUSSION

This study found that Hezbollah uses the triple border for its financial potential as well as a base of operations for violent attacks in the Western Hemisphere. The Lebanese Diaspora community has established a potential recruiting base and supports money laundering operations. Hezbollah works with other terrorist organizations such as al-Qaeda and Islamic Jihad. They work with criminal organizations like the Chinese Tong,

[309] Smith, 17.

Russian Mafia, Lebanese Mafia, and FARC to move drugs, weapons, and counterfeit goods through the region. They have used the tri-border area to carry out violent attacks. United States intelligence believes they are responsible for the 1992 and 1994 bombings in Argentina. The use of violent tactics has decreased over time. This may be an attempt to decrease attention to the tri-border area.

The United States needs to be more involved in the policy process in the tri-border area of South America. The 3+1 Group is the perfect forum to aid the triple border states in developing anti-terror legislation and regulation. Without the involvement of the United States, the tri-border states will continue to disagree over the level of threat present and continue to operate independently of each other. American policymakers have a unique opportunity to unify the tri-border states through a comprehensive policy approach.

There are a number of limitations this researcher encountered throughout the development of this study. First is access to restricted information. Most of the sources are news reports, which provide a limited view of tri-border activities. We understand the need to restrict this research to only open source documents. Another issue this researcher encountered was that many reports were in Portuguese and Spanish. This researcher is fluent in neither language, but was able to find translated documents. Finally, much of the sources were created prior to 2008. Access to more current reports was largely restricted due to their sensitive nature. It is most likely that some circumstances have changed in recent years.

CONCLUSION

Never has a terrorist organization been permitted to operate for several decades in so close proximity to the United States. The triple border is significant because it is an organizational base for Hezbollah far from their normal area of operation in Lebanon. The triple border provides Hezbollah with an effortless capability to strike anywhere in the Western Hemisphere, including the United States. We know that Hezbollah has the capability and willingness to attack American targets. For this reason, the tri-border area is extremely important to American security. It is crucial the United States policymakers develop a comprehensive response that not only addresses the illegal organizations of the tri-border area but undercuts the social and environmental factors supporting the illegal activities. In the end American policymakers and the tri-border states can regain control of the lawless region.

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