

CRIMINAL COEXISTENCE

THE ILLICIT ECOSYSTEM OF THE
SOUTHERN CONE'S TRIPLE BORDER

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APRIL 2026



**GLOBAL
INITIATIVE**
AGAINST TRANSNATIONAL
ORGANIZED CRIME

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ACKNOWLEDGEMENTS

The authors would like to thank Martín Verrier, Jerónimo San Pedro and the security forces personnel of the Tripartite Command for their valuable assistance in carrying out the fieldwork that underpins this report. They would particularly like to express their gratitude to the Friedrich-Ebert-Stiftung in Colombia for the funding provided for this project.

This report was prepared with support from the Friedrich-Ebert-Stiftung within the framework of its Regional Centre on Peace and Security in Latin America. The opinions expressed in this document are the responsibility of the authors and do not necessarily reflect the views of the Friedrich Ebert Foundation.

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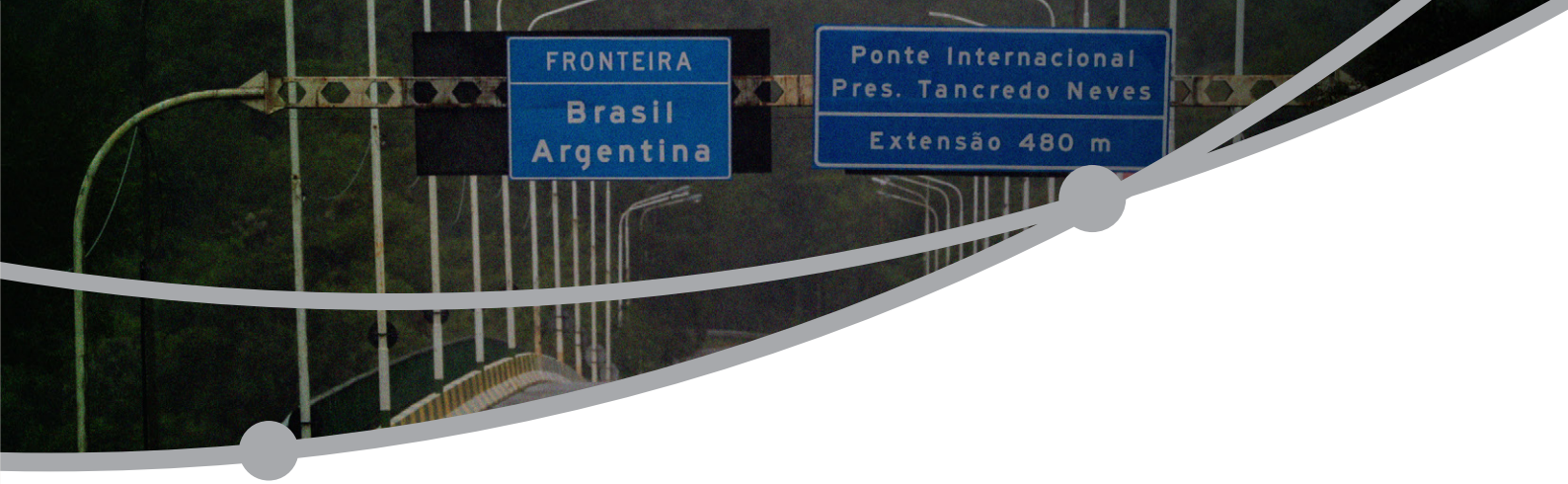
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EXECUTIVE SUMMARY

The Southern Cone's tri-border region – comprising Ciudad del Este (Paraguay), Foz do Iguazú (Brazil) and Puerto Iguazú (Argentina) – is one of South America's most complex and dynamic cross-border areas. Its geographical configuration combines densely populated urban areas with strategic riverine zones that facilitate intense cross-border movement.

Unlike most triple-border areas in South America, which are characterized by low population density, limited state presence and poor local infrastructure, the Southern Cone's triple border – home to more than half a million people¹ – is a high-traffic area and is one of the continent's busiest trade routes. The area is also heavily patrolled by law enforcement and military forces from the three countries, coordinated by the Tripartite Command, an international police cooperation mechanism.²

The region is linked by an extensive transport network, which includes international airports in each of the three constituent cities. The Friendship Bridge connects the Brazil–Paraguay border, and more than 100 000 people cross at this border point every day.³ The Tancredo Neves Bridge connects the Brazil–Argentina border, while a wide variety of ports operate along the Iguazú and Paraná rivers, which flow through the area. More than 5 million tourists visit the region annually,⁴ drawn by duty-free shopping in the Ciudad del Este free trade zone, as well as by the Iguazú Falls, the world's largest waterfall.

In an area marked by intense commercial activity and constant cross-border mobility, economic dynamics also foster the growth of illicit markets, creating conditions conducive to organized crime. Over the past four decades, this region has been the main hub of smuggling activities in South America. Estimates suggest that the Ciudad del Este free trade zone generates more than US\$14 billion in annual commercial transactions.⁵ Most of these transactions, which include the sale of cigarettes, electronic goods and alcoholic drinks, enter Brazil as smuggled goods, moving through a variety of criminal actors, including local family clans and transnational networks.⁶ The smuggling of goods has been fundamental to the region's socio-economic development and underpins other illicit markets, including drug trafficking and arms trafficking.

Despite the significant presence of organized crime in the region, no significant efforts have been observed by criminal networks to dominate the territory or exercise political authority through the use of violence. Generally speaking, criminal actors operating in the area avoid imposing rules or mechanisms of social control on communities. They have preferred to act discreetly, focusing on the illicit transit of goods and money laundering.⁷

The low levels of violence in the region can be explained by two main factors. Firstly, violence in illicit markets often arises as a mechanism for resolving disputes over access to and control of these economies. In the tri-border area, where family clans with deep historical roots in the territory predominate, the stability in their relationships favours strategies of cooperation and coexistence over conflict. Secondly, the limited presence and indirect operations of organizations such as the Primeiro Comando da Capital (First Capital Command – PCC), Brazil’s largest criminal group, may reflect a criminal learning strategy in which these groups avoid the use of violence, recognizing that excessive violence undermines the continuity and profitability of illicit markets due to the potential attention it would draw from the authorities responsible for their control.⁸

However, public policy assessments of the region have tended to emphasize the risks associated with the presence of transnational criminal organizations through violence, while paying less attention to the dynamics of cooperation and agreements for coexistence that underpin the day-to-day operation of illicit markets. Furthermore, there is still limited understanding of the interaction between local family clans, logistical intermediaries, financial operators and larger-scale criminal organizations, as well as of the role played by low-visibility illicit economies – such as smuggling and money laundering – in the sustainability of the regional criminal ecosystem.

This report aims to fill analytical gaps regarding the structure of relationships among illicit actors, the informal governance mechanisms that regulate their interactions, and the reasons behind the relatively low levels of violence in the Southern Cone’s tri-border region. First, it analyzes the development of organized crime in the region and the illicit markets currently operating there. It then examines the various criminal groups involved. The final section presents public policy recommendations intended to improve institutional responses to organized crime activities along the border between Paraguay, Argentina and Brazil. The aim is to generate empirical and analytical evidence that will serve as input for public policy decision-makers, for international cooperation agencies interested in designing programmes and projects for institutional strengthening in border areas, and for the Tripartite Command.

Methodology

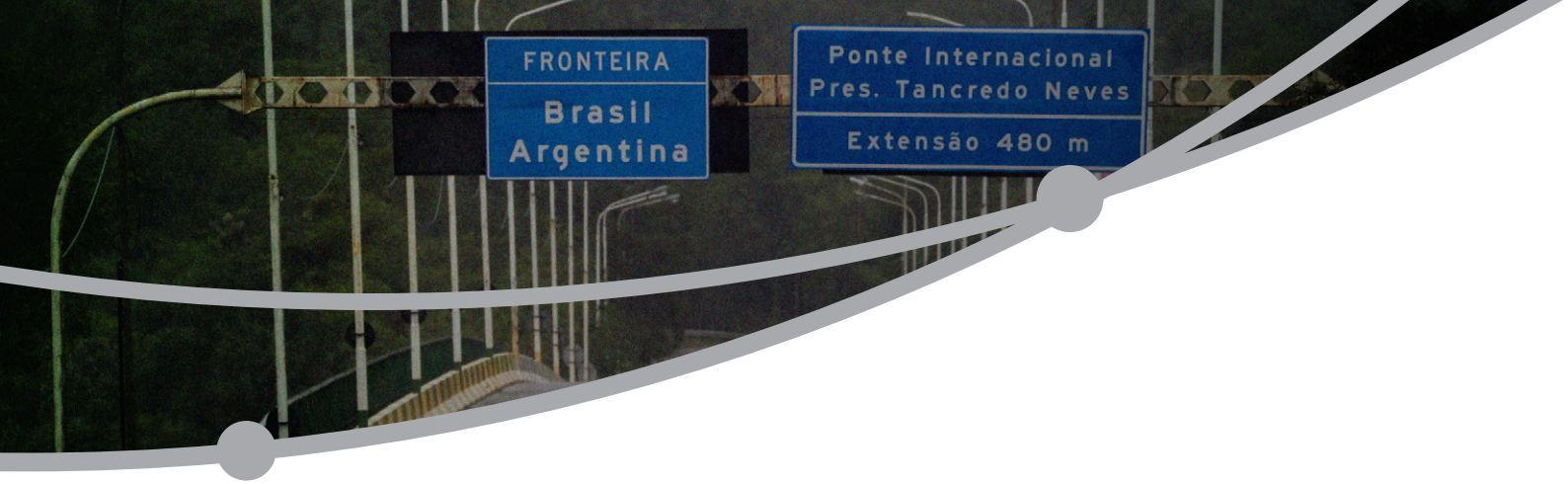
This study employs a qualitative methodology and is based on fieldwork carried out in the cities of Ciudad del Este, Foz do Iguacu and Puerto Iguazú between October and November 2025. Primary sources include semi-structured interviews with current and former members of the security forces, customs officials, academics, judicial officials and journalists specializing in criminal dynamics in the tri-border area.

To complement and cross-check the information gathered in the field, the study incorporates secondary sources such as press reports, academic literature and documents produced by international organizations on organized crime and the main illicit markets addressed in this report.

Key findings

- The Southern Cone’s tri-border region has emerged as an area of coexistence and collaboration among criminal groups, enabling the circulation of illicit flows of regional and global relevance through the exploitation of regulatory loopholes, institutional corruption, and deeply embedded community networks operating across legal and illegal activities.

- The smuggling of goods is the illicit market underpinning the criminal ecosystem in the triple border area. Its relatively non-violent nature and informal regulation by family clans have consolidated a stable, socially tolerated market that serves as a functional base for other illicit activities.
- The financial ecosystem of Ciudad del Este is highly diversified and adaptable, encompassing front companies, bureaux de change, permissive foreign trade, crypto-assets and betting centres. Institutional fragmentation and weak controls cement the region's role as a regional hub for illicit capital.
- It is essential to strengthen financial and asset investigations in the area through specialized units with the capacity to conduct forensic accounting analysis, identify beneficial owners and trace complex corporate structures.
- The region facilitates the diversion and transit of arms to Brazilian criminal factions, aided by free trade zones, gun shops, commercial infrastructure and institutional corruption. Land and river routes enable illicit markets to be supplied with relative efficiency.
- Although the triple border is not the main corridor for cocaine trafficking to Argentina and Brazil, its connection to the Paraná–Paraguay waterway maintains its strategic importance. The region is a suitable nexus for the export of cocaine concealed in illicit cargo.
- Although cannabis trafficking is not a large-scale market in the region, marginal flows have been identified, transported by small vessels from Paraguay to Brazil, frequently mixed with smuggled cargo.



THE RISE OF ORGANIZED CRIME IN THE TRI-BORDER AREA

The contemporary development of the Southern Cone's tri-border area dates back to the creation of the Itaipú hydroelectric dam between Paraguay and Brazil, whose construction in 1974 drew tens of thousands of workers and gave rise to a rapid process of urbanization in the region.⁹ The region's commercial dynamism was further enhanced by the creation of the Southern Common Market economic bloc in 1991, facilitating economic integration between Argentina, Brazil, Paraguay and Uruguay, and by the declaration of Ciudad del Este as a free trade zone in 1995. Both processes boosted the circulation of goods and services but also created conditions conducive to the expansion of informal and illicit economies. Smuggling of goods, tax evasion and the irregular import of technological products became pillars of local trade, attracting criminal networks dedicated to the trafficking of arms, drugs and illegal goods, as well as money laundering schemes.

At that time, Brazil maintained strict import restrictions, in contrast to Paraguay, which since the late 1950s had maintained one of the most liberal trade regimes in the Americas. Ciudad del Este became an informal re-export hub for Chinese goods, particularly electronics, destined for the Brazilian consumer market.¹⁰ Taxes on tobacco and alcohol products in Brazil also fuelled the flow of smuggled goods. Packs of cigarettes, alcoholic beverages, computers, CDs and pirated software began to be transported through the region in *comboios* – fleets of buses organized by local criminal operators. These *comboios* purchased the smuggled goods in bulk from traders in Ciudad del Este and crossed the Friendship Bridge daily, transporting their goods to Brazil amid a limited presence of customs officials.

According to a local researcher, since the 1990s, 'making a living from smuggling became synonymous with working on the triple border.'¹¹ The *comboios* involved entire families on all three sides of the border. As a result, cash flows from the smuggling of goods helped to sustain local communities, especially after the completion of the Itaipú hydroelectric dam in 1984, which left more than 40 000 people unemployed.¹²

The extent of smuggling in the region received international attention in the early 2000s. In 2001, the Office of the United States Trade Representative included Brazil on its piracy watch list in the Special 301 Report, primarily due to the large volume of pirated goods entering Brazil via Foz do Iguaçu.¹³



FIGURE 1 The Southern Cone's tri-border region, comprising Ciudad del Este (Paraguay), Foz do Iguaçu (Brazil) and Puerto Iguazú (Argentina).

Following the 11 September 2001 attacks in the United States, US and Israeli intelligence reports claimed that operators linked to the Lebanese paramilitary group Hezbollah were also exploiting lax controls and illicit flows to launder money in the area.¹⁴

International concerns over piracy and the financing of terrorism prompted the Brazilian government to increase its police and military personnel, as well as to modernize its customs infrastructure in Foz do Iguaçu. Similar measures were subsequently implemented on the Paraguayan side and, to a lesser extent, on the Argentine side. By 2005, officials from the Receita Federal do Brasil (RFB), the agency responsible for tax administration and federal customs control, were seizing more than 500 buses annually that were part of the *comboios* fleets in Foz do Iguaçu.¹⁵ This tightening of police control brought an end to the era of the *comboios* in organized crime in the region.¹⁶ However, it did not dismantle criminal activity.

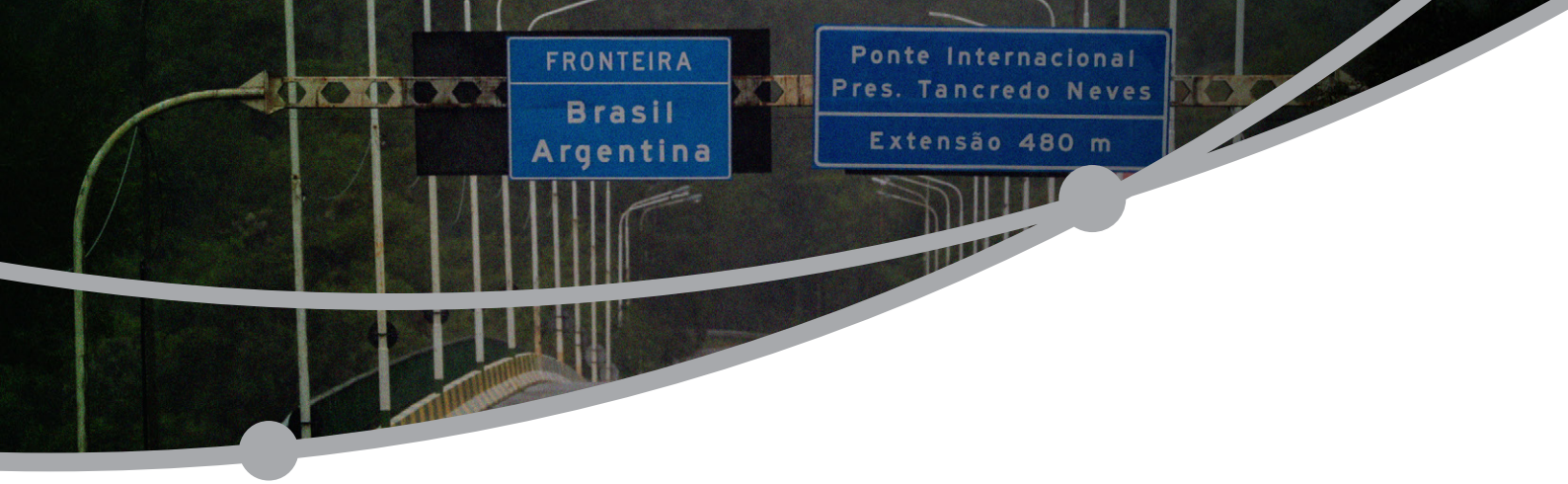
Rather than dismantling smuggling networks, the increase in customs checks and police presence in the tri-border area led to changes in criminal tactics. Instead of smuggling goods into Brazil in large volumes using *comboios*, local criminal networks began to refine their methods of trafficking and evasion. Some

smugglers, particularly those moving large volumes of goods such as cigarettes or alcoholic beverages, began using clandestine ports located on the banks of the Paraná River, on the border between Paraguay and Brazil.¹⁷ This method involves paying a fee to the owners of these clandestine ports to use their facilities. Fees are negotiated on the spot and vary according to the volume and type of goods transported. In return, the operators of the clandestine ports offer various services, such as lookouts tasked with detecting possible incursions by law enforcement on the river or on adjacent roads.¹⁸ The Brazilian police estimate that there are more than 300 clandestine ports throughout the border region, including the vicinity of Lake Itaipú and along the Paraná and Iguazú rivers.¹⁹

Another form of smuggling that emerged following the tightening of customs controls was the model known as 'ant trade'. This involves criminal networks coordinating dozens of individuals to purchase cigarettes and high-value electronic goods such as mobile phones, tablets and laptops, and transporting them to Brazil on a small scale without declaring them to customs authorities in Foz do Iguaçu.²⁰ These goods subsequently end up in electronics shops in major Brazilian cities.²¹

Today, smuggling in the tri-border area can be understood not merely as an illicit activity, but as an economic structure deeply embedded in the local dynamics of production, employment and the circulation of capital. Despite the growth of the tourism sector, the informal economy remains the dominant driver of regional socio-economic activity. The scale of commercial events such as Black Friday, with estimated sales of over US\$280 million in Ciudad del Este and demand driven 70% by Brazilian consumers, points to the potential existence of a highly dynamic cross-border market, sustained by price differentials, tax asymmetries and laxer trade regimes.²²

Since the 1990s, the triple border has also been recognized as a strategic corridor for drug trafficking and, subsequently, arms trafficking, particularly for the transport of cannabis produced in Paraguay to the Brazilian market, as well as the presence of poorly regulated gun shops that facilitate the transport of parts and components. Initially, coordination among family clans engaged in goods smuggling enabled the gradual incorporation of drug and arms trafficking into existing routes. Over time, this convergence of illicit economies led to greater sophistication in logistics chains: the same actors who dominated goods smuggling began to make agreements with broader criminal networks, increasing the scale of cannabis trafficking and diversifying their activities. The transition from goods smuggling to drug and arms trafficking did not replace earlier activities but led to their coexistence and overlap, as existing logistical capabilities – such as terrain familiarity, corrupt officials and cross-border family networks – were directed toward a broader range of illicit markets.



ILLICIT MARKETS

In the tri-border area between Argentina, Paraguay and Brazil, various illicit markets converge in a highly permeable territorial context. Porous river borders, uneven state controls and intense commercial activity allow smuggling, arms trafficking, and cocaine and cannabis trafficking to coexist, alongside related money-laundering practices. These activities do not operate in isolation but form a dynamic system in which criminal actors, intermediaries, and local and transnational networks interact and adapt to the opportunities created by this border enclave.

Smuggling of goods

The smuggling of goods forms the backbone of illicit economies in the tri-border area. Its dynamics, actors and interactions create a converging market that facilitates the expansion of other criminal activities.²³ This illicit activity supplies the three border cities and drives a continuous flow of goods that circulate without effective controls.

Paraguayan-produced cigarettes are the most commonly smuggled product in the area. The country manufactures approximately 45 billion units annually, a figure that exceeds its domestic consumption capacity by seven times.²⁴ Ciudad del Este stands out as a major node due to its commercial interdependence with Brazil and Argentina. The profitability of the business is considerable. According to a border control officer, a pack purchased for US\$1 in Paraguay can be resold for approximately US\$3.50 in Argentina.²⁵ Furthermore, there has been an increase in the seizure of illegal agrochemicals in the area, mostly originating from China, which are often transported alongside cigarettes.²⁶

Various interviews indicated that the COVID-19 pandemic exacerbated and reshaped these smuggling dynamics. Border closures, the collapse of tourism and massive job losses drove numerous families in the three cities to turn to these activities. For example, the pandemic led to an increase in the smuggling of wine from Argentina into Brazil via the tri-border region. The border closures resulting from the health emergency brought wine sales in the duty-free shops of Ciudad del Este and Foz do Iguaçu to a complete standstill.²⁷ Even the residents of Foz do Iguaçu, who were a significant part of the clientele of the wine shops on the Argentine side, stopped shopping on site due to the restrictions imposed during the pandemic. In addition, a significant triangular flow of wine that was being illicitly transported to the Brazilian side of the triple border and then crossed the river to Ciudad del Este to

be sold tax-free in local shops was disrupted. These restrictions also concurred with an increase in demand for wine in the Brazilian consumer market during the pandemic.²⁸

These dynamics led to a reconfiguration of smuggling flows in the tri-border area, with the same infrastructure of clandestine ports present on the Brazil–Paraguay border extending towards the border between Argentina and Brazil. The river border between Puerto Iguazú and Foz do Iguacu is subject to significantly less surveillance than the border between Ciudad del Este and Foz do Iguacu, as until five years ago it was an illicit route of little significance. However, with the increase in wine smuggling entering via Argentina, other goods, including cigarettes, also began to be diverted through smuggling routes from Paraguay to Argentina.

This rise in wine smuggling is reflected in the RFB's seizure figures. In 2023, the RFB seized smuggled wine worth 53 million reais (US\$10 million) across Brazil.²⁹ Wine seizures accounted for 85% of all smuggled alcohol seizures made by the RFB in 2021, 2022 and 2023. This represents a notable shift, as whisky was previously the main smuggled alcoholic product in Brazil. The RFB estimates that its seizures account for between 5% and 10% of the total smuggled wine circulating in the country. Wine smuggling has therefore become a new and highly lucrative source of income for family clans in the tri-border area, who are able to capitalize on their extensive experience in smuggling activities and the region's infrastructure to move Argentine wine into Brazil.

Testimonies indicate that many people used their redundancy payments to purchase goods in Ciudad del Este and resell them in Foz do Iguacu or Puerto Iguazú, taking advantage of the boom in e-commerce on social media.³⁰ Although the local economy has recovered following the pandemic, a significant number of families have chosen to remain in the smuggling trade due to its high returns and the absence of tax burdens. Puerto Iguazú became a depot for both licit and illicit goods.

At the northern and southern ends of the Paraná River (between Paraguay and Brazil, and between Paraguay and Argentina), family clans control the tobacco and electrical goods trade, combining these shipments with cannabis and, occasionally, cocaine. Although violence is lower compared to other South American borders, the recorded incidents are concentrated in these river transit zones.³¹

Smuggling in the tri-border area operates mainly through three methods: large-scale shipments in lorries carrying undeclared goods; small-scale smuggling carried out by individuals who cross the Friendship Bridge daily; and medium-scale shipments by river transport along illegal routes. The heavy traffic across the Tancredo Neves and Friendship bridges, with thousands of vehicles and people crossing them every day, makes effective control difficult. The authorities rely heavily on manual procedures without technological support for risk profiling, which facilitates the flow of illegal goods, drugs and weapons from Paraguay into Brazil. At the Brazil–Argentina border, although trafficking exists, it is comparatively marginal and controls are more rigorous.

In 'ant-style' smuggling, small-scale smugglers cross the border with goods several times a day, particularly undeclared electronic goods and mobile phones, which are then resold in Foz do Iguacu and in the Brazilian inland. Added to this is river smuggling along the Paraná River using 6- to 8-metre-long boats, adapted to carry cigarettes, clothing and electronic devices. In this form of smuggling, these goods may be transported alongside illicit drugs and weapons. The most common route starts from illegal ports in the San Rafael neighbourhood of Ciudad del Este, connects with the Monday River and crosses to Puerto Iguazú, where the goods are usually stored before being transported to Foz.



FIGURE 2 Smuggling route from San Rafael and Puerto Presidente Franco (Paraguay) to Argentina.



FIGURE 3 Smuggling routes from enclaves in Ciudad del Este to Foz do Iguazú.



Trucks crossing the Friendship Bridge and undergoing customs inspections, as thousands of vehicles and people move daily between Ciudad del Este, Paraguay and Foz do Iguazú, Brazil. *Photos supplied*



A boat transports smuggled goods along the Paraná River, November 2025. These goods may include illicit drugs and weapons. *Photo supplied*

This scheme is controlled by family clans, each linked to a specific illegal crossing site. The small-scale smugglers, mainly teenage boys, earn around US\$10 a day for journeys lasting just three minutes. Each crossing site is staffed by between five and 10 young people engaged in the continuous movement of goods. For cannabis and other illicit products, crossings typically occur at night, using makeshift ports that shift locations to avoid detection. From these sites, the goods are moved to houses near the river and, subsequently, on to Brazil or Argentina.

The smuggling market in the tri-border region is constantly evolving and shows a remarkable ability to adapt. Each type of product is associated with its own market niche, and the clans adjust their activities in line with seasonal cycles. For example, during the cannabis harvest season in Paraguay, there is an increase in shipments mixed with drugs, taking advantage of established routes and the experience of the small-scale smugglers. To reduce the risk of seizure, the clans hire lookouts, who warn of police operations and are paid around US\$50 per shift. In Puerto Iguazú, stockpiling takes place in warehouses near illegal border crossings, from where the goods are packed and loaded onto boats at night.³² According to various sources, these operations would be unfeasible without some level of tacit cooperation between state institutions and criminal networks.

The smuggling of goods functions as a stable, socially tolerated illicit economy with high levels of community participation, and facilitates the integration of more complex criminal networks that exploit its infrastructure, routes and knowledge of the terrain.

Arms trafficking

The availability of weapons in the tri-border area highlights the strategic role this region plays in supplying arms to Brazilian criminal groups. Arms trafficking in this region is characterized primarily by the movement of long firearms and military-grade equipment from Argentina into Brazil, where



Teenagers await smuggled packages on the banks of the Paraná River, Argentina, November 2025. These young people earn around US\$10 a day for moving the merchandise. *Photo supplied*

they are resold to criminal organizations.³³ To reduce traceability, these arms are not always sold as complete units, but rather in parts and components. In 2019, the estimated cost of disassembled rifles was around US\$1 500, while assembled weapons could fetch prices of up to US\$12 000 in Paraguay and US\$20 000 in Brazil.³⁴ However, these costs may have fluctuated due to growing demand from Brazilian criminal groups.

Ciudad del Este's free trade zone facilitates the establishment of front companies that import weapons, often with the involvement of state actors. These companies act as intermediaries in the diversion of arms to Brazilian criminal groups. Operation Dakovo, an investigation by Brazilian and Paraguayan authorities launched in 2020, uncovered that Argentine businesspeople imported more than 45 000 weapons between 2014 and 2023. After the serial numbers on European pistols and rifles were tampered with, the weapons were diverted to the PCC and the Comando Vermelho (CV), another of Brazil's largest criminal groups.³⁵ An additional route of entry has been identified from Luque, in Paraguay, where shipments with false documentation are transported to Ciudad del Este for onward shipment to Brazil.³⁶

Arms trafficking in Ciudad del Este highlights the ability of criminal organizations to infiltrate security institutions to ensure the flow of arms. According to Transparency International, Paraguay has weaknesses in its systems for the management, storage and destruction of weapons, suggesting possible links to corruption associated with these networks.³⁷ Part of the supply also comes from gun shops formally dedicated to hunting and fishing, which end up supplying Brazilian criminal groups. According to official data, a resolution by Paraguay's General Directorate of War Materials permits the import of up to 300 weapons and 25 000 rounds of ammunition per company, with higher limits for 22 and 12-gauge calibres; however, in practice, weapons of multiple calibres are sold, mostly destined for criminal organizations.³⁸ According to various sources, this scheme would be unfeasible without the complicity of local police and former police officers.

Added to this is the diversion of weapons of Argentine military origin. Most of the influx consists of long guns, due to Argentina's existing assembly capacity and the lack of production of this type of weaponry in Brazil.³⁹ A police raid against organized crime in Rio de Janeiro in October 2025 confirmed that criminal groups possessed FAL rifles assembled by the Argentine military, as well as US-origin AR-15 rifles partially assembled in the tri-border area.⁴⁰ The Rio de Janeiro Civil Police Weapons and Explosives Inspection Coordination Unit confirmed that several of these weapons came from the armed forces of South American countries, the United States and European nations, entering Brazil via Paraguay and, specifically, the triple border.⁴¹

Cocaine trafficking

The 3 400 kilometres of the Paraná–Paraguay waterway demonstrate its importance in sustaining a logistical interdependence between the Andean countries and the main consumer markets of South America, such as Argentina and Brazil. Its length makes this river corridor a strategic route for the transport of illicit goods, connecting regions of production, transit and export to destinations outside the region.

Over the past 15 years, the waterway has increasingly been used for the transnational trafficking of cocaine. Although the volume of cocaine traffic is marginal compared to that of cannabis, the main factor behind this shift in routes has been the increase in restrictions and inspections of containers originating from major producing countries such as Colombia and Bolivia, and from key transit corridors such as Ecuador and Brazil. As a result, longer routes and non-traditional ports have been used with increasing frequency to transport cocaine to Europe, North America and Australia. The Paraná–Paraguay waterway has been at the epicentre of this shift. In 2010, 6 tonnes of cocaine were seized along the waterway; by 2021, that annual figure had risen to 21 tonnes.⁴²

With regard to the waterway's links to the tri-border region, which originates at Lake Itaipú, the activities of the Tripartite Command and the clustering of seizures in border areas indicate that cocaine trafficking in this area is limited.⁴³ This assessment is supported when compared with the volume of cocaine moved across the land border, both by land and air, from Bolivia and Peru to Brazil and Argentina. Regarding the value chain specifically identified in the triple border, cocaine is acquired from Bolivian networks and subsequently transported in light vehicles and lorries through Paraguay.⁴⁴ A portion of this cargo is temporarily stored in Ciudad del Este and then shipped to Argentina and Brazilian ports, either for domestic consumption or for onward shipment to Europe and Africa. Security officials from Brazil and Argentina, as well as journalists consulted in Paraguay, confirm that local consumption in the cities of the tri-border area is low, indicating the absence of a significant supply network aimed at domestic markets.

The argument that cocaine trafficking in the tri-border area is marginal is also supported by operational factors. Consulted sources point out that this route entails higher costs and lower efficiency for criminal groups, particularly when compared with other corridors that connect directly with the Andean countries. Furthermore, the presence of multiple criminal actors and the higher concentration of seizures at other borders, such as that between Pedro Juan Caballero (Paraguay) and Ponta Porã (Brazil), make the triple border crossing less logistically attractive for cocaine trafficking.

Despite this, the waterway remains of significant importance. A security official indicated that a large proportion of the agricultural cargoes contaminated with cocaine leaving via the waterway are destined for Brazil and Europe.⁴⁵ This phenomenon is linked to the river corridor connecting the triple

border with the ports of Santos and Paranaguá in Brazil, which operate under insufficient controls from the point of origin of the cargo in Paraguay and Bolivia. Weak container screening systems, both in the departure ports and in the rivers connecting them, facilitates the passage of contaminated cargo without triggering risk alerts. The main problem is the lack of adequate mechanisms for scanning sealed containers in the countries bordering cocaine production areas along the entire Paraguay–Paraná waterway, which connects ports in Brazil, Bolivia, Paraguay, Argentina and Uruguay to the Río de la Plata. According to an official consulted, 'if the country from which the cargo departs does not screen containers or issue alerts upon departure, the contaminated cargo moves freely until it reaches Montevideo.'⁴⁶

Although the tri-border area is not a priority corridor for cocaine trafficking, compared to other critical entry points into Brazil and Argentina, its connection to the Paraná–Paraguay waterway maintains it as a strategic link within the routes for exporting cocaine concealed in legitimate cargo. The combination of weak controls, a lack of container profiling and high logistical connectivity poses a persistent risk to the countries involved.

Cannabis production and trafficking

Paraguay is South America's leading cannabis producer, with a significant concentration of crops in the regions bordering Brazil, particularly along the dry border, north of the tri-border region. The link between these production sites and the triple border is explained, in particular, by the crops located in Canindeyú, a region bordering the Paraná River and Lake Itaipú.

Cannabis in this area is grown in forest reserves, indigenous territories and on extensive private estates, where illicit cultivation requires authorization and payments to community leaders.⁴⁷ This production structure operates under the influence and protection of the PCC and associated groups, who benefit from high levels of corruption among officials responsible for narcotics control.⁴⁸ According to some sources, cultivation continues through standing arrangements with police, who receive per-hectare payments before and during planting in exchange for avoiding raids.⁴⁹

One source stated that, during harvest, most of the cannabis is transported to Brazil across the approximately 300-kilometre land border. The remaining cannabis is shipped down the Paraná River in small boats or on convoys of barges carrying soya, used to conceal pressed cannabis.⁵⁰ According to a security official in the area, the lack of container screening mechanisms in this corridor creates additional risks, as it allows contaminated cargo to reach ports in Argentina, Brazil and Uruguay.⁵¹

Although the Brazilian market absorbs most of the production, the evidence gathered indicates that the highest-quality cannabis crosses the land border, while that crossing the triple border – destined for micro-trafficking networks in Argentina – is of lower quality and price.⁵²

One of the key routes to the triple border runs via Puerto Indio, on the Paraná River. Its operation depends directly on the corruption of border control officers, who, according to some sources, receive regular payments from criminal groups to ensure the free passage of smuggled goods and cannabis shipments.⁵³ By reinvesting their profits in community services – such as maintaining schools or providing transport to health facilities – the groups seek to cultivate social legitimacy, thereby consolidating territorial control and securing the continuation of their operations.⁵⁴

In Ciudad del Este, Puerto Iguazú and Foz do Iguazú, there are no significant volumes of cannabis trafficking to suggest a robust market. The trafficking detected is marginal compared to that occurring at the dry border, on Lake Itaipú or at the crossing into Formosa (Argentina). Nevertheless, fieldwork revealed two routes with an impact on the tri-border area. The first one, with a low criminal interest due to its reduced volume and higher risk, uses the formal border crossing of the Friendship Bridge by means of cargo trucks, although authorities do not report any seizures that indicate a relevant influx. The second route involves boats crossing the Paraná River from Paraguay to Brazil, operated by family clans transporting cannabis mixed with smuggled goods or in pressed packages. The presence



FIGURE 4 The border region of Canindeyú, in Paraguay, South America’s main cannabis-producing country, from where cannabis crops are transported to Argentina and Brazil.

of clandestine ports and small boats operating day and night on the river and Lake Itaipú facilitates this illicit flow.

In 2024, the Brazilian Federal Police identified more than 250 illegal ports between Foz do Iguaçu and Guairá (Paraguay), with 170 on the Paraguayan side and 91 in Brazil.⁵⁵ Notable among them is Puerto Indio, a strategic point for the unloading of lorries loaded with soya and for drug trafficking, which is facilitated by riverside properties purchased mainly by Brazilian citizens.

Although some reports suggest the use of light aircraft for cannabis trafficking,⁵⁶ records of illegal flights do not indicate that the tri-border area is attractive for this method, due to its dense vegetation and greater presence of border controls, in contrast to the dry border between Paraguay and Argentina.

Finally, an emerging trend linked to the trafficking of 'wax' or 'premium' cannabis was reported in the triple border area; this is a high-THC variant that enters Paraguay from Miami by air parcels and courier companies in Ciudad del Este, according to official Paraguayan reports.⁵⁷ This product, unlike traditional pressed cannabis, has a greater psychoactive potency and, therefore, a significantly higher commercial value on the Brazilian market, where a kilogram can fetch up to US\$4 000. The entry of this substance diversifies the supply of cannabis in the region.

Although the dry border concentrates the highest-volume and highest-quality flows to Brazil, the tri-border region serves as a complementary hub for micro-trafficking and smaller routes that take advantage of river geography, clandestine ports and weak control mechanisms. The growth of higher-value products reflects a diversification of supply, reinforcing the region's role as a transit and distribution hub. These dynamics underscore that, while not the main cannabis corridor, the tri-border area is nonetheless a key element of an adaptive criminal ecosystem.

Money laundering

Money laundering is a core enabler of the illicit economies present in the tri-border area. The operational hub is centred in Ciudad del Este, declared a free trade zone in 1995 with extensive customs and tax incentives. Its commercial dynamism has fostered the creation of front companies and the set-up of bureaux de change and gambling establishments. In addition, the laundering of illicit capital through crypto-assets is carried out by frontmen associated with family clans, which funnel profits from Foz do Iguaçu and Ciudad del Este.

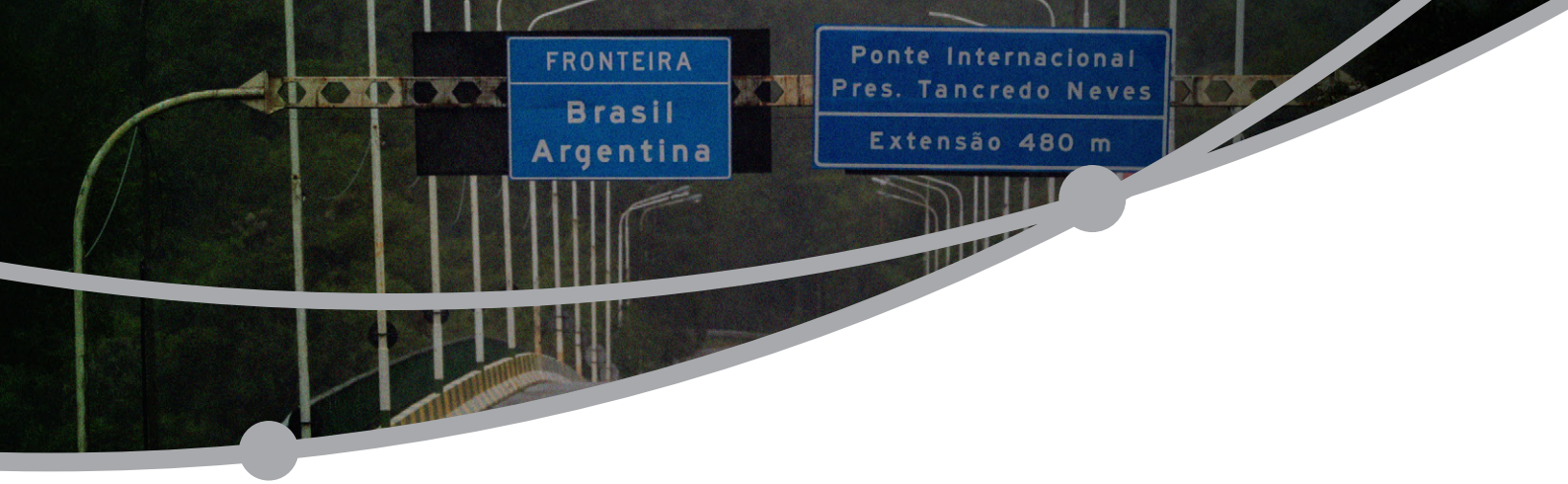
The high daily volume of imports from China and the United States has led to the establishment of a parallel trade regime that facilitates tax evasion. The presence of more than 5 000 businesses in the city increases the scope for setting up front companies that handle significant cash flows. These funds are channelled through bureaux de change and local banks, which subsequently transfer the deposits to networks based in those countries.⁵⁸

Furthermore, Ciudad del Este has become a major hub for money laundering by corrupt officials. Cases linked to Argentine and Paraguayan authorities reveal the use of cryptocurrencies, crypto mining farms and schemes operated by Chinese criminal networks under a 70/30 model, in which 70% of the value to be laundered is paid in crypto-assets and 30% in cash.⁵⁹ Various sources also point to the expansion of cryptocurrency mining facilities financed by criminal networks and local clans, which exploit the availability of electricity and weak state controls to carry out opaque transactions between money-laundering networks and other illicit activities.⁶⁰

An emerging trend is the unusual expansion of gambling companies and sports betting centres. These establishments operate in hybrid formats: they have physical premises with betting machines and, simultaneously, web platforms that allow deposits to be received from different countries. Users can deposit funds in cash or through electronic payment methods with limited controls, which creates opportunities for manoeuvres that facilitate the entry of illegal cash into the financial system and subsequent transactions to conceal the origin of these funds. In 2024, for example, three foreign nationals were arrested while attempting to deposit US\$990 000 in cash into a gambling company.⁶¹

The link to money laundering lies in the fact that the cash is integrated into the system through 'tokens' or 'credit top-ups', and is processed through electronic deposits or platforms based in offshore jurisdictions.⁶² Payments to players placing bets are, in turn, made through split deposits directed to frontmen or family members, which reduces traceability and fragments the financial trail.

The analysis reveals a highly diversified and adaptive money laundering ecosystem in the tri-border area. These dynamics reinforce the need to strengthen financial supervision, customs control and international cooperation regarding money laundering in the region.



CRIMINAL GROUPS INVOLVED

The cities of Foz do Iguaçu, Ciudad del Este and Puerto Iguazú exhibit a criminal landscape marked by the coexistence of the PCC, historically rooted family clans and foreign criminal actors. While the Paraná State Public Prosecutor's Office has reported the presence of the CV in Foz do Iguaçu,⁶³ this was not supported by field interviews. This criminal actor configuration follows a broader regional trend: foreign criminal groups are drawn to ecosystems in which illicit markets are already operational, commercial structures are flexible and regulatory oversight is fragmented.

From this perspective, even limited or opportunistic involvement by foreign criminal groups should be read as an early sign of the progressive internationalization of the local criminal ecosystem. Their movements are highly strategic, shaped by prospects for transnational projection, access to money-laundering infrastructures, logistical opportunities and collaboration with dependable local intermediaries. The tri-border area is characterized by a criminal ecosystem based on coexistence, designed to maximize returns from illicit markets and laundering activities, where pragmatic cooperation minimizes operational friction and facilitates market entry.

Primeiro Comando da Capital

The PCC has been active in the border regions between Brazil and Paraguay since the early 2000s, when the group first began engaging in the wholesale trade of cannabis and cocaine.⁶⁴ Most of the cannabis consumed in Brazil comes from Paraguay, South America's leading producer, and cocaine from the Andean region has increasingly been diverted via these historic cannabis routes.⁶⁵ The PCC initially expanded into Paraguay to acquire cannabis which it then resold in the urban outskirts of São Paulo. However, the PCC moved in after the CV, which was the first major Brazilian criminal organization to establish links with Paraguayan drug producers.⁶⁶ Neither group sought to govern local communities, and both adhered to a non-aggression pact they had implemented in Brazil.⁶⁷ For approximately a decade, the PCC and the CV managed to operate in harmony in the tri-border area, trafficking drugs and weapons. However, in early 2010, the PCC began to take control of the entire drug production and trafficking cycle in Paraguay as a strategy to control the flow of drugs and weapons through the tri-border region and the extensive border area between Brazil and Paraguay.⁶⁸ The group took control of cannabis plantations in the country and either co-opted or executed the Paraguayan middlemen who had previously made wholesale drug purchases on its behalf.⁶⁹

The non-aggression pact between the PCC and the CV came to an end in 2016, when both groups sought to control transnational drug flows through Brazil and decided to confront each other using lethal force. They carried out a series of massacres in prisons across Brazil with the aim of dismantling the rival group's command structures. The war between the PCC and the CV spread beyond Brazilian prisons to the Paraguayan border areas where both groups operated. The most significant event in this conflict in the border region occurred on 15 June 2016 in Pedro Juan Caballero, when the PCC murdered Jorge Rafaát, the main intermediary for cannabis and cocaine flows from Paraguay to Brazil.⁷⁰ Rafaát had resisted the PCC's expansion in Paraguay for years and continued to sell drugs to networks linked to the CV. His murder created a power vacuum in the criminal ecosystem of the border area, which was quickly filled by the PCC.⁷¹

Since then, the PCC began to take control of clandestine ports on the Paraguayan and Brazilian sides of the Paraná River in the tri-border area, coordinated by group leaders imprisoned in Ciudad del Este and Foz do Iguazu.⁷² Along with the ports, the PCC also took control of outlying neighbourhoods such as San Rafael and Puerto Presidente Franco, which border the main clandestine ports between Ciudad del Este and Puerto Iguazú.⁷³ For the PCC, Ciudad del Este is a strategic base for negotiating with other criminal groups. In contrast, interviews and fieldwork indicated the absence of the PCC in Puerto Iguazú.⁷⁴

By controlling some of the main hubs for the movement of illicit goods in the tri-border region, the PCC managed to infiltrate the region's smuggling trade. Its clandestine port operators quickly established links with the main family clans that manage smuggling in the area. The PCC began receiving the fees that smugglers must pay to the operators of clandestine ports, mainly north of the Paraná River. With this revenue, the PCC was able to start moving its own smuggled goods across the tri-border



The San Rafael neighbourhood in Ciudad del Este, Paraguay. The presence of the Primeiro Comando da Capital in the tri-border area is concentrated in working-class neighbourhoods near Puerto Presidente Franco, a strategic point for sending smuggled goods to Brazil and Argentina. *Photo: Teresa Fretes*

area, particularly cigarettes and alcoholic beverages.⁷⁵ However, it is important to note that the PCC has not taken control of all smuggling flows in the tri-border region. Sources on all three sides of the border agree that the predominant criminal actors in the region remain the family clans that have for decades managed the smuggling of cigarettes, alcohol and electronic goods into Brazil.⁷⁶

Family clans

Despite the PCC's influence in Brazil and Paraguay, the smuggling of goods operates primarily through family clans historically established in the three cities. These clans, based on kinship ties, operate with high levels of flexibility, loyalty and confidentiality, making it difficult to classify them within conventional criminal typologies.⁷⁷

The clans rely on free trade to increase their profits and operate particularly at ports and informal crossings on the Paraná and Iguazú rivers.⁷⁸ They are often subcontracted by organizations such as the PCC for the transport and sale of illicit goods, primarily cannabis. Their specialization is one of their most notable characteristics: Brazilian clans transport food from Paraguay and Argentina, while Paraguayan clans specialize in the transport of cigarettes, mobile phones and electrical goods. Both transport cannabis to the north of the triple border.⁷⁹ According to field interviews, those who combine cannabis with other goods are frowned upon by other clans, which limits their interactions.

According to a security officer, the complexity and deep-rooted nature of family clans make it difficult for them to be absorbed into large-scale criminal organizations such as the PCC,⁸⁰ although in the northern and southern reaches of the Paraná River, some clans involved in illicit drug trafficking use the PCC's name to obtain protection.⁸¹ Subcontracting benefits both parties by avoiding alliances that could lead to violent disputes and by leveraging the territorial knowledge, social networks and political ties that these clans maintain in the area.

Foreign actors

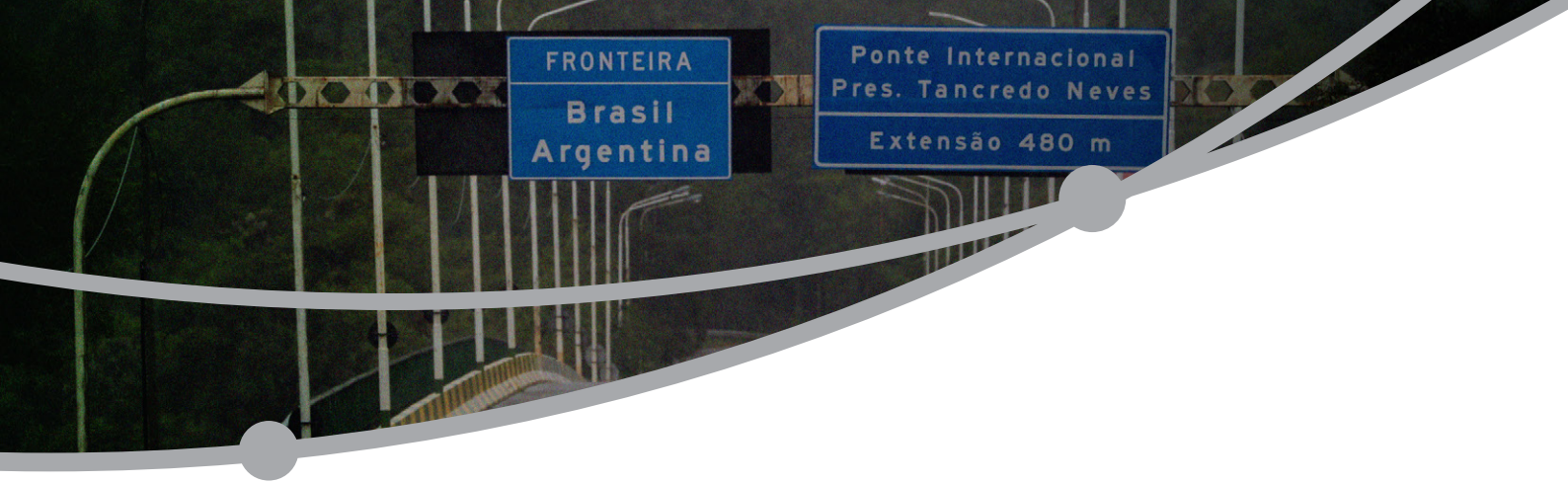
There is a significant foreign presence in the tri-border area. The constant flow of Arab, Chinese and Latin American nationals is integrated into the commercial and tourist dynamics of the area. In particular, networks linked to Chinese nationals have historically been associated with the trade of electronic goods in Ciudad del Este and, according to some reports, with counterfeiting and smuggling rings since the 1980s.⁸² Although investigations into intellectual property offences are underway, the available judicial evidence regarding Chinese networks as transnational criminal structures is limited. While some interviewees observed an increase in cryptocurrency mining farms tied to this nationality, the limited capacity of the judicial system to address such offences precludes confirmation of a notable presence on the ground.

The activities of Chinese nationals have attracted the attention of the authorities due to isolated cases of violence. For example, in October 2025, the Paraguayan police reported a homicide involving Chinese nationals in Ciudad del Este, allegedly linked to disputes over the sale of electronic goods; the Public Prosecutor's Office did not rule out a connection to smuggling networks.⁸³

The presence of Colombian hitman networks has also been recorded in Ciudad del Este and Puerto Iguazú. These networks, which often go unnoticed, reflect processes of specialization within organized crime whereby external groups are hired to enforce 'settlements' arising from failed agreements

between local criminal organizations. This phenomenon could be linked to the murder of Paraguayan prosecutor Marcelo Pecci, who was shot by two men in Cartagena, Colombia, in 2022.⁸⁴

As for Arab criminal actors, following the 2018 arrest of Assad Ahmad Barakat – a Paraguayan national of Lebanese origin – on money laundering charges, the link between the tri-border area and the paramilitary group Hezbollah was once again highlighted. According to US agencies, Barakat was linked to Islamist activities in the tri-border area.⁸⁵ However, security officers interviewed emphasized that, although the area possesses factors that could facilitate the establishment of transnational terrorist groups, there is insufficient evidence to confirm terrorist financing activities. The region is home to a large Arab community,⁸⁶ but multiple sources agreed that no active cells or systematic funding of extremist groups have been verified.



CONCLUSION

The criminal ecosystem of the tri-border area reveals a pattern that goes beyond the local context and is part of broader trends observed in cross-border corridors characterized by high levels of trade integration in Latin America. In this context, the smuggling of goods has established itself as the key economic driver, sustained by social tolerance, informal rules and attractive profit margins. This reflects a structural dynamic: when large segments of the border economy operate through grey or informal channels, organized crime can embed itself without resorting to high levels of violence. In this sense, the relatively low level of conflict observed does not imply lower risk, but rather a mature criminal equilibrium that prioritizes stability and profitability.

From a systemic perspective, the findings highlight institutional shortcomings that act as risk multipliers. These include the fragmentation of customs and financial controls across the three countries, uneven supervision of non-banking sectors (bureaux de change, wholesale trade, gambling), limited traceability of goods and containers, and vulnerabilities to administrative corruption at key logistics hubs. These gaps allow local and transnational actors to combine legal frameworks with illicit practices, creating an environment where detection and enforcement are sporadic. The expansion of crypto-assets, digital mining and hybrid payment schemes adds an additional layer of complexity that exceeds current technical supervisory capabilities.

Several identified behaviour patterns align with risk typologies highlighted by Financial Action Task Force standards and recurring alerts in financial intelligence analyses, including the use of front companies in high-trade areas, intensive cash movements in vulnerable sectors, money-laundering-based trade, and the growing use of virtual assets for fund layering. The combination of permissive trade regimes, high volumes of cross-border transactions and inconsistent controls raises multiple red flags which, under risk assessment frameworks, would place the region as an environment highly exposed to complex financial crimes and potentially subject to greater international scrutiny.

Against this backdrop, public policy responses require an approach that goes beyond isolated enforcement measures. It is a priority to move towards strengthening the Tripartite Command as a body for operational coordination that harmonizes financial and customs oversight standards, enhances risk analysis of trade and financial flows, and reduces opportunities for institutional capture. At the same time, any sustainable strategy must take into account the socio-economic dimension of smuggling and promote alternatives for formalization and economic inclusion in border communities. Without

undermining the social fabric that currently underpins part of the local economy, policies must focus on raising the operational costs of organized crime – particularly in its financial and logistical hubs – through greater transparency, data interoperability and effective judicial cooperation among the three countries.

Recommendations

The following recommendations are designed to help policymakers in Argentina, Brazil and Paraguay, along with the Tripartite Command, disrupt the economic foundations of illicit markets and stimulate new cooperative initiatives in the tri-border region. Priority is given to bolstering financial and asset investigations, leveraging technology to strengthen controls, modernizing regulatory frameworks, and improving border management in a manner consistent with each country's security policy agenda.

- **Prioritize the disruption of illicit revenue streams and logistics hubs.**
 - Implement operations targeting critical points for the movement of goods, capital and people, supported by analysis of criminal networks.
 - Develop tax and regulatory strategies to discourage the use of front companies, money transfer agencies or authorized financial institutions for the transfer of funds from abroad and real estate transactions used for money laundering.
 - Increase the budget for investigation and intelligence units dedicated to detecting and prosecuting illicit flows and money laundering in the tri-border area.
 - Promote cooperation mechanisms with the private sector and financial intelligence units to identify risk patterns linked to cross-border flows.
- **Increase surveillance and cross-border operations to disrupt new smuggling flows crossing the tri-border area.**
 - Strengthen the presence and operational capacity of Paraguay's police and customs agencies, particularly at informal crossing points and in areas where new smuggling routes have been detected.
 - Allocate additional financial resources to improve border control infrastructure for the Tripartite Command.
 - Direct the Tripartite Command's command and control resources towards new illicit routes, in particular the emerging smuggling corridor through the Argentine side of the triple border.
 - Implement advanced electronic surveillance systems, including cargo scanners, automatic number plate recognition systems, facial recognition cameras and motion sensors in areas that are difficult to access.
 - Strengthen the Tripartite Command with joint border control teams comprising Argentina, Paraguay and Brazil to carry out coordinated patrols and interdiction operations, particularly in relation to trafficking and arms control.
- **Strengthen regulatory frameworks and border controls.**
 - Establish integrated control corridors at formal border crossings and in peri-urban areas with high levels of movement.
 - Expand the use of non-intrusive inspection technologies, biometrics and automated reading systems, in accordance with criteria of transparency and data protection.
 - Promote regular institutional performance audits at border posts to reduce corruption and information leaks.

- **Integrate social dynamics into the security response.**
 - Design interventions that recognize the daily interaction between illicit actors and local communities, avoiding exclusively coercive responses.
 - Incorporate analyses of informal economies, labour mobility and the movement of goods to inform policies that undermine the profitability of criminal networks without destabilizing the local economy.
 - Promote economic diversification policies and strategies that foster alternative livelihoods such as sustainable eco-tourism, with the aim of generating legal income, strengthening local economies and reducing dependence on illicit activities.
 - Support community and municipal programmes that strengthen social resilience against criminal co-optation.
- **Promote sustained international cooperation.**
 - Facilitate ongoing exchanges of analysts and liaison officers to improve operational continuity beyond individual cycles.
 - Strengthen the framework for cooperation on security and countering organized crime in the Southern Common Market through the systematic exchange of criminal and financial intelligence, and the institutionalization of joint operational mechanisms that include transnational investigation teams to foster coordinated, timely and sustainable responses to criminal dynamics in the region.



NOTES

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