



ESEM
ESCUELA DE SEGURIDAD
MULTIDIMENSIONAL-USP

USP



Course on

ILLICIT MARKETS AND ORGANIZED CRIME IN THE AMERICAS



MINISTÉRIO DA
JUSTIÇA E
SEGURANÇA PÚBLICA



Eurofront

Class

Logistics of Illicit Market

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Introduction

This class is dedicated to the topic of logistic chains in illicit markets.

It presents the centrality of the logistics chain to illicit markets, discusses transnational illicit markets in Latin America and deals with how to control logistics chains with a focus on criminal networks.



Concepts

Transaction costs: expenses not directly related to the good or service being illegally traded, that is, not associated with production/acquisition, sale or consumption;

Criminal convergence: refers to the overlapping activity of illicit markets in the same territory and commercial phase; the tendency is for operators from different markets to use the same services, such as corruption of public agents, increasing parasitism;

Geography of convergence: emphasizes that geography “creates” criminal convergence, therefore, it is necessary to identify and act intensely at the ports and geographic regions where all illicit markets converge.

Institutions

ICAE: The International Coalition Against Illicit Economies is a network of former senior US government officials providing advice on national security, diplomacy, military, intelligence, and law enforcement/judicial decision-making on policies and operations on current global threats;

COREP: the General Coordination for Combating Smuggling and Deviation – Brazil is a Federal Revenue agency focused on combating smuggling in national and border territory;

OECD: The Organization for Economic Co-operation and Development is an intergovernmental economic organization for cooperation in economic progress and world trade.

Class Content

The transaction cost of a logistics chain is central to any market, especially for the illicit ones. When the cost is low and acceptable, the transport risk is controlled and the product becomes competitive, but when the cost is high and the risk is not controlled, the product becomes unfeasible.

The **globalization** process was based on the reduction of this type of cost in the prices of services in the international transport chain, especially maritime transport, which also increased the viability of the main illicit commodities (NAIM, 2006).



Class Content

The **risk of losses during transport** is a type of central transaction cost for an illicit market and is one of its weakest links. Therefore, this is where the police and the public prosecutor should focus their attention and action to demobilize this chain, either by raising the risk or cost and, consequently, making the market unfeasible in that location, or by arresting individuals. It is the famous “**welding point**” of an illicit market, where it connects, the moments of connection between illicit chains.



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Latin America has an intense “illicit trade balance”, because it is the only region on the planet that produces cocaine, in addition to being a major consumer of “illicit imports” such as contraband, weapons, cigarettes, etc. **The cocaine market, in particular, is recognized as an illicit “vector” market of logistics**, as export demand creates a back-and-forth route often associated with legal maritime trade.

According to the **map of Ports and Free Trade Zones contaminated by illicit logistical operations**, produced by ICAE, the following hubs are highlighted:

- Lazaro Cardenas, Manzanillo, Altamira and Veracruz – Mexico
- Corozal Free Zone – Belize
- Isla Margarita – Venezuela
- Ilha de Curaçao
- Colón Free Zone – Panamá
- Ciudad del Este Free Zone – Paraguay
- Tríplice Fronteira – Brazil, Argentina and Paraguay
- Foz do Iguaçu (PR), the Port of Santos (SP) and the city of São Paulo (SP) – Brazil

Class Content

Although the number of hubs is greater in Central and North America, there is a strong correlation with cocaine producers located in South America, closer to the Panama Canal and the Caribbean.

Among them, the **Triple Frontier, the city of São Paulo**, consumption and transnational wholesale center, and the Brazilian ports, especially **Santos**, are also highlights.

The region is an **"illicit logistical triangle"** that connects the triple frontier Brazil-Paraguay-Argentina to the city of São Paulo. It is formed from the connection of three "hot spots": the city of Foz do Iguaçu (PR), the border region and the city of Ponta Porã (MS), and the megalopolis of São Paulo (SP). This route is the **main responsible for Brazilian participation in international illicit trade.**



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In Brazil, investigations by the judicial police reveal that **cocaine is mainly transported by road**, either independently or contaminating legal cargo, especially agricultural exports cargo.

According to COREP's customs balance sheet of 2021, it revealed that a total of 45 tons of drugs were seized, of which 39 tons were seized in Brazilian ports. The ships had as destination **France, Spain, Holland, Ghana and South Africa**.

It is also necessary to highlight **the frequent use of the country's legal logistics chain**, which is a real risk for the export contracts of Brazilian agricultural and mineral commodities because it affects national **security**, in addition to **commercial and health** issues.



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According to **OCDE** (2016), nearly 30% of the Europe's organized crime would be involved in more than one type of crime, especially as logistical operators, an extremely strategic area where the so-called "internationalization" of criminal groups and networks takes place.

The publication *Emerging Transnational Organized Crime Threats in Latin America: Converging Criminalized Markets & Illicit Vectors*, by **ICAE**, highlights that one of the four factors for the current expansion of transnational illicit markets in Latin America and it is the transnational logistics chain developed by criminal networks of groups or factions , such as MS-13 and PCC.

Facing these criminal networks demands **their identification and the dismantling of their routes and warehouses**. The OECD Task Force prescribes the strategy of "**criminal convergence**" and "**convergence geography**" as a logic for confronting these criminal networks that operate illicit markets, such as cargo theft gangs or drug trafficking.

Class Summary

- The importance of understanding the transaction of a supply chain for illicit markets and the impact of globalization;
- The importance of transport risks in dealing with licit logistics chains;
- The main regions of the illicit logistics chain in Latin America and Brazil;
- The most appropriate confrontation strategies.



Reference

NAÍM, M. (2006). **Ilícito**: o ataque da pirataria, da lavagem de dinheiro e do tráfico à economia global, Jorge Zahar Editores, Rio de Janeiro.

MIKLAUCIC, M. e BREWER, J. org. (2013), "**Convergence Illicit Networks and National Security in the Age Of Globalization**", Center for Complex Operations, Institute for National Strategic Studies, By National Defense University Press Washington, D.C. Chapter 3.

OECD (2016), **Illicit Trade**: Converging Criminal Networks, OECD Reviews of Risk Management Policies, OECD Publishing, Paris. 2016. [Link](#)



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