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U.S. targets Muslim terror funding in South America's tri-border hotbed

Special to Insight by Kelly Hearn



BUENOS AIRES, Argentina – U.S. officials are working with their counterparts in Brazil, Argentina and Paraguay to crack down on money laundering and drug smuggling operations in the region, which Washington says are helping to finance Islamist terrorist organizations.

The quiet crackdown comes as U.S. officials continue to express persistent and controversial claims that Arab descendants in a remote, ill-reputed jungle area here are funding Middle East terrorist groups, including Hezbollah, with proceeds from illegal activities.

The allegations center on the so-called Triple Border, a sweltering jungle area where Brazil, Argentina and Paraguay meet. The zone is a porous border region with a large population of Arab merchants, many being immigrants from Syria, and is widely known as a hotbed of contraband and drug smuggling.

After 9/11, U.S. officials focused on the Tri-Border area as a training ground for al Qaeda cells. State Department officials no longer suggest the presence of active terrorist cells but maintain their belief about financing activities: one U.S. estimate says some \$6 billion a year in illegal funds are laundered out of the area.

Hence, U.S. customs officials are working with Argentina, Brazil and Paraguay to crack schemes that wash illegal money through legitimate international trade.

In March, the Immigration and Customs Enforcement of the Department of Homeland Security announced it is helping the governments create "Trade Transparency Units" that use powerful computing programs to share and analyze trade data to stop so-called "trade-based money laundering."

The new units, having been successfully used in conjunction with the Colombian government, "will be able to detect and investigate anomalies in international commerce that may be indicative of trade-based money laundering or other criminal activities," according to a U.S. government press release.

The agents plan to use special software to catch criminals from drug cartels to contraband smugglers to terrorists' money men who wash illegitimate cash across borders by hiding it in a sea of legitimate trade.

"Trade is an easy vehicle for the transfer of funds without traces," said Nikos Passas, a professor at Northwestern University who specializes in transnational crime. "And there are vulnerabilities that anyone can use."

Experts say international criminals and terrorists move money across borders by under- or overvaluing exports, oftentimes using small items overlooked by customs officials bent on finding higher priced goods to tax.

It works something like this: an exporter in one country might ship, say, boxes of pencils typically worth \$1 to a co-conspiring importer in another country who pays \$20 for each box, thus transferring money to the exporter under the auspices of a seemingly legal transaction.

And the new trade units are designed to sort through billions of transactions to flag suspicious disparities between import and export records.

"Trade is used as a way to launder funds and transfer value," said Kevin Dellicolli, an official at the U.S. Immigration and Customs Enforcement (ICE). "What we do is look at our own data and compare it with [export data from other countries] to find indications of fraud."

And experts say there is lots of it.

John Zdanowicz, a professor of finance at Florida International University estimates that in 2004 some \$390 billion crossed U.S. borders via manipulated trade. Mr. Zdanowicz in 2001 helped call attention to price discrepancies in honey exported from the United States to countries including Yemen, Kuwait, Saudi Arabia and the United Arab Emirates. In one case, honey exported to Yemen fetched prices nearly 40 percent higher than average, prompting Mr. Zdanowicz to believe money was being funneled into the United States under the auspices of trade.

A common criticism throughout the Triple Border region is that U.S. officials have presented no hard evidence supporting their claim that money-laundering operations have been used to finance Middle East terrorist groups.

One potential piece of evidence surfaced in April, when the *New York Post* reported that Manhattan District Attorney Robert Morgenthau is "pursuing a settlement involving possible penalties against one of the largest and most prominent banks in New York," which Mr.

Morgenthau reportedly refused to identify. The bank was targeted “for maintaining an account where funds that originated in South America’s notorious ‘tri-border region’ were rerouted to suspect accounts in the Middle East.”

Meanwhile, Washington is pressuring regional governments to put teeth into laws.

On a state visit earlier this year, Patrick O’Brian, a ranking U.S. treasury official, pressed Argentine lawmakers to toughen their money laundering laws. The request prompted complaints from Argentina’s interior minister, Aníbal Fernández, who criticized Washington for not offering evidence to back their allegations.

In an interview with local media, Mr. Fernandez compared Washington’s allegations to “idle chit chat in a bread line” and asked them to show proof of terrorist financing.

A Brazilian government official who once worked closely with U.S. officials investigating financial crimes in the Triple Border region echoed Mr. Fernandez’s skepticism.

“We think [the allegations] are quite unbalanced and have never been presented with any evidence supporting them,” he said, speaking on condition of anonymity due to the topic’s sensitive nature. “We never have any evidence presented. The U.S. keeps saying they do have evidence and will provide it but it never happens.”

Mr. Dellicolli says the media has inappropriately linked his agency’s trade investigation projects with controversy over the State and Treasury Departments’ Tri-Border accusations.

“We are not focusing on terrorists though finding terrorists could be a benefit,” he said. “We are just looking at methods, at money laundering and fraud. We do a lot of investigations that are aimed at suspected terrorists but at the end of the day they are charged with something other than terrorism... We simply turn stones over and if a terrorist happens to be under the stone, that’s great.”

- *Kelly Hearn is a journalist based in Latin America, who frequently writes for The Washington Times.*