

# NAVAL POSTGRADUATE SCHOOL Monterey, California



## THESIS

**INTELLIGENCE NETWORKS AND THE TRI BORDER  
AREA OF SOUTH AMERICA: THE DILEMMA OF  
EFFICIENCY VERSUS OVERSIGHT**

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**INTELLIGENCE NETWORKS AND THE TRI BORDER AREA OF SOUTH  
AMERICA: THE DILEMMA OF EFFICIENCY VS. OVERSIGHT**

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## EXECUTIVE SUMMARY

This thesis argues the need to improve intelligence sharing among Argentina, Brazil, Paraguay, and the United States to better combat the emerging threat of terrorism in South America within the Tri-Border Area region shared by the three countries mentioned. It argues that a multilateral approach among all of the countries is needed to effectively combat the emerging threat. Chapter I presents evidence that significant fundraising for major terrorist organizations such as Hezbollah, HAMAS, and possibly Al Qaeda occurs in the region. If it goes unabated, this threat may even evolve into active cells that could threaten U.S. and allied interests in Latin America.

Chapter II argues why a capable intelligence community is needed to effectively combat terrorism. It also argues that within a democracy, intelligence communities must balance effectiveness vs. oversight. A highly effective intelligence organization can threaten democratic principles, yet too much oversight into an agency's activities may hamstring it and make it ineffective. Real world examples are examined to support this argument, and the development of oversight in the United States intelligence community is discussed to show that even in consolidated democracies, the issue is ongoing. The chapter concludes with a proposal for an ideal type intelligence community model that combines effective, all-source agencies with a mix of different oversight mechanisms at various levels.

Chapter III examines the intelligence communities of Argentina, Brazil, and Paraguay to determine how close they are to the ideal type model. It argues that Argentina is the closest, yet has some areas that it could improve on. Brazil's community is considered politicized, and in need of better focus on actual threats to the nation vs. what is perceived; however progress is being made as this thesis is written. Paraguay is considered the furthest from the ideal type model. This is due to its legacy of a forty-year dictatorship, a weak, unconsolidated democracy, and high levels of systemic corruption. The National Guard State Partnership program is examined as a potential tool that may help Paraguay toward democratic stability, thus enabling it to be a more effective partner in an intelligence coalition within the region. The Chapter concludes with a review of multilateral organizations in the area, and concludes that the best organization to support

a multilateral intelligence sharing initiative is Mercosur. In fact it shows that Mercosur is well on its way to achieving this goal.

Chapter IV examines U.S. aid to each country to determine if it has helped in their intelligence communities evolve closer to the ideal type model. It concludes that this is generally not the case, and that U.S. assistance has been more paramilitary in nature supporting counter-narcotics, and some counter-terrorism training, but not toward long-term development of the intelligence community.

Chapter V concludes with policy recommendations that will enable the United States to bilaterally improve each country's community capability, thus making them better regional partners in an intel-sharing network. It also discusses what resources the United States might have to offer Mercosur in its ongoing process of developing a regional security organization; and that this is the primary organization that the United States should work with to share information on transnational threats within the region.



## The Tri Border Area Between Argentina, Paraguay, and Brazil



Image Source: University of Texas, Perry-Castañeda Library Map Collection

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# I. INTRODUCTION

## A. DISCUSSION

The purpose of this thesis is to explore how information sharing between the Argentine, Brazilian, and Paraguayan Intelligence agencies can be improved in order to counter the emerging terrorist threat within the Tri-Border Area of South America.

This subject is of growing importance as links to major Middle East terrorist organizations within the Tri-Border Area have been confirmed, and money for these various organizations has been raised within the region to fund terrorism abroad. It is also important to ensure that as intelligence networks are improved and made more efficient, democracy is not undermined.

The major research question is: How can cooperation in sharing intelligence information between the agencies involved be improved to better combat transnational threats such as terrorism within the region? The argument is that to fight an asymmetrical threat such as terrorism, one must have good intelligence on the subject. Thus agencies within the Tri-Border Area, especially in Paraguay, must be made more effective and work multilaterally. The problem is an effective security intelligence agency is also a very dangerous organism to democracy if abused; therefore a balance between efficiency and oversight must be reached. Secondly, the countries involved, with Argentina possibly excepted, do not necessarily desire a multilateral security arrangement.

Increased funding from the United States and the need for many Latin American military forces to re-define their roles and missions may make counter-terrorism operations attractive. Yet the domestic mission of counter-terrorism has some analysts voicing their concerns that such operations could lead countries back into old problems of human rights abuses that plagued them in the past during their campaigns against insurgents.<sup>1</sup> An example would be recently increased military cooperation with the

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<sup>1</sup> J. Patrice McSherry, *National Security and Social Crisis in Argentina* (Journal of Third World Studies; Americus; Spring 2000) pp. 21-38

Laura Kalmanowiecki, "Origins and Applications for Political Policing in Argentina" *Latin American Perspectives*, Issue 111, Vol. 27, No. 2 (March 2000) pp. 48-50

Paraguayan National Police and military since the September 11<sup>th</sup> to improve their counter-terrorism and counter-narcotics capabilities. However, some felt the training closely resembled counter-insurgency operations.<sup>2</sup> This example also supports a long-standing debate that was raised at a Strategic Studies Institute conference to discuss the roles of armed forces in the hemisphere. Many from Latin America argued that U.S. assistance usually had a single-minded focus, such as narco-trafficking, and did not address problems in a comprehensive manner.<sup>3</sup>

Until recently, most Latin American militaries were also wary of internally focused missions, such as counter-narcotics and domestic security. They felt these were secondary missions, and take away from their primary purpose, that of national defense.<sup>4</sup> However, this thesis will argue in the following case studies Argentina sent a very mixed message at a recent conference on the Tri-Border Area, Paraguay is using a combination of both military and police to combat terrorism within the region, and while Brazil continues to equip its military for external missions, its military intelligence apparatus remains domestically focused. Michael Desch's argument in *Civilian Control of the Military*<sup>5</sup> is that even in today's climate of uncertain threat, an externally focused military is important for good civil-military relations. There are many critics of Desch, and one can easily find fault with his oversimplification of military roles and missions. However, he brings to the fore a critical argument going on in many Latin American countries: what is the role of the military without a visible external threat? This will be explored in detail as this thesis examines United States policy toward the countries of the Tri-Border Area, and also how these countries see their counter-terrorism mission, whether it is a police, military, or combined matter. This thesis argues that the level of threat within the

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<sup>2</sup> Larry Birns and Ross Knutson, *Paraguay: South America's Terrorist Club Med?* (Council on Hemispheric Affairs Press Release; 18 October 2001 p. 4) [[http://www.coha.org/Press\\_Releases/01-Paraguay.htm](http://www.coha.org/Press_Releases/01-Paraguay.htm)]

<sup>3</sup> William Stanley, "Sub-regional Cooperation" Chapt 13, from *Conference Report The Role of the Armed Forces in the Americas: Civil-Military Relations for the 21<sup>st</sup> Century*, Donald Shulz, ed. (U.S. Army War College: Carlisle Barracks, PA, 1998) p. 148

<sup>4</sup> *The Inter-American Agenda and Multilateral Governance: The Organization of American States, A Report of the Inter-American Dialogue Study Group on Western Hemisphere Governance* (Washington, D.C. April 1997) p. 32

<sup>5</sup> Michael Desch, *Civilian Control of the Military* (Baltimore: Johns Hopkins University Press, 1999)

Tri-Border area is at both a low intensity, and more of a transnational financing issue, thus it needs to be treated as a civilian domestic intelligence and police matter, and should be combated in this way.

The issue is the ability of national police forces and civilian intelligence agencies to combat the threat within the Tri-Border area. All have very different capabilities and attitudes on how to police the area. Argentina has a very capable National Gendarmerie, Federal Police, and Coast Guard for internal security, but is plagued with an economic crisis, and has a record of abuse within its intelligence community. As recently as 1996, the Argentine National Gendarmerie was conducting illegal domestic surveillance of citizens,<sup>6</sup> and in 1999 Argentine Military Intelligence units were conducting surveillance of students, judges, media, and political party leaders<sup>7</sup> though expressly forbidden by law.

In regard to Brazil, they too have very capable state and federal police agencies, yet they also have a legacy of repression under the country's central intelligence organ that was known as the SNI. Brazil also does not share the same set of priorities as Argentina and Paraguay. For Brazil, the thesis will argue that they are putting more counter-terrorism and counter-narcotic emphasis on their Amazonian border with Colombia, due to infiltrations by narco-traffickers and terrorist groups from Colombia; mainly the Revolutionary Armed Forces of Colombia (FARC). Brazil sees their northern border security as a more pressing danger. Brazil also does not see its national police force as an equal to its military, and is wary of multilateral operations, especially if they are sponsored by the United States.

Finally, Paraguay, which is the weakest partner in the group, also has the most terrorist activity within its borders, primarily in Ciudad de Este. In the following section on the terrorist threat in the region, this thesis will demonstrate that Paraguay has been the source of most of the overt terrorist acts such as car bombings, and is the hub for the financing of transnational terrorist groups. Paraguay has the willingness to combat the emerging threat within their borders, at least at the Federal level, but they lack ability and competence within both their security and intelligence agencies.

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<sup>6</sup> J. Patrice McSherry, "Argentina: Dismantling an Authoritarian Legacy" *NACLA Report on the Americas* Vol 33, No. 5 (Mar/Apr 2000) p. 1

<sup>7</sup> Ibid.

The dilemma of intelligence lies in the fact that a very effective intelligence agency can also be a very dangerous weapon against democracy if misused. Even in consolidated democracies such as the United States, abuses have occurred. A good example is the notorious COINTELPRO<sup>8</sup> program concocted by the FBI under Director J. Edgar Hoover that was found by the Church Committee on intelligence oversight in 1976 to have conducted illegal surveillance of domestic political groups within the United States, and not of foreign agents for which it was intended. More recently, in the aftermath of September 11<sup>th</sup>, the debate continues. As Attorney General Ashcroft advises U.S. citizens to trust the government to do the right thing regarding domestic security, a recent report stated that the FBI made errors on 75 Foreign Intelligence Surveillance Act (FISA) applications. The FISA was established as a check to ensure that FBI domestic surveillance does not abuse civil rights. All of these infractions were in 2000, thus one cannot attribute the heightened sense of urgency after September 11<sup>th</sup> as reason for the errors.<sup>9</sup> Debate also continues over the FBI monitoring internet sites and infiltrating assemblies, whether this is justified in light of the level of sophistication terrorists have demonstrated, or if it constitutes an erosion of civil rights.<sup>10</sup>

France offers an even more striking example of the oversight dilemma in a consolidated democracy. To this day the country struggles with its inwardly focused domestic and highly politicized intelligence services.<sup>11</sup> French intelligence services have committed abuses ranging from illegal wiretaps of government officials to the debacle of special operations such as the sinking of the *Rainbow Warrior*. In Latin America this problem is further exacerbated. Democracy in many countries is still being consolidated

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<sup>8</sup> Counterintelligence Program under J. Edgar Hoover from 1956-1971 under the auspices of combating domestic espionage organizations, but in actuality was widely accused of targeting racial and political groups. The “Church Committee” on intelligence oversight specifically addressed the abuses of COINTELPRO (<http://www.cointel.org>)

<sup>9</sup> *International Herald Tribune*, August 24-25, 2002 p. 4

<sup>10</sup> *Christian Science Monitor* [Lexis Nexis] June 6, 2002

<sup>11</sup> Douglas Porch, “French Intelligence Culture: A Historical and Political Perspective” *Intelligence and National Security*, Vol 10, No. 3 (July 1995), pp. 494-495

and remains shaky. Coups were thought to be getting more and more remote, but recent attempts in Paraguay and Venezuela remind us otherwise.<sup>12</sup>

Terrorism has two significant features that make it very difficult to combat. First is the fact that it is conducted asymmetrically, without regard to national boundaries and conventional modes of fighting. It ignores rules of basic humanity, and conventional norms of combat. Second, terrorist organizations maintain very low signatures making them difficult to track and even more difficult to eradicate. These two issues make effective intelligence agencies and the need to share intelligence critical weapons in the war on terrorism. Without effective intelligence on the terrorist threat, states will have a very difficult time even knowing what threat they are facing, much less how to focus resources to effectively combat the threat. Additionally, the transnational nature of terrorism and the increased effects of globalization make the need to share intelligence information even more critical. Countries are finding that an effective war on terrorism must be a multilateral effort. Unilateral action at best will just displace the threat to a different part of the world, where it will re-emerge, virtually undamaged. An example would be throwing Osama Bin-Laden out of Sudan, only for him to emerge in Afghanistan in an even stronger position in which to wage international terrorism.

## **B. THE TERRORIST THREAT IN THE TRI-BORDER AREA**

The threat of terrorism within the Tri-Border area between Argentina, Brazil and Paraguay really manifested itself in the 1992 and 1994 bombings against the Jewish community center and Israeli embassy in Buenos Aires. The region has been a long established haven for smuggling and contraband due to the lack of border controls within the area. U.S. attention to the region rose dramatically after the tragic events of September 11th, when evidence began to link several vendors in the area as financiers for major international terrorist organizations such as Hezbollah and HAMAS.<sup>13</sup>

Terrorism within the region is of a much lower profile than in the Middle East. This is due primarily to the fact that no definitive evidence has surfaced proving Al

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<sup>12</sup> Author refers to 1999 election violence and coup attempt in Paraguay, and aborted coup attempt against Chavez in Venezuela in April, 2002

<sup>13</sup> *San Francisco Chronicle*, May 4, 2002 p. A10

Qaeda is operating within the area.<sup>14</sup> Sources within the State Department, Central Intelligence Agency, and Defense Intelligence Agency noted that the primary activity has been smuggling and money laundering.<sup>15</sup> Thus the more active theaters such as the Middle East and Afghanistan have received a great deal more attention and greater funding priorities due to the more immediate threat of direct action against the United States. This does not mean that the potential threat does not exist, and this chapter argues that if more proactive measures within the Tri-Border Area are not taken, terrorist cells within the area will only grow, and pose a greater threat to the region, and to the United States.

Personnel with connections to major terrorist<sup>16</sup> organizations overseas such as Hezbollah and Hamas have been the primary money launderers in the region. There have also been reports of fund-raising directly for Hezbollah by merchants of middle-eastern descent. One recent article through interviews with the chief of the Paraguayan National Police cited the existence of fundraisers for Hezbollah, HAMAS, and Al Qaeda all within Ciudad Del Este.<sup>17</sup> One merchant, Ahmad Barakat, has been suspected of raising nearly \$50 million in two years.<sup>18</sup> Brazilian officials recently estimated as much as \$6 billion annually is illegally laundered within the Tri-Border region.<sup>19</sup> It is hard to estimate how much of this amount goes toward other activities such as smuggling, narco trafficking, or weapons for the FARC in Colombia, but support for terrorism is substantial. One estimate is Hezbollah received \$12 million from the Tri-Border area alone in 2000. Hezbollah's total annual operating budget is estimated at about \$100 million, thus the region may be responsible for over ten percent of Hezbollah's operating revenue.<sup>20</sup>

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<sup>14</sup> Author's interview with Mr. James Casson at the State Department in Washington D.C. May 20<sup>th</sup> 2002

<sup>15</sup> Author's interviews with U.S. Intelligence Community officials, 20-22 May 2002 in Washington D.C. Langley, Virginia, and Bowling AFB, Virginia

<sup>16</sup> The author labels these organizations as terrorist since they have a history of committing acts of terror against US interests and her allies. This label is problematic for Latin American Arab populations, which the author will discuss later

<sup>17</sup> Jeffrey Goldberg, "In The Party of God" *The New Yorker* (October 28, 2002) p. 75-83

<sup>18</sup> *San Francisco Chronicle*, May 4<sup>th</sup> 2002, p. A10

<sup>19</sup> Peter Hudson, "There Are No Terrorists Here" *Newsweek* (November 19, 2001) p. 39

<sup>20</sup> Goldberg, p. 77



Additionally it has been reported that a primary Hezbollah leader was in Ciudad de Este directly coordinating funds for the organization, and was working with Barakat.<sup>21</sup>

What these funds are being used for is debatable, since Hezbollah is considered by many from the Middle East to be a charitable organization, and many Muslims in South America openly support it. This is evidenced by the fact that one of the four Arab language television stations in the Tri-Border Area is Hezbollah's official channel.<sup>22</sup> It can be argued however, that even if the money is being used for such causes as to support the families of "martyrs" in Palestine for instance, it helps to ensure a healthy flow of suicide bombers will continue to plague regions such as the Middle East, Europe, and the United States. Therefore the argument can be made that the Tri-Border area is a key center for terrorist financing and the primary counter-terrorism strategy for the area should be cutting off the money that it supplies to other terrorist organizations.

The question of direct offensive activity within the Tri-Border Area is more complex. Though there is no conclusive evidence of an Al-Qaeda cell in the Tri-Border Area, there has been recent speculation about whether or not one exists. *Agence France Presse* ran a feature a week after the attacks of September 11<sup>th</sup> that cited a former Brazilian official who stated that Osama Bin Laden had planned to put a terrorist cell in the region.<sup>23</sup> This has been corroborated by a further report that Islamic Jihad, which is believed to have a cell operating in Ciudad De Este, has direct ties to Al-Qaeda.<sup>24</sup> Finally, there was a feature run by the *ABC Color* news service out of Asuncion, Paraguay that was picked up by *BBC Monitoring* stating that Paraguayan and foreign security forces were searching for Taliban government fugitives within the Tri-Border Area, after the United States' attack on Taliban positions in Afghanistan.<sup>25</sup>

In addition to possible Al-Qaeda ties, no less than three terrorist bombing attempts originated from the area within the past decade. The bombings of the Israeli

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<sup>21</sup> FBIS, Paraguay Press Highlights May 30<sup>th</sup> 2002, and Goldberg, p. 78

<sup>22</sup> Wall Street Journal, (New York) November 16<sup>th</sup>, 2001, p. A10

<sup>23</sup> *Agence France Presse*, September 19<sup>th</sup>, 2001

<sup>24</sup> Larry Birns and Ross Knutson, "Paraguay: South America's Terrorist Club Med?" *Council on Hemispheric Affairs*, (October 18<sup>th</sup> 2001) p. 1. Available [Online]: [http://www.coha.org/Press\\_Releases/01-20-Paraguay.htm](http://www.coha.org/Press_Releases/01-20-Paraguay.htm) accessed March 14, 2002

<sup>25</sup> *Global News Wire, BBC Monitoring International Reports* [Lexis Nexis] February 5, 2002

Embassy and a Jewish community center in Buenos Aires in 1992 and 1994 respectively, were successful. A planned bombing of the U.S. Embassy in Asuncion in 1996 was thwarted. The Asuncion bombing attempt is significant since it was thwarted by a bilateral effort between Argentine and United States' intelligence agencies dubbed "Operation Centaur" to share information and coordinate efforts.<sup>26</sup> Thus, it clearly demonstrates the value of cooperation among intelligence agencies to combat terrorism. These efforts will be discussed in greater detail in Chapter IV.

It can be established that though money laundering has been the primary form of terrorist activity within the region, more overt acts of terror have occurred in the area in recent years. Without good organizations working together to track these activities, the Tri-Border Area will continue to fund terrorist organizations in other parts of the world, and more direct action may continue to emerge and even grow against U.S. targets and those of her allies within the region.

The problems with tracking terrorist activity are its clandestine nature, very low signature, and the fact that terrorist organizations are transnational. Paul Wilkinson states that, "almost every significant terrorist campaign has an international dimension, even when it is mounting a specific challenge to a government within its own territory."<sup>27</sup> He makes an excellent example with the Irish Republican Army. The organization receives funding from the United States, uses the Republic of Ireland as a safe haven, and carries out its attacks within Great Britain.<sup>28</sup> It is ironic that the United States with its history of tough policies against terrorists has been a major source of funding for an organization that has caused one of our closest allies so much pain and grief.

In the age of globalization, terrorism is not just the host state's problem. Multilateral efforts must be established to combat the threat, or else it will simply move to a new location and continue operations. An excellent example of this is the failure to build a coalition with the Sudanese government when they came to the United States with

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<sup>26</sup> *The Wall Street Journal*, November 16<sup>th</sup> 2001, p. A10

<sup>27</sup> Paul Wilkinson, *Terrorism vs. Democracy: The Liberal State Response*, (London: Cass, 2001) p. 188

<sup>28</sup> *Ibid.*

an offer to allow the U.S. to extradite Osama bin Laden in 1996.<sup>29</sup> After no kind of a deal could be reached, the Sudanese unilaterally expelled bin Laden to Afghanistan. It was thought that at least by expelling bin Laden out of Sudan, it would disrupt his operation,<sup>30</sup> but within two years he was back in operation, and started a string of terrorist activity against the United States that culminated in the September 11<sup>th</sup> attacks. Therefore it can be argued Afghanistan was an even better base of operation, since it afforded the Al-Qaeda network very rugged terrain to train and hide in under a government that was openly supportive of him, or at least easily influenced by bin Laden's vast resources.

Unilateral action, therefore does not necessarily eradicate terrorist activity, especially if it has grown to a level that it has become transnational, like the Al-Qaeda network, or is decentralized, like the emerging threat in the Tri-Border Area. Frank Mora coined the term "balloon effect" when the same type of unilateral action was applied to narco-trafficking.<sup>31</sup> Essentially, by unilaterally acting against an organization with transnational ties to eradicate its operations within the border of one country, the state may simply cause the organization to relocate to another region. This is illustrated by the analogy of squeezing a balloon, and instead of bursting it; you just cause a bulge in another area. This same analogy can apply to the terrorist threat in the Tri-Border Area. It is stealthy and decentralized to the point that law enforcement cannot identify a single charismatic leader at its head, like Guzman of Sendero Luminoso, or Carlos the Jackal. One may not even exist. Therefore, past strategies that worked successfully against an organization such as Sendero will not apply for the Tri-Border Area. For Paraguay to suddenly get tough and start an all-out eradication campaign against alleged Hezbollah financiers, narco-traffickers, and smugglers would most likely result in spreading these threats into neighboring Brazil, Argentina, and Uruguay like a virus. This type of action may exacerbate the problem, since it would also anger the large Muslim and non-Muslim

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<sup>29</sup> Washington Post, (Washington D.C.) October 3<sup>rd</sup> 2001, p. A1

<sup>30</sup> Ibid.

<sup>31</sup> Frank O. Mora, "Victims of the balloon effect: Drug trafficking and U.S. policy in Brazil and the Southern Cone of Latin America" from *The Journal of Social, Political, and Economic Studies*, vol 21, issue 2 (Summer 1996) [from Proquest database], p. 4

Arabic populations within the region, and may in fact have an unintended reverse effect by promoting sympathy for illicit organizations that have been targeted as terrorist.

### **C. METHODOLOGY**

The thesis will use both primary and secondary source material. Primary sources include treaties and multilateral agreements, interviews with intelligence analysts, and news articles from the countries involved regarding terrorism and their security agencies. Secondary sources will include texts by leading authorities on intelligence and terrorism to give the reader an understanding of what the conventional wisdom in the field is regarding how to combat terrorist threats. Due to the emerging nature of this issue and how events of September 11th continue to shape it, news and journal articles by leading academics on the subject will supply a lot of the information from which arguments are supported.

### **D. ORGANIZATION**

The thesis will be organized in the following manner. Chapter II will argue why intelligence is critical to combating a threat such as terrorism. It will show that an effective intelligence community must be capable of breaking into the terrorist organizations decision cycle to gain the initiative. It will argue that in fighting threats such as terrorism economic and human intelligence are the primary weapons of the community. The chapter will also argue why information sharing is critical in effectively combating transnational threats. It will then examine the dilemma that an effective intelligence community poses to a democracy, and that a balance must be reached between efficiency and oversight. The chapter will conclude with a model of an “ideal type” of intelligence community within a democratic government that best balances oversight with efficient intelligence gathering and analysis mechanisms.

Chapter III will be a case study of the intelligence networks of Argentina, Brazil and Paraguay within the Tri-Border area. It will examine the structures of each country’s intelligence community and compare them to the ideal type model developed in Chapter II to see how close they are to this ideal, and what deficiencies exist.

It will then examine what agreements have been established for coordinating intelligence within the area, and how effective they are. The Mercosur trade agreement will be featured to determine if it has had an effective spin-off in helping partner countries also share security information. Second, It will determine what deficiencies exist in the networks, especially in regard to coordinating, collection and dissemination efforts. It will argue why these deficiencies exist. Are problems due to lack of ability? Or does nationalism, and unwillingness to engage in multilateral security arrangements come into play as well?

Chapter IV will examine what current United States initiatives are in place to assist in improving intelligence networks within the area. It will refer to the ideal type intelligence community and determine if the deficiencies found in the countries' communities in Chapter III are being addressed by U.S. aid. The chapter will also examine what bilateral agreements are in place to share information between countries in the region and the U.S. It will determine how effective they are, and what barriers may be impeding further initiatives. It will argue why the United States should be concerned with combating terrorism within the region, and why it is a growing threat to our national security. It will specifically look at issues of nationalism, and suspicion of U.S. influence, and how they might be mitigated. It will examine how the State Partnership Program with Paraguay may contribute. The reason for this is Paraguay is considered the weakest link in the coalition, and is also the only State Partnership Program participant within this group. It will determine whether the program can directly affect Paraguay's ability to better gather and share intelligence, or whether it is better suited in its primary role of civilian agency engagement. Thus by improving Paraguay's economic and social stability, it will make it more a more effective coalition partner with Argentina and Brazil. This chapter will close by examining the argument of bilateral vs. multilateral cooperation and their effectiveness in combating counter-terrorist activity.

Chapter V will briefly review the issues that hinder intra-regional cooperation between Argentina, Brazil, and Paraguay. It will also summarize the barriers in place that hinder a cooperative effort by the United States. Next the chapter will offer recommendations that the United States could implement to bring the regional

intelligence communities closer to the ideal community model. The thesis will argue that the United States' engagement in Latin America has primarily been military, and it needs to balance this with more civil, and infrastructure building engagements. This is a highly debated subject, since many Latin American countries are upgrading their militaries, and the United States will still play a major role in this effort. Yet the U.S. must also make inroads in other areas. It will argue that initiatives like the SPP program can assist United States' policy in this effort; whether by directly addressing issues like information sharing, or by indirectly helping to build national infrastructure, and therefore improve overall national stability.

## **II. THE TERRORIST THREAT AND THE NEED FOR INTELLIGENCE: A DILEMMA OF EFFICIENCY VS. OVERSIGHT**

This chapter argues why a good intelligence network is critical to combating the threat of terrorism. It will discuss the need to share intelligence information; that without an integrated intelligence community that shares information and coordinates its efforts, law enforcement agencies will be “chasing ghosts”. Additionally it will argue that the primary sources of intelligence to combat terrorism should be economic and human intelligence. The second part of this chapter is an examination of the dilemma that effective intelligence agencies pose to a democratic state. This is the basic “Dilemma of Efficiency vs. Oversight” within the organization.<sup>32</sup> It will argue that efficient domestic security intelligence agencies are also dangerous to democratic principles and need proper oversight. This is especially true for South American democracies as they continue to consolidate. Yet it even applies to mature democracies such as the United States. Examples of this struggle with oversight within consolidated democracies will be provided to illustrate that this issue is not simply a Third World, or emerging democracy problem, but one that faces all democracies. It must be solved before intelligence agencies can move forward toward cooperative efforts with other states.

The end product of this chapter will be an “ideal type” of intelligence community model that depicts the best compromise between an organ that can most efficiently gather, analyze, and share intelligence and the control mechanisms that keep it subordinate and responsive to governmental control. This model will give the reader a baseline to use in comparing the intelligence agencies of Argentina, Brazil, and Paraguay in the following chapters. These levels of both efficiency and oversight will affect interagency cooperation within the region and with the United States in combating terrorism. This is because intelligence sharing is based primarily upon mutual trust between agencies. Therefore if an agency within a coalition is deemed to be inefficient and may compromise sources, other agencies may be quite reluctant to share information

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<sup>32</sup> Professor Kenneth Dombroski at the Naval Postgraduate School first made the author aware of this term during a lecture in April of 2002.

with it. In Latin America, the heritage of authoritarian regimes misusing intelligence organizations has made governments reluctant to share information with one another since democratization. Knowing that intelligence agencies within a coalition are well organized, professional, and under firm democratic control will better facilitate this.

#### **A. THE NEED FOR INTELLIGENCE**

The basis of any multilateral cooperative effort in combating terrorism must be a capable intelligence network. Without good intelligence, law enforcement agencies will never be able to take the initiative away from the terrorists. They will be left reacting to their actions, and basically picking up the pieces after each terrorist act has occurred. The only way to take this initiative away is to break into their decision cycle. Paul Wilkinson argues that, “high-quality intelligence is at the heart of *proactive* [emphasis added] counter-terrorism strategy”.<sup>33</sup> He argues that successful intelligence can pre-empt terrorist attacks through advance warning, and even lead to the break-up of terrorist cells. This thesis argues that the primary intelligence foci to combat terrorism must be good economic intelligence to allow governments to interdict the money flow to these organizations, and human intelligence or HUMINT to allow the government to break into the terrorists’ decision cycles. In the Tri-Border Area HUMINT is critical in infiltrating both the financial organizations that may be funding terrorism, and assessing the radicalization of groups to determine if “bona fide” active terrorist cells are operating within the area.

As discussed in Chapter I, the money trails that fund terrorism can be illegal such as narco trafficking, or laundering money through various “front businesses” or they can be legitimate donations by merchants running legitimate businesses. Michael Herman notes that the United States has significantly increased its economic intelligence capability since the end of the Cold War. A primary reason has been to track “bad actors” in the international market, to include money laundering for terrorist activity.<sup>34</sup> A recent example has been the massive effort the United States put into building worldwide

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<sup>33</sup> Wilkinson, p. 215

<sup>34</sup> Michael Herman, *Intelligence Power in Peace and War*, (Cambridge: Cambridge University Press, 2001) pp. 51-52



coalitions to track Al-Qaeda's various accounts and global business connections in order to stem its money flow. The Tri-Border Area should be no exception. The need for a sophisticated economic intelligence capability within the Tri-Border Area to track the money flow to organizations such as Hezbollah is quite apparent. Unfortunately this capability is something that the region lacks, according to the State Department.<sup>35</sup>

A second need for economic intelligence is to monitor corruption. This problem is rampant in Paraguay, and Argentina and Brazil are not blameless either. Well-funded terrorist organizations can easily co-opt local government officials. The Barakat saga yields yet more light on this issue. In an interview with the press, he quite candidly stated that it should cost about \$50,000 for his troubles with Paraguayan authorities to disappear.<sup>36</sup> Paraguayan authorities vehemently denied this claim. Whether it is true or not, it provides a good example of the perception of corruption in the area.

In regard to Human Intelligence, and breaking into the terrorist decision cycle, Mark Lowenthal argues, "HUMINT becomes increasingly important, since penetrating terrorist groups is a means of obtaining the necessary information."<sup>37</sup> Herman supports this argument also when he states, "Israeli HUMINT has been a key element in its battle against terrorism, and the same applies to others' terrorist coverage."<sup>38</sup> Another advantage of HUMINT for agencies with limited resources is the relatively low cost, compared to signals or imagery intelligence. The problem is it takes time and effort to build and cultivate the contacts capable of penetrating terrorist cells. Another issue is the actual source. Intelligence operatives are not normally the deep cover agents involved in HUMINT collection. In most cases the sources are informants within the organization that have been turned.

Therefore, good HUMINT sources within a terrorist organization may actually mean dealing with terrorists themselves, who may only be motivated by financial means and their motives may be suspect. Lowenthal argues that policy makers may find the use

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<sup>35</sup> Author's Interview with State Department Official James Cason, 20 May 2002.

<sup>36</sup> *The Wall Street Journal*, November 28<sup>th</sup> 2001, p. A10

<sup>37</sup> Mark Lowenthal, *Intelligence: From Secrets to Policy*, (Washington, D.C.: CQ Press, 2000) p. 175

<sup>38</sup> Herman, p. 66

of “turned” terrorists as HUMINT sources quite objectionable.<sup>39</sup>The paradox is quite apparent when a country with a policy of not negotiating with terrorists may find that its best method of penetrating a terrorist cell may be doing just that. A historical example is the capture of famed terrorist Carlos the Jackal. A paid informant who was instrumental in Carlos’ capture was a terrorist within his cell on the CIA’s payroll.<sup>40</sup>

The use of HUMINT to combat terrorism in the Tri-Border area reinforces the need for cooperation among agencies. Since the need exists to use informants of a dubious nature to get results as the Carlos example shows, multiple sources of information will be needed. This will prevent over-reliance on a single source that may provide biased or outright false information. By harnessing the efforts of multiple agencies employing HUMINT assets, information about the threat can be corroborated, and a better, more balanced picture will be obtained.

## **B. THE DILEMMA OF EFFICIENCY VERSUS OVERSIGHT**

Before one looks at the specific cases of Argentina, Brazil, and Paraguay and how their intelligence agencies work, it will be instructive to review the general dilemma of maintaining oversight over intelligence agencies in a democratic society verses allowing them the leeway and autonomy they need to be efficient, and perform the tasks for which they were created. Dr. Tom Bruneau notes that this dilemma is one of the most problematic issues in civil-military relations for new democracies.<sup>41</sup> Therefore, it will help to better understand how this dilemma affects emerging and new democracies by observing it in established ones such as the United States and France.

The United States is arguably the oldest uninterrupted democratic experiment in the world. Its constitutional charter has been reviewed, borrowed from and even outright plagiarized by numerous emerging democracies. Therefore it would be logical for one examining the dilemma of oversight of intelligence agencies in a democracy to see how

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<sup>39</sup> Lowenthal, p. 190

<sup>40</sup> Ibid.

<sup>41</sup>Tom Bruneau, Occasional Paper #5: “Intelligence and Democratization: The Challenge of Control in New Democracies”, The Center for Civil-Military Relations, Naval Postgraduate School, Monterey, California, March 2000 p. 1

“the Yankees did it”. First one has to ask what dilemmas have arisen within the United States in regard to its intelligence agencies and domestic issues? Second, do key structures exist within the United States government to facilitate the oversight of domestic security intelligence?

In answer to the first question, the citizens of the United States in general did not have a great deal of interest in intelligence oversight, since any excesses were happening overseas in places like Guatemala, Chile, and of course, Cuba. Since Americans were not the victims of these excesses, Congress could afford to ignore the minority of constituents that may have raised concerns about these activities. This changed dramatically in the 1970s, when news of domestic intelligence excesses came to light. The year 1976 was even dubbed “The Year of Intelligence” due to the amount of Senate and House hearings on the excesses of the intelligence agencies, primarily by the CIA, in domestic issues.<sup>42</sup> This led to the creation of permanent House and Senate intelligence oversight subcommittees, so formal legislative oversight in the United States is a relatively recent phenomenon.

In answer to the second question, one of the best oversight mechanisms in the United States has been the media and the fact that a free press is quite able to blow the whistle on government excesses, to include secret government bureaucracies such as the CIA. Loch Johnson conclusively argues this point when he stated that the original congressional hearings on CIA excesses came about due to the media headlines that broke in December 1974 in the *New York Times*. He notes that:

While the revelations about covert action in Chile may have been ignored by Congress as just another necessary chapter in the Cold War against Soviet interference in the developing world, spying on American citizens – voters – was an allegation difficult for legislators to dismiss. Blazing newspaper headlines demanded oversight, not the usual overlook.<sup>43</sup>

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<sup>42</sup> Loch Johnson, “The CIA and the Question of Accountability” *Intelligence and National Security* (January 1997) pp. 178-200

<sup>43</sup> *Ibid.* p. 182

Another advantage the United States has in controlling its intelligence agencies is the fact that the government is structured to be inefficient but controllable. A separation of power between its three branches is maintained through a system of checks and balances that does a very good job of ensuring the executive branch, where security intelligence agencies normally reside, does not become too powerful, allowing its actions go unchecked. In Latin America, checks and balances may be listed in their constitutions, but the executive generally wields a disproportionate amount of power and usually has the ability to override the other branches and rule by decree. This is true in Argentina, Brazil, and Paraguay.

France is brought up as a counter-example of a mature democracy in the examination of the oversight dilemma to give the reader an entirely different perspective. France, considered to be a mature and consolidated democracy, continues to struggle with oversight, or more appropriately does not even oversee its domestic intelligence apparatus. France has a long history of a very politicized intelligence community. Politicians and bureaucrats who have used various branches of the intelligence community for personal or political gain have even encouraged this politicization through the regular use of wiretaps on other agencies within the government and political opponents.<sup>44</sup> Therefore French domestic intelligence has evolved to be poorly understood and distrusted by policymakers, and its organization is very inefficient, and kept that way on purpose.

The second and most important reason one must understand the evolution of French domestic security, before one can examine the following case study is the French ideology of “Guerre Revolutionnaire”. This ideology formed during the Cold War basically espoused that the communist subversive threat to France was not a tank army crashing through the Fulda Gap, but a more subtle indirect political threat, that would manifest itself internally and threaten the security of the country. One reason for this ideology is France had a very active and large communist party for a Western democracy. Also, the victories of revolutionary communist movements in Vietnam and Algeria in the

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<sup>44</sup> Douglas Porch, “French Intelligence Culture” A Historical Perspective from Intelligence and National Security (July 1995) pp. 502-503

1950s contributed to this mindset. Thus French security forces became inwardly focused within her colonies and even toward French citizens at home. Roger Trinquier's 1961 book, *La Guerre Moderne* is a good example of how this doctrine was espoused.<sup>45</sup> This ideology was imported to Latin America during the Cold War, due to the alarming rate at which communist revolutionary movements were gaining prominence in other parts of the world, and the fact that the likelihood of a direct conventional or nuclear threat from the Soviet Union manifesting itself in the Hemisphere was very small, with Cuba excepted. Alfred Stepan referred to "Guerre Revolutionnaire" when he discussed the Brazilian military's "new professionalism" and focus toward internal security at the height of the Cold War. He noted that:

Some of the key ingredients of the new professionalism were observed in France in the 1950s and played a major role in the civil-military crises of 1958 and 1961 [within France].<sup>46</sup>

He further argues that the Brazilian military adopted this "new professionalization" toward internal political issues as the primary security threat to the country during the Cold War.

Thus as the reader goes into the next chapter, it is important to understand that oversight within the intelligence community is quite thorny, and even long established democracies such as the United States and France have, and will continue to struggle with it.

The key issue to understand in this dilemma is that within a democratic society a clandestine bureaucracy such as a security intelligence agency will require a constant trade-off between ability and governance. Therefore it may not be in the long-term best interests of a country to have a highly effective security intelligence community, if the democratic government of that country has issues with control over such an organization. As this subject is explored further in this Thesis, the key question to ask will be what type

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<sup>45</sup> Roger Trinquier, *Modern Warfare: A French View of Counterinsurgency* (Frederick A. Praeger: New York, 1964) previously published in 1961 as *La Guerre Moderne* in France.

<sup>46</sup> Alfred Stepan, "The New Professionalism of Internal Warfare and Military Role Expansion" from *Authoritarian Brazil* (New Haven: Yale University Press, 1973) p. 138

and level of support should the United States provide to Argentina, Brazil, and Paraguay in the realm of Security Intelligence? Competing interests will emerge. For instance, Paraguay itself is not necessarily concerned with being a target for terrorist attack, yet illicit financing generated from that country and possibly even cells within that country pose a threat to the United States and her interests. Therefore do we ensure Paraguay's security intelligence forces are capable of combating and reducing that threat, when Paraguay's government is in such disorder and knowing that a strong security intelligence agency in this situation will almost certainly lead to domestic abuses?

Thus as we proceed to the next chapter and examine each country in detail, it will be important to keep this dilemma in mind, and to understand that it is not merely an issue for developing and new democracies, but for democracy overall.

### **C. THE IDEAL TYPE OF INTELLIGENCE COMMUNITY MODEL**

To help the reader examine and compare each country's intelligence community in detail, I have established a baseline model (see figure 1) that would be an ideal type of intelligence community. It exhibits both an efficient structure to gather and analyze intelligence, and also has mechanisms in place to ensure subordination to a governmental control. This is the "best case" compromise between the competing interests of oversight and efficiency.

#### **1. Oversight**

In the issue of oversight, Peter Gill offers a good model to start from.<sup>47</sup> He argues that oversight needs to occur at four basic levels: (1) Internal to the agency (Inspector General), (2) Executive Branch (Inspector General, or Presidential Oversight Board), (3) Congressional (Select Committees), and (4) Public (Interest Groups, Media). For this model I have selected the mechanisms that I believe are the most effective.

Internal Oversight to the agency would be an Inspector General (IG) that liaisons between the agency director and the minister and reports any issues of impropriety that arise within the agency. Gill argues that historically, internal IG's have not been very

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<sup>47</sup> Peter Gill, *Policing Politics: Security Intelligence and the Liberal Democratic State* (London: Cass, 1994) pp. 248-305

effective, even in the U.S. system.<sup>48</sup> One check against cover-up would be that if an issue gets to a higher level of oversight, and the director pleads ignorance, the IG could be compelled to testify to determine if it was actually ignorant of the situation or was directed withhold the information. If testimony of the IG or the “whistle-blower” that brought the information to light in the first case show that this indeed was the case, than actions against the director and or the IG would be taken. Also, the oversight level within an agency must be mandated by executive order, so as not to allow a director to “gut it” to make it less effective.

Executive Oversight has traditionally been through an executive oversight board. The purpose of this board is primarily to ensure that executive prerogatives and priorities regarding intelligence collection and analysis are being emphasized within the intelligence community. It is primarily there to ensure that the intelligence agencies are doing what the executive wants them to do, whether the activity is good and bad.

Congressional Oversight is where the intelligence community is finally held to task by a relatively unbiased body. This is because it is the first level where oversight of the intelligence community is out of the control of the executive branch, and the opposition parties actually have some representation. First, permanent select committees need to be established. They cannot be “ad-hoc” but have the same or preferably an even higher standing than any other congressional committee. Serving on the committee must be seen as a privilege within the legislature, thus selection to the committee may enhance a legislator’s career. This will be a major hurdle for a Latin American legislature since in most cases legislators are concerned with “pork politics” and want to serve on committees that allow them to benefit their constituents with economic aid or projects that provide employment, development, etc. Intelligence issues do not provide material benefits for the constituents; they are mainly issues of national concern.

Media Oversight is the public’s watchdog over intelligence. Public opinion is very important in a democracy, thus the executive and legislative branches will be very concerned with issues that receive media attention. As noted above with the United States, and as the reader will see in the following chapter, media oversight has often been

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<sup>48</sup> Ibid. pp. 253-254

the most effective form of oversight regarding the intelligence community. This is especially important in area of domestic security intelligence, a major play in counter-terrorism intelligence. Thus an open press is critical to ensure that the public's interests are being served. Though media oversight generally occurs after the fact, it has been the greatest catalyst for intelligence reform within the United States.

## **2. Efficiency**

The ideal type of community has three competing all-source intelligence agencies. The first reason for this is it allows the policymaker to get the best overall picture by having different agencies with different perspectives look at the issue.<sup>49</sup>

The second reason is that by having more than one all-source agency in the community it avoids the problem of “cooked” intelligence, or intelligence that has been biased by the agency to suit its agenda. A good example of this was the United States government's over-reliance on U.S. Air Force intelligence estimates that exaggerated the Soviet Bomber threat during the cold war, even when the CIA was providing information to the contrary. This produced an incorrect assessment by policymakers that the United States faced a gap in bomber capability against the Soviet Union, when in actuality no such gap existed.

Three agencies are also ideal since they will generally not have the tendency to become polarized against each other with estimates, as might be the case if a state had only one civilian and one military agency, for instance. The model has each agency under a separate ministry. This ensures they are focused on specific areas of expertise, and that no single agency wields all of the state's intelligence capability. Basically it allows a form of checks and balances that maintains efficiency by not allowing one agency to become overwhelmed, and also facilitates oversight. This will also influence what type of intelligence information is the primary responsibility for each agency. In our model the Ministry of the Interior is responsible for domestic security intelligence within the borders of the state. The Office of the Executive is responsible for general strategic foreign intelligence outside of the state's borders, and the Ministry of Defense is

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<sup>49</sup> Lowenthal, p.89



concerned with strategic military threats and capabilities. Thus this division of the intelligence requirements allows each primary interest to be covered: military intelligence issues from tactical to strategic, domestic security intelligence, and general foreign intelligence.

Though an intelligence community may have the trappings of oversight mechanisms in place, they may be ineffective. To help determine the effectiveness of oversight mechanisms, the politicization of an agency must also be considered. The politicization of an agency is inversely proportional to both its effectiveness and subordination to democratic control. This is due to the fact that a highly politicized agency may be trying to undermine those it is subordinate to, and in doing so is focusing its intelligence efforts on subject areas that are not in the national interest, thus risking intelligence failures against actual threats. In rating each agency this thesis borrows from Keller's classification.<sup>50</sup> A domestic intelligence bureau is considered the closest community in line with the "ideal type" model developed in Chapter II. A political or regime police has greater autonomy and begins to lack mechanisms of control. It is focused against domestic threats, but these can be both real and perceived by the regime in power. An independent security state is the most excessive form of a politicized intelligence agency. This agency has become autonomous from the governing body, and lacks any controlling mechanisms. The agency head directs its focus, whether or not it is within the interests of the government. It can actually become a threat to the government in power.

In regard to a transnational threat such as terrorism, there will be a significant overlap between agencies in gathering the required intelligence. Herman reinforces this argument when he states,

In practice foreign and security intelligence overlap. External threats have internal components and vice versa; espionage is foreign but

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<sup>50</sup> W.W. Keller, *The Liberals and J. Edgar Hoover: Rise and Fall of a Domestic Intelligence State* (Princeton: Princeton University Press, 1989), pp. 13-16; quoted in Peter Gill, *Policing Politics: Security Intelligence and the Liberal Democratic State* (London: Cass, 1994) pp. 60-61.

is an internal threat, while few terrorist organizations are without overseas connections.<sup>51</sup>

An example that best illustrates this point would be a hypothetical scenario of Brazil in dealing with the FARC terrorist organization in neighboring Colombia. The central foreign intelligence agency would be concerned with issues within Colombia, and how Colombian policies or actions against the FARC may push this group toward the Brazilian border, thus causing instability. Military intelligence within the Amazon region would contribute by tracking FARC patrolling and border incursions of Brazilian sovereignty by FARC paramilitary forces. Finally, domestic intelligence would be looking into FARC activity that may actually be occurring within Brazil, or if money laundering and drug trafficking within the country is supporting the FARC. Though each agency is within a different department, and specializes on a different strategic interest, they all contribute in building the complete intelligence picture on a certain subject.

Thus there is the need to coordinate this overlap, and direct the intelligence collection effort within the community to those areas that are a priority for the national interest. In addition to the three primary agencies, a central intelligence coordination committee underneath the executive with no intelligence collection or analysis responsibilities would exist. Its sole mission is to facilitate the flow of analysis from each agency to the executive's national security council, and also coordinate the collection and analysis efforts within each agency, based on priorities of national interest. The origin of the Central Intelligence Agency within the United States was originally created to coordinate the intelligence community. By putting its own agency underneath it, this role of coordination became secondary and lost emphasis. Thus intelligence coordination and community management within the United States is not a formalized issue and tends to spark debate, even today. As late as 1992 a congressional proposal was put forward to make the Director of Central Intelligence (DCI) the exclusive intelligence community manager, and not have the responsibility of an intelligence agency to manage as well.<sup>52</sup> On this committee would be representatives from the executive and all branches of

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<sup>51</sup> Herman, p.47

<sup>52</sup> Herman, pp.317-318

government that have intelligence collection responsibilities. It would be similar to a “joint chiefs of staff” in the military. Herman argues this point when he states,

The immediately practical course may be to learn defence’s lesson about the importance of central staffs. In their different ways both the U.S. DCI and the British Coordinator depend for effectiveness on adequate staff support. Only an intelligence staff of the right size and competence can provide them with independent central fact-finding and evaluation for big and contentious issues of management.<sup>53</sup>

This model is a bit of a simplification, and is intended to depict the general organizations and oversight mechanisms in place for an intelligence community within a democratic government. Each state will have varying needs and national security concerns that will drive variations of this model. For instance, a state may have other collectors within its infrastructure. The Foreign Ministry’s diplomatic corps is one obvious example. A state may also emphasize domestic security over international issues due to the threat environment. The following chapter will use this model as a general guide as it looks at each country’s intelligence community. With this model the purpose is to determine if each country has these basic mechanisms of oversight in place, and if they have they have at least some form of competitive analysis to produce good, well rounded intelligence products, thus making their community a valuable coalition partner in combating terrorism within the region.

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<sup>53</sup> Herman, p. 318

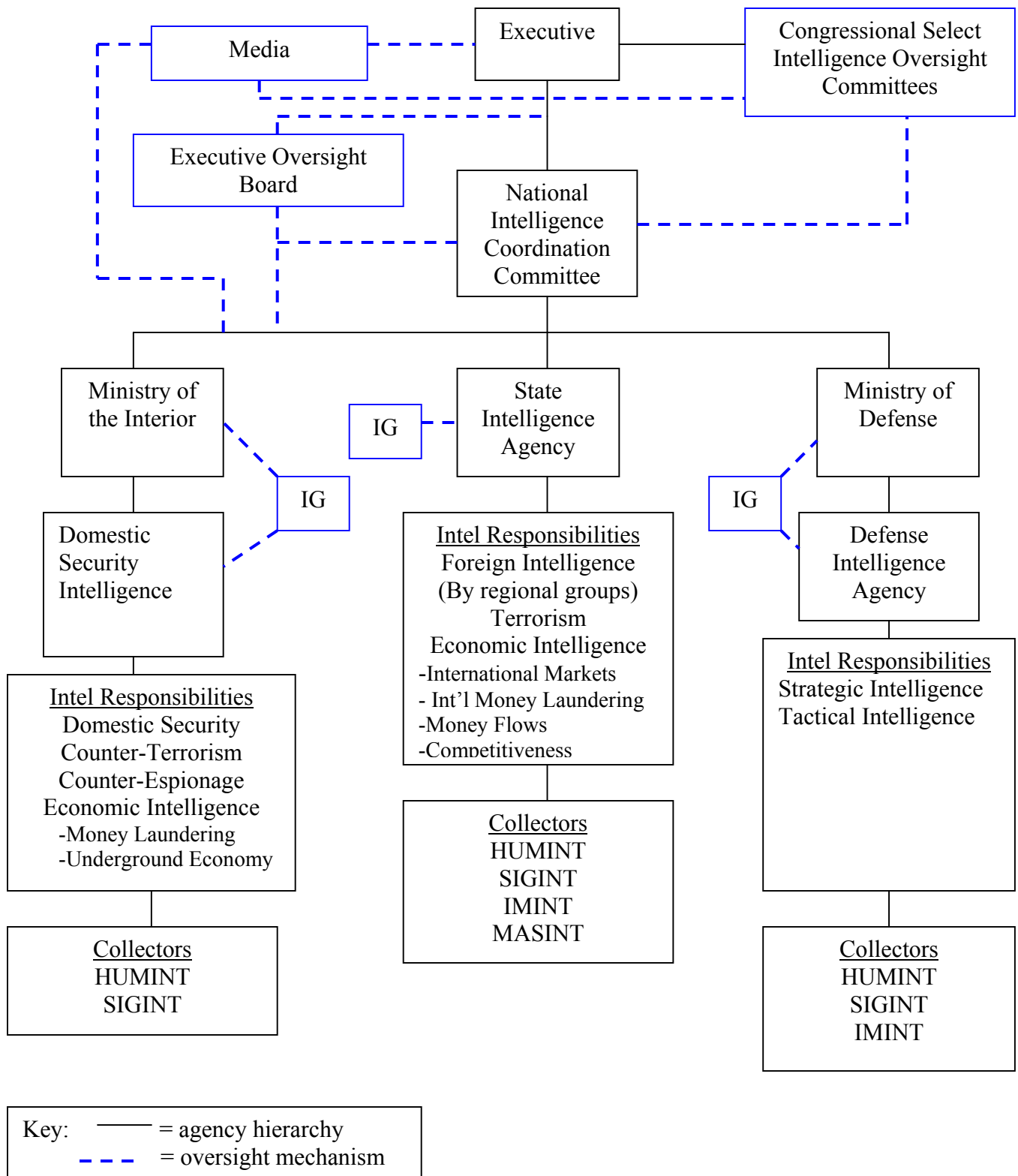


Figure 1. “Ideal Type” Intelligence Community Model

### **III. THE DILEMMA OF OVERSIGHT VS. EFFICIENCY APPLIED TO THE TRI-BORDER AREA**

The purpose of this chapter is to examine how dilemma of oversight vs. efficiency as outlined in the previous chapter applies to the Tri-Border Area case. This chapter will examine the national intelligence agencies of Argentina, Brazil, and Paraguay and look at how they are performing under democratic control, and how they compare to the ideal type model developed in Chapter II. Community structures will be examined to determine if they have all-source agencies that can bring in competitive and varied viewpoints to the policymakers. Assets will also be examined to determine how effective their collection capabilities are. In regard to oversight, Legislation will be reviewed to determine if there is effective congressional oversight, and if permanent select committees exist. Executive and internal agency oversight structures will also be compared. Finally, media reports regarding each country's intelligence agency will be reviewed to determine if the media is a genuine oversight tool; and they will also be an indicator of what abuses the intelligence agencies have committed, if any. Each country case study will conclude with a summarization of how close to the ideal type model their intelligence community is, and a ranking of their politicization based on Keller's classification.

The chapter will conclude with a brief examination of existing multilateral organizations within the region that have begun to share information and coordinate efforts to combat terrorism. Each organization and its counter-terrorism initiatives will be examined to determine their strengths and weaknesses in its overall contribution to the effort. The purpose of this examination is to determine which organizations are most effective and warrant support and assistance from the United States to help its counter-terrorism efforts first and foremost, but also to assist these organizations in their goal of regional security for the Tri-Border Area.

All of the countries share significant similarities and differences. All three countries emerged from authoritarian regimes in which security intelligence was a key tool of regime repression. In each country, all of the intelligence branches had internal

missions, either exclusively, or in addition to traditional missions, and the communities as a whole acted as political, or regime police.<sup>54</sup> Juan Rial uses the term *poder moderador*<sup>55</sup> to describe the attitude of Latin American militaries prior to democratization, whose purpose was to defend the constitution, even from what was perceived as squabbling or corrupt and incompetent civilian politicians. All three countries participated in the infamous *Operation Condor*<sup>56</sup> in the 1970's in which intelligence was shared in an effort to better track down and persecute dissidents. In some cases dissidents were also extradited and "disappeared" within regimes.

However, each country came back under democratic control in a different way, and therefore, each has different levels of control over their intelligence apparatus, and each apparatus is at a different level of ability. Thus for the United States to prescribe good policy on intelligence and information sharing to combat the emerging threat of terrorism within the Tri-Border Area, it must understand how effective the agencies are, and how responsive to oversight they have become.

#### A. ARGENTINA

Argentina has been under uninterrupted democratic control the longest of the three countries, and is arguably the most consolidated democracy within the group. This is due to the fact that the military authoritarian regime fell from power in disgrace after the Falklands/Malvinas defeat, and suffered a significant loss of legitimacy with the people. Therefore firm civilian democratic control was able to come into power, and a power-sharing or caretaker transition commonly seen when military regimes cede power and still yield influence, was avoided.<sup>57</sup> Firm control was translated into reform of the military and the intelligence community. This desire to transform the intelligence community stems primarily from the history of the "Dirty War" of the 1970's, in which

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<sup>54</sup> Gill, pp. 60-61

<sup>55</sup> Juan Rial, "Armies and Civil Society in Latin America" from *Civil-Military Relations and Democracy* ed. Diamond and Plattner (London: Johns Hopkins University Press, 1996) p. 50

<sup>56</sup> *The New York Times*, June 9, 2000 p. A10

<sup>57</sup> David Pion-Berlin & Craig Arceneux, "Tipping the Civil-Military Balance: Institutions and Human Rights Policy in Democratic Argentina and Chile" from *Comparative Political Studies*, Vol. 31 No. 5 (October 1998) pp. 643-645

Argentina became arguably the most infamous country in South America in regards to civil and human rights abuses by its security agencies and military. Now it has the most reformed and publicly accessible intelligence community within the group. Oversight has been explicitly injected at all levels to ensure the community serves its policymakers for the tasks intended, and it generally remains responsive to civilian control. There have been some cases of backsliding though, as will be discussed below.

The Argentine intelligence community is much like that of the United States (see figure 2).<sup>58</sup> It has three main all-source agencies, coordinated by a National Intelligence Center (CNI). This center is the primary coordinating apparatus for the community and gathers data from all of the intelligence agencies. The central agency within the community is the State Intelligence Secretary (SIDE), which is a civilian agency within the executive branch, much like the CIA. A key difference though, is that SIDE has both external and internal intelligence functions, to include counter-espionage.

The Ministry of Defense controls and coordinates the intelligence of all three branches of the military. The National Defense Law of 1992 decreed that military intelligence was not to be internally focused. This is evidenced in the military's peacekeeping and force projection operations since democratization to include participating in the Gulf War, and operations in Haiti, and the Balkans. A further indicator of this trend has been the dissolution of the Army's *Battalion 601*, which was a notorious part of the state security intelligence apparatus in the "Dirty War".<sup>59</sup> Yet there are indicators that internal oversight is lacking. There was a scandal in Cordoba in 1999, when a judge discovered army intelligence was conducting surveillance on persons involved in a trial stemming from abuses committed during the Dirty War, in clear violation of the 1992 law.<sup>60</sup>

The Ministry of the Interior controls the state security intelligence apparatus through two primary intelligence agencies within the National Gendarmerie (Federal

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<sup>58</sup> Eduardo Estevez, "Argentina's Intelligence After Ten Years of Democracy: The Challenge of Reform and Congressional Oversight" (<http://www.fas.org/irp/world/argentina/estevez.htm>) accessed May 29, 2002.

<sup>59</sup> J. Patrice McSherry, "Argentina: Dismantling an authoritarian legacy" NACLA Report on the Americas vol 33 issue 5 (New York, Mar/Apr 2000) [ProQuest Database] p. 1

<sup>60</sup> Ibid. p. 2

Paramilitary Police), and the Coast Guard (PNA); and also a small agency within the National Police. Thus the country's security agencies are also responsible for low policing.<sup>61</sup> In regards to efficiency vs. oversight in domestic intelligence, arguments can be made for both separate and combined agencies that also have a police role. In the case of oversight, though it is easier to combine police and security intelligence. Gill argues that separating police and security intelligence may prevent it from having the tools to become a political police force, but it also runs the risk of the police simply growing another "intelligence head"; one that may be hidden from oversight mechanisms, as occurred in Canada with the Royal Canadian Mounted Police.<sup>62</sup>

The first mechanism of external oversight was established in 1992 with a Joint Committee on Intelligence and Internal Security<sup>63</sup> within Congress. In addition to the oversight committee, congress has sought to control the intelligence budget. This was a major undertaking, since several government departments maintained secret accounts, even after democratization. Success in control over the budget seems to be marginal. At first eight of ten secret accounts were eliminated. However this trend has been reversed somewhat, and secret accounts grew again to four, to include SIDE and the executive.<sup>64</sup> Additionally, judicial oversight is exercised through the "Information and Intelligence Control Law"<sup>65</sup> which established a judicial observation office that helps oversee intelligence issues such as intercepts, and establishes penalties for violating the law in this regard.

Evidence of political policing has occurred on two occasions that caught media attention. The first event after the passing of the Internal Security Law<sup>66</sup> was in 1993, when the Gendarmerie was discovered to be conducting what was called "ideological

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<sup>61</sup> Low policing is a term that also refers to a federal agency that has law enforcement capacity. An example of an agency with intelligence and high policing would be the FBI in the United States. It does not have a uniformed police arm.

<sup>62</sup> Gill. pp. 213-214

<sup>63</sup> Estevez, p. 7

<sup>64</sup> Ibid. p. 5

<sup>65</sup> Ibid. p. 11

<sup>66</sup> Ibid. p. 7



surveillance” of Argentine citizens in Buenos Aries.<sup>67</sup> This led to a Congressional bill that charged the intelligence agencies with developing mechanisms of internal oversight. It specifically prohibited intelligence agencies from collecting information on the basis of race, culture, political affiliations, etc. and it ordered the agencies to “adopt those measures necessary to assure that the prohibition stated in this article is in force.”<sup>68</sup>

It is argued that this attempt to mandate mechanisms of internal oversight was a good start but may have been too vague and not well supervised, as evidenced in both 1996, when the Gendarmerie was again embroiled in a domestic surveillance scandal involving shantytown dwellers and priests, and 1999 with the Army’s case in Cordoba.<sup>69</sup>

Thus the most important mechanism of oversight remains the media. In Argentina this has been the true watchdog against the reemergence of a regime police. Just as important, has been the congressional response to the media’s vigilance. It has continued to enact legislation to improve formal oversight and control mechanisms to ensure the Argentine intelligence agencies remain responsive to democracy.

Therefore, in relation to Keller’s classification, Argentina’s security intelligence would be considered to be a domestic intelligence bureau with oversight established at the internal, executive, assembly, and public levels. In the debate of efficiency vs. oversight, the model Argentina has chosen actually favors oversight over efficiency. This can be argued by the fact that Argentina is willing to risk political policing by keeping domestic intelligence within its national police and coast guard. They have considered this risk better than separating intelligence and policing, and the chance that the police agencies will grow new, unmonitored intelligence heads.

In relation to efficiency within the ideal type model, Argentina seems to have adopted a good structure of competitive all-source intelligence agencies. Efficiency has suffered though. Argentina has been victim to two terrorist bombings on its soil within the span of two years (1992-1994), which exhibits a repeated intelligence failure. This could be a result of misdirected intelligence efforts. This is evidenced in the implication

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<sup>67</sup> Ibid. p. 11

<sup>68</sup> Ibid. p. 5

<sup>69</sup> McSherry, p. 1

of Argentine police officers in the bombing, and the judges mishandling of evidence in the subsequent trial. As evidenced above, the formal oversight mechanisms are in place; yet there is room to improve both oversight and control at the internal level. More recent indicators of the need to improve efficiency have come from criticisms by the Argentine minister of defense, who stated that Argentine intelligence data is not disseminated across different agencies, thus information sharing is deficient.<sup>70</sup> SIDE reinforced this criticism when they mentioned that interconnectivity between agencies hinders intelligence sharing during a subsequent interview with *La Nacion* after the minister of defense's comments to the legislature.<sup>71</sup> Finally, Brazil has also been critical of this lack of connectivity, and stated that it hindered regional intelligence cooperation within the Tri-Border Area as recently as September 2002.<sup>72</sup>

One of the most encouraging things for Argentina is that intelligence remains in the national conscience and is a priority among lawmakers, something that is all too uncommon for Latin America. The new National Intelligence Law, written in 2001, is the best example.<sup>73</sup> Argentina is the only country in the group that has made intelligence priority within its legislature. The law has encouraging aspects, such as specific prohibitions on gathering intelligence for political purposes listed in Article 4. Also Article 10 gives specific guidance to the roles and missions of military intelligence. Additionally, fiscal oversight and control of the intelligence community by the parliamentary oversight committees is also addressed in the law. This is important, since it was a major deficiency addressed by Eduardo Estevez' analysis in 1993.

However, the law is not perfect. As Jose Manuel Ugarte argues in his analysis of the law, SIDE still has responsibility for both external and internal intelligence. Most experts argue this separation is one of the pre-requisites for community oversight.<sup>74</sup>The

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<sup>70</sup> *La Nacion*, (Buenos Aires) 20 September 2001 [FBIS database]

<sup>71</sup> *La Nacion* (Buenos Aires), 23 September 2001 [FBIS database]

<sup>72</sup> Porto Alegre Zero Hora (Port Alegre), 9 September 2002 [FBIS database]

<sup>73</sup> For a copy of the law and an analysis of it by Jose Manuel Ugarte, see the FAS intelligence website at <http://www.fas.org/irp/world/argentina/index.html> accessed 28 October 2002

<sup>74</sup> Both Peter Gill and Mark Lowenthal argue this is a major issue with intelligence community oversight in their works cited above in Chapter Two. This returns to the issue of separate roles and missions for strategic intelligence and internal security intelligence under different sections of the executive branch within the ideal type community model.

ideal type intelligence model in Chapter II supports this argument, with internal security intelligence being the exclusive domain of the ministry of interior. Another issue that Ugarte brings to light is the law's failure to give specific definitions as to what constitutes threats to internal security within the country. This is a good point, but also can be a double-edged sword. The argument is that by being as specific as possible, one makes stringent oversight easier. However one may also hamstring the agency's execution of its duties. A good example is the FBI's current struggle over the issue of monitoring mosques as meeting places for terrorists. To do this could be seen as a violation against religious freedom; however terrorists could easily use this restriction to their advantage, and make a mosque a planning and coordination cell. Therefore, I argue the importance of internal agency oversight, with judicial review. The key issue is to ensure the agency has sufficient probable cause to conduct surveillance that may impinge upon civil liberties such as freedom of religion. The danger is not to allow a "blanket" clause based on previous successes justifying a continued practice of a certain technique. Each case should come under new scrutiny and review by the oversight agencies in place to ensure the reasons are appropriate for any extraordinary measures to be used. Obviously this argument hinges on the existence of both adequate and effective internal oversight and judicial review mechanisms within the intelligence community.

In sum, Argentina needs to improve efficiency by improving internal oversight measures to ensure appropriate intelligence targets are being identified, and develop better database connectivity to improve information sharing across agencies. An encouraging sign is the Argentine Legislature sees intelligence oversight as a major issue. Even prior to September 11<sup>th</sup>, the new Argentine Intelligence Law was being debated in Congress. One of the most heated issues was roles and missions, with the issue of the military conducting domestic intelligence to increase efficiency. This debate was renewed after September 11<sup>th</sup>, but the amendment did not pass. This seems to be a good step for the Argentine Intelligence community. Adding military intelligence to domestic intelligence would actually complicate the matter even more. It would add three more agencies to the mix. Argentina's focus right now should be to get better information

sharing within its existing domestic civilian intelligence network within the SIDE and the networks of the Federal Police, National Gendarmerie, and Coast Guard.

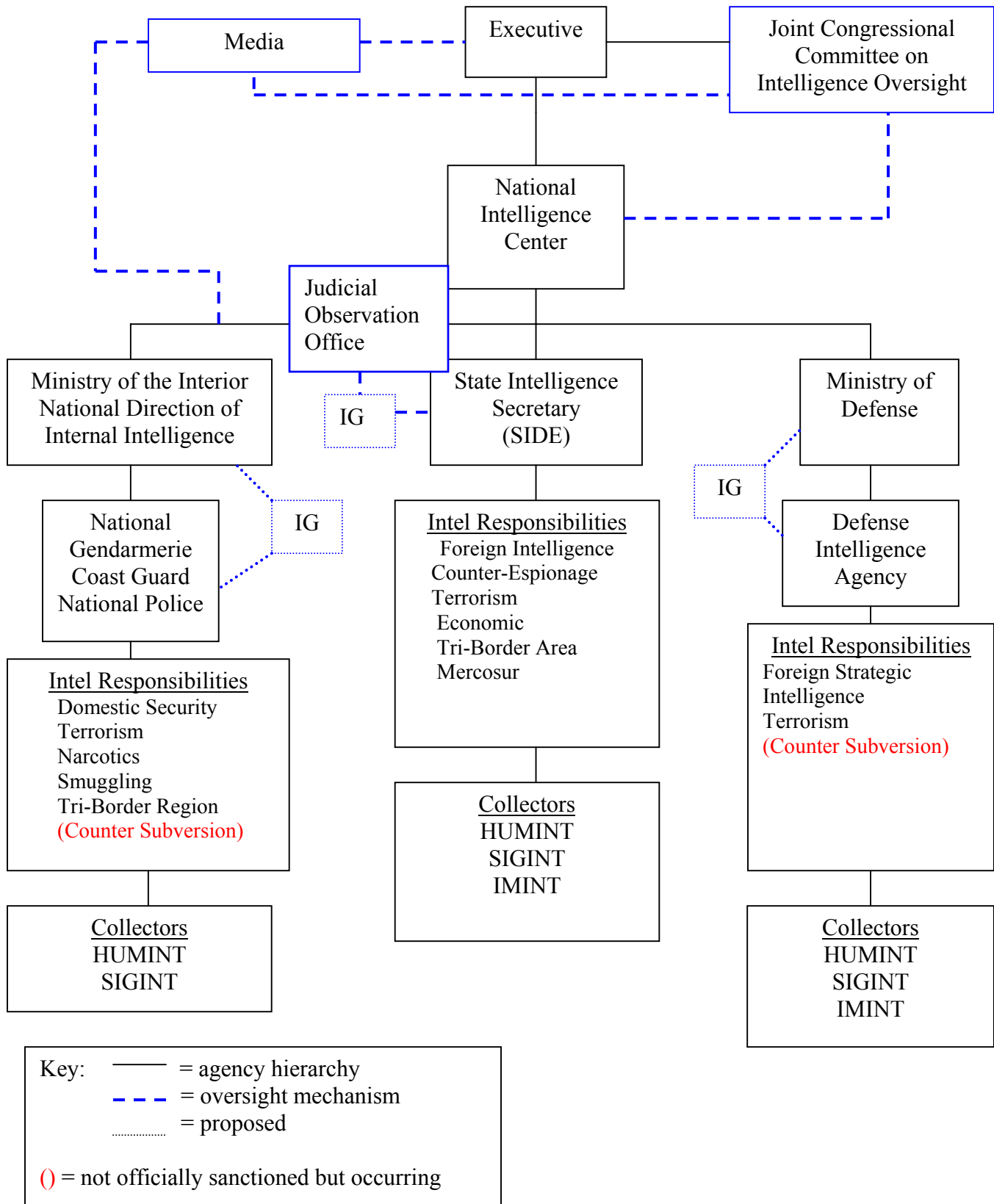


Figure 2. Argentine Intelligence Community Model

## B. BRAZIL

Brazil's transition to democracy differed significantly from Argentina. It was a slow process from 1974 to 1985 under a caretaker military regime that ensured the military's purview in domestic matters would remain intact. It also ensured that there were no radical changes in the military or security apparatus such as occurred in neighboring Argentina. This was due to the fact that the military retained its power, and still commanded the respect of the people, thus it controlled the transition to democracy. One indicator of this fact is time that it took to disband the security intelligence apparatus known as the SNI (National Information Service). This agency was a true regime police, and it was on the verge of becoming an independent security state. It was so powerful, that it continued to operate with virtual autonomy from the government for five years after democratization, to include political surveillance and even vetting bureaucratic appointments.<sup>75</sup> It was not until President Collor built a coalition of popular opposition to the agency, that the congress found enough courage to challenge and abolish it.<sup>76</sup>

The Brazilian Intelligence Community is primarily divided among the military intelligence agencies within the Ministry of Defense, and a civilian Brazilian Intelligence Agency (ABIN) under an Institutional Security Cabinet. Additionally, the Minister of Justice has a domestic intelligence capability within the National Police (see figure 3).

The ABIN is the successor to the old SNI, however with some significant changes and mandates. The most significant is its smaller size, and the fact it does not penetrate society like the old SNI that maintained branch offices in every public building and university, and had the authority to consider almost all aspects of Brazilian life issues of national security.<sup>77</sup> The Brazilian government has made a great deal of effort to sell the ABIN as a benign intelligence agency concerned with primarily external security interests, and counter-espionage. The first director evidences this in his statement when the ABIN was created that it should have a "deep ethical sense inherent to the production

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<sup>75</sup> Wendy Hunter, *Eroding Military Influence In Brazil: Politicians Against Soldiers* (Chapel Hill: University of North Carolina Press, 1997) pp. 55-56

<sup>76</sup> Ibid. p. 60

<sup>77</sup> Craig Arceneux, *Bounded Missions* (University Park: Pennsylvania State University Press, 2001) pp.145-146

of information and to full respect for democratic rules.”<sup>78</sup> Yet there have been complaints from Brazil’s Muslim community about the ABIN conducting inappropriate domestic surveillance.<sup>79</sup> Additionally, the director of the ABIN was dismissed by the Cardoso government for other domestic surveillance abuses to include surveillance on such organizations as *Greenpeace* and *Americas Watch*.<sup>80</sup> Thus it seems the Brazilian government is still struggling with control over its new civilian agency, as it tries to emerge from the shadow of the SNI.

The Brazilian military considers itself above internal security issues, with border security along the Amazon excepted. Brazil is a major world power, and therefore projects its military as such. Thus it is paradoxical that all of the service intelligence branches remain highly politicized and focused on internal surveillance. Cepik and Antunes note that this internal politicization has ranged from vetting their own officers in legitimate issues of corruption, to their naval intelligence actually investigating which congressmen would be more apt to support naval interests. Unfortunately the navy has gone even farther and is alleged to have conducted surveillance on the Landless People Movement (MST) to include infiltration even as late as 1997.<sup>81</sup> In 1999, all of the service branches came under a ministry of defense; however it remains unclear how successful the effort of redirecting military intelligence to appropriate military concerns has been. This is evidenced in the fact that the branch chiefs still direct their intelligence service collection priorities. A recent study by Jorge Zavarucha on the situation provides ample evidence that the Brazilian army is still conducting domestic surveillance of leftist groups, primarily the MST.<sup>82</sup> It also argues that oversight of the military intelligence apparatus is clearly ineffective. A story released by *Folha de Sao Paulo* reporting that

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<sup>78</sup> Priscila Antunes & Marco Cepik, *The New Brazilian Intelligence Law: An Institutional Assessment* (Based on findings from Ms. Antunes’ Masters Dissertation. Paper presented at the Naval Postgraduate School, October 2000) p. 18

<sup>79</sup> *EFE News Service* (excerpt from Lexis Nexis Database) (Sao Paulo) December 16, 2000

<sup>80</sup> *New York Times*, Dec 14<sup>th</sup> 2000

<sup>81</sup> *Ibid.* pp. 11-13

<sup>82</sup> Jorge Zavarucha, “Brazil’s New Old Order” from the *NACLA Report on the Americas* (Vol 35, No 4 January/February 2002) pp. 8-10

army intelligence documents were found alleging that it was still spying on domestic groups also supports this argument.<sup>83</sup>

Therefore in regard to internal oversight mechanisms, it is apparent that even if Inspector General positions exist within the agencies, they are likely to be figureheads. In regard to executive oversight, the President does have a cabinet on Institutional Security, which is in the ABIN's chain of command. The issue is complicated, and likely due to the military intelligence community having filled a vacuum during the absence of a central intelligence organization. This occurred between the disbandment of the SNI, and the formation of the ABIN. During this time it appears that military intelligence took on the role of internal security intelligence since no other agency existed with this responsibility. The problem is that the military intelligence community has not been given clear guidance as to what their intelligence mission is, and the ABIN has yet to assert itself as the central intelligence agency within Brazil. Thus clear roles and missions must be delineated; and oversight mechanisms must be installed to ensure that the appropriate agencies are conducting the appropriate types of intelligence. This will require congressional oversight.

Until quite recently, congressional oversight has been somewhat sporadic. Antunes and Cepik argue that legislators had been rather indifferent about intelligence oversight since democratization.<sup>84</sup> This is a common problem since intelligence oversight does not bring tangible benefits to a legislator's constituency. Initially policymakers were divided over disbanding the SNI.<sup>85</sup> Many had suffered under SNI, and opposition existed, but there was not a national outcry, as in Argentina, until Collor built the opposition and turned SNI excesses into a major policy issue as part of his platform. No separate Intelligence Oversight Committees were created, leaving this task to the Defense Committees in each house.<sup>86</sup> This is very problematic since defense matters would take precedence, and it poses a greater risk of co-option, especially in regard to overseeing the defense intelligence agencies. The latest intelligence law in 1999 proposed separate

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<sup>83</sup> *Jane's Intelligence Watch*, August 8, 2001 (<http://www4.janes.com>) accessed June 11, 2002

<sup>84</sup> Antunes and Cepik, p. 17

<sup>85</sup> Hunter, p. pp. 56-57

<sup>86</sup> Antunes and Cepik. p. 19



oversight committees, but experts feel it will be some time before these are ratified, due to poor congressional performance on intelligence issues in the past.<sup>87</sup> Others such as Zaverucha support this argument by showing that congressional oversight of the military has clearly failed.<sup>88</sup> In addition to oversight, Congress does not have a firm grasp on the budget. This was evidenced by the fact that when presented with a budgetary proposal for the ABIN, Congress did not know what amount was even sufficient for the agency to function.<sup>89</sup>

Judicial oversight was enacted, but the 1999 law has been criticized for being very vague in regard to what the intelligence community can actually do, or to whom the community is accountable. Secondly it does not even define the community very well. Finally it does not reinforce congressional oversight by clearly delineating supervision and reporting mechanisms.<sup>90</sup>

The media or public oversight mechanism seems fairly open. Liberal papers such as *Folha de Sao Paulo* are regularly covering stories of human rights issues and are openly critical of the government. Amnesty international also seems to have open access. As evidenced by the stories above, the media seems to be an effective “whistle blower” like that of Argentina. Even finding sources such as Zaverucha reinforce this fact. Though some may find issue with his objectivity on the subject, the fact that he can openly criticize his country’s intelligence community is important. This type of criticism would have been unheard of under the SNI. The problem stems from the fact that the government has been slow to enact any real meaningful reforms in the intelligence community besides dismissing directors. Even more interesting is the fact that when the ABIN was previewed in the media in 1996, the new director was very explicit in telling the public about the agency’s level of penetration in society stating that, “every instrument authorized by the courts will be used to keep the president informed, including wiretapping of phones, opening of personal mail, and infiltration of ABIN agents into

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<sup>87</sup> Ibid. p. 22

<sup>88</sup> Zaverucha, p. 8

<sup>89</sup> Antunes and Cepik, p. 22

<sup>90</sup> Ibid. p. 21

social movements such as the MST.”<sup>91</sup> This is very odd since the old director was fired by the president for disagreeing with the secretary-general’s view on the new agency of which he stated should not be conducting such operations as *wiretapping phones!*<sup>92</sup>

Up until November 2002, this would be an accurate picture of the Brazilian intelligence community. However recent progress has been made within the Congress to establish meaningful oversight of the intelligence community. The Naval Postgraduate School of Monterey, California’s Center For Civil Military Relations has been working with the Brazilian Congress to develop intelligence oversight committees.<sup>93</sup> This is a major step, and it is encouraging to know that Brazil acknowledges the shortcomings within its community, and the need for effective oversight mechanisms. Unfortunately this thesis is being written during this very important process, and the subject must be revisited to determine how effective this development within congress has been.

Brazil is going in the right direction toward the ideal type community model, but until these mechanisms are in place and working, oversight has not been effectively established. Thus, in relation to Keller’s classification the Brazilian intelligence community would be best described as a political police. Significant progress has been and continues to be made since the SNI was disbanded, but effective formal oversight mechanisms remain in development. It will be interesting to see what success the Brazilian Congress has, especially in regard to assigning pertinent missions to defense intelligence, and subordinating the community to civilian control with the help of an effective oversight committee. Ironically, the community would seem quite efficient due to all of its agencies’ high level of penetration within society, and lack of regulation. The question is that until these reforms are successfully completed, whether the community will experience an intelligence failure by focusing on subversive movements instead of more legitimate threats such as terrorists and narco-traffickers.

In relation to the ideal type model, Brazil has three main branches, with excellent collection capabilities but they are all more or less internally focused, thus affecting

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<sup>91</sup> *O Globo* (Rio de Janeiro) August 4, 1996

<sup>92</sup> *Agencia Estado* (Sao Paulo) March 22, 1996

<sup>93</sup> Author’s interview with Dr. Tom Bruneau, Director for the Center for Civil-Military Relations, November 13<sup>th</sup>, 2002.

overall efficiency. Brazil's intelligence infrastructure is modern and very capable. This is evidenced by the new SIVAM over the horizon surveillance radar being put into operation in the Amazon region. The problem is that the community as a whole needs to have its roles and missions properly defined and effective controls put into place to ensure agencies are responsive to government. Specifically this entails (1) establishing meaningful congressional oversight, and (2) giving the military intelligence community new direction and properly subordinating it under the minister of defense.

In the area of effectiveness, Brazil has recently developed a state-level approach to improve its collection and analytic capability. Federal money is being used to set up ten intelligence collection centers for state police within ten of its border states. This is to address what has been a chief criticism of the state level security forces: lack of information.<sup>94</sup> This seems to be a step in the right direction, since it decentralizes collection responsibilities, thus breaking up a huge task into smaller pieces. Additionally it is encouraging to see that these centers are under civilian control. What remains to be seen is how effectively these centers will be able to send up information for national analysis, and share information between other agencies both at state and federal levels.

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<sup>94</sup> Sao Paulo Valor (Sao Paulo) April 20, 2002 [FBIS database]

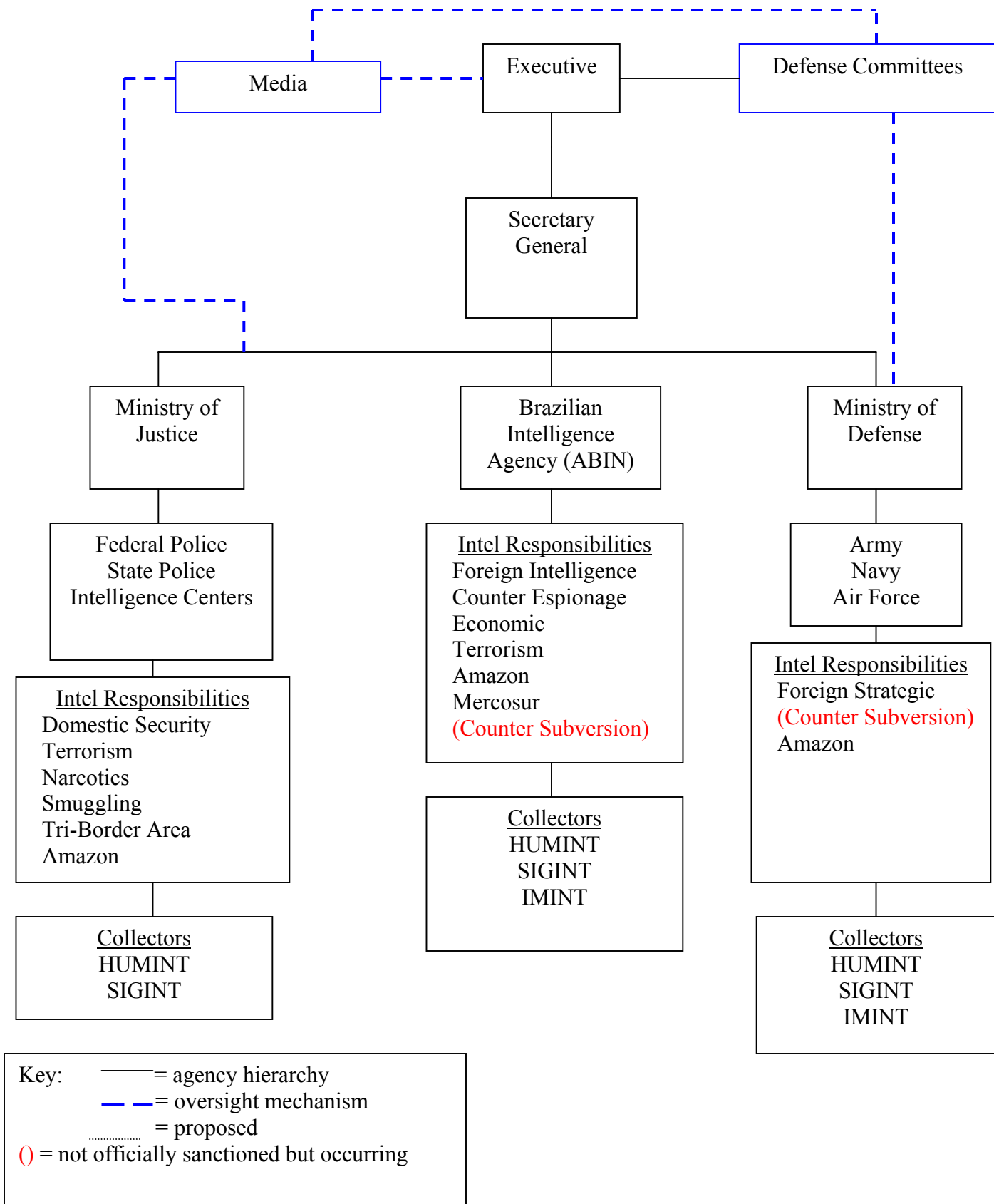


Figure 3. Brazilian Intelligence Community Model

### C. PARAGUAY

Paraguay has been the greatest challenge in the research. It was the last to democratize in 1989, and unlike Argentina and Brazil, which had corporate type authoritarian regimes; Paraguay was under the iron hand of a single dictator, General Alfredo Stroessner, from 1954-1989. Thus it was also the country under the longest uninterrupted period of authoritarian rule as well. This has led to great difficulty in finding information regarding Paraguay's intelligence community, and some of it is admittedly speculative. Paraguay's democratization has been very rocky. It is the least consolidated among the three, with a coup attempt resulting in the assassination of the vice president as late as 1999.<sup>95</sup> All branches of Paraguay's government are viewed as highly corrupt. President Macchi was nearly impeached for corruption in 2001, and it is common knowledge that criminals have been able to buy their way out of the judicial system.

Paraguay's intelligence community remains a bit of a mystery at this time (see figure 4). It is assumed that all branches of the military have their intelligence branches, but their capabilities and functions are probably quite limited in a military of only about 12,000 personnel. Secondly it is unclear as to how inwardly focused Paraguay's military intelligence is, but evidence suggests this is the case. A letter submitted by an army officer to human rights lawyer Martin Almada, alleges that the Paraguayan army was sharing lists of subversives with the Ecuadorean army, thus smacking of the type of intelligence information sharing during *Operation Condor*.<sup>96</sup>

The national police have a domestic intelligence branch. This organization has a long history as a regime police under the Stroessner dictatorship, in which much of the repression and human rights abuse can be attributed to this organization.<sup>97</sup> Thus it can be assumed its intelligence service was highly politicized.<sup>98</sup> Under democratization little evidence of reform has been seen, in regards to the national police apparatus. The

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<sup>95</sup> U.S. State Department, Bureau of Western Hemisphere Affairs (<http://www.state.gov/r/pa/ei/bgn/1841.htm>) p. 2 accessed May 15, 2002

<sup>96</sup> Inter Press Service (excerpt from Lexis Nexis database) (Rio de Janeiro) September 18, 2000

<sup>97</sup> Jane's, Security and Foreign Forces, Paraguay (<http://www4janes.com>) p. 2 accessed June 11, 2002

<sup>98</sup> *EFE News Service* (excerpt from Lexis Nexis database) (London) June 14, 2000

political situation still remains unstable. Part of the problem is that legitimate threats to the regime still exist. The recent coup attempt is still fresh in everyone's memory, and the Colorado political party maintains its own paramilitary militia. Though poorly armed, even by Paraguayan Army standards, their numbers are estimated to be about 100,000,<sup>99</sup> thus ten times the size of the national police, and nearly five times larger than the military and police combined.

Until recently, Paraguay also had a civilian state intelligence agency. It was known as the National Intelligence Secretariat or SNI, as in Brazil. However a recent report released by the government announced its intention to disband the agency due to lack of public trust in "national security agencies".<sup>100</sup> This was in the wake of a major scandal regarding the abduction of two left-wing activists by supposed vigilantes with ties to the government. The scandal resulted in the resignations of the ministers of the interior and of justice and labor, a combined post. Once again, impeachment proceedings against President Macchi were also discussed.<sup>101</sup> It remains unclear whether the police intelligence service will remain intact.

In relation to oversight, the only truly effective mechanism seems to be the media, which has been very open in Paraguay. Due to its vigilance, it has brought the government to task on several occasions. In relation to congressional oversight, no formal mechanisms seem to exist; yet there has been discussion of sending a bill to Congress to legislate how an intelligence agency should operate. This, at least is a step in the right direction. Additionally, legislators are not afraid to raise the debate in congress, and most importantly, the recent scandals have made intelligence oversight a policy issue of importance among lawmakers.

It is unrealistic to think that Paraguay with its highly volatile political situation will not have an intelligence community. Unfortunately until the government can get its house in order, and the high levels of corruption subdued, all services that are created will

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<sup>99</sup> Jane's p.2

<sup>100</sup> *EFE News Service* (excerpt from Lexis Nexis database) (Asuncion) February 5, 2002

<sup>101</sup> *Xinhua General News Service* (excerpt from Lexis Nexis database) (Buenos Aires) February 7, 2002

be political police at the very least, or will become even worse repression tools of the regime in power.

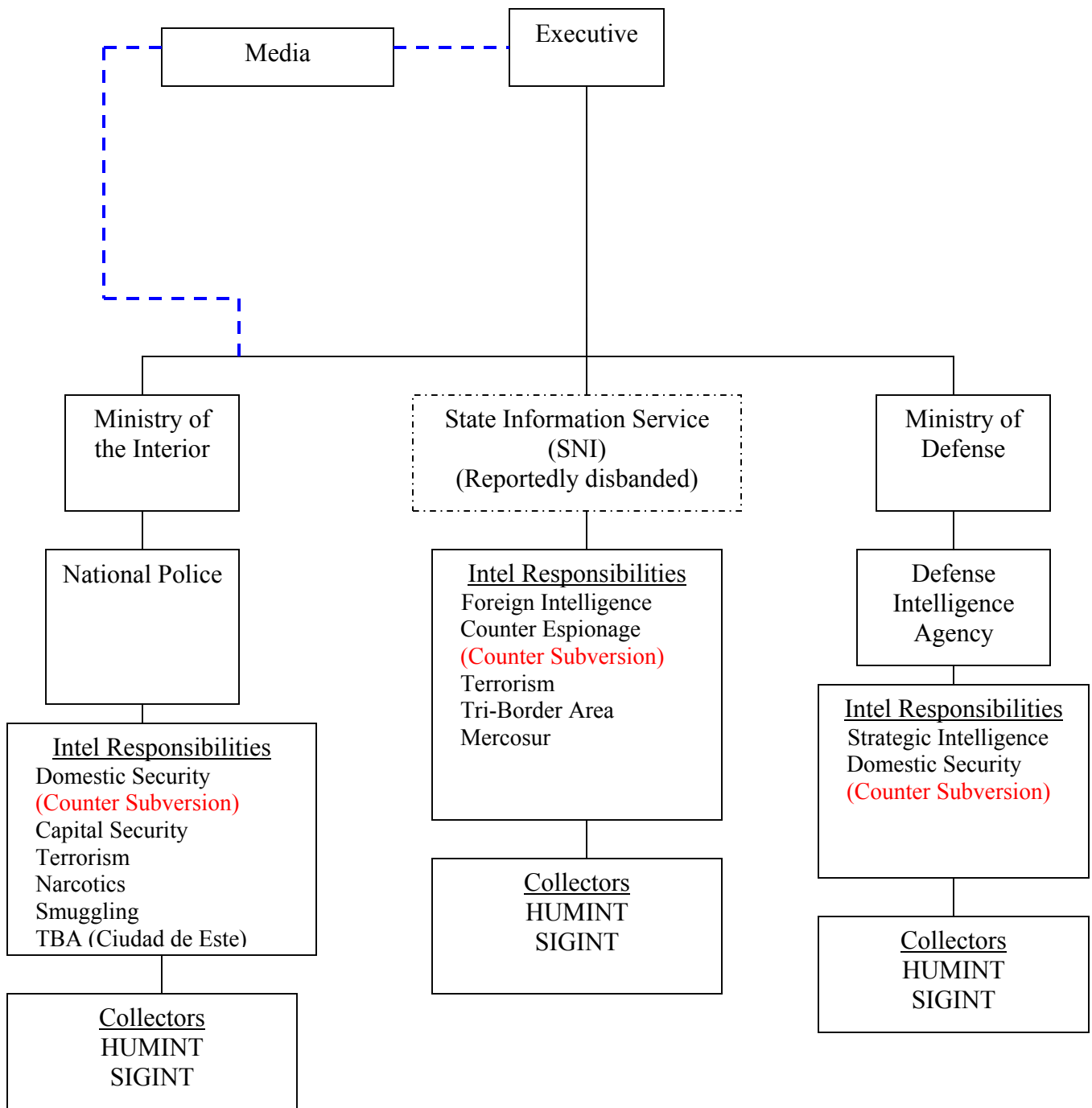
In relation to the ideal type model, Paraguay is the furthest from the mark. If the central intelligence agency was disbanded, it has no all-source analysis center of any real capability. The military intelligence is probably of an appropriate level for the country's armed forces, but most likely requires equipment modernization and better training. The domestic security intelligence system is most likely very highly politicized. This politicization has produced a lack of trust by other intelligence agencies within the region and hinders the sharing of information. Comments by the members of the Brazilian intelligence community in a recent interview regarding cooperation with other agencies in the Tri Border Area illustrate this point:

Agents of the Brazilian Intelligence system.... believe the Paraguayan intelligence service to be the most problematic, due to an explosive mixture: corruption among agents and a hurry to produce results. "It is hard to know if the content of the Paraguayans' information is true or just fiction" explains one Brazilian agent.<sup>102</sup>

Thus until Paraguay is able to make progress on the root cause of systemic corruption, its legitimacy will remain suspect.

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<sup>102</sup> Porto Alegre Zero Hora (Porto Alegre), 9 September 2002 [FBIS database]



Key: — = agency hierarchy  
 - - - = oversight mechanism  
 ..... = proposed  
 () = not officially sanctioned but occurring

Figure 4. Paraguayan Intelligence Community Model





Table 2. Summary of Agency Structures

Structure/ Country	Number of All-Source Agencies	Collection Capability	Financial Action Task Force Member (Certified by G8 Nations)	Clearly Defined Roles and Missions
Model	3 (Central, Defense, Domestic Security)	HUMINT, IMINT, SIGINT	Yes	Yes
Argentina	3 (SIDE, Defense, NDI)	HUMINT, SIGINT, IMINT	Yes	Yes
Brazil	2* (ABIN, Federal Police)	HUMINT, SIGINT, IMINT	Yes	No
Paraguay	0**	HUMINT, SIGINT	No	No

\*Defense intelligence was not included due to fact that Minister of Defense does not direct a coordinated intel effort among each branch of military.

\*\* Assumes defense has basic collection capabilities and central agency (SNI) was actually disbanded as reported.

#### **D. MULTILATERAL ORGANIZATIONS AND COOPERATIVE AGREEMENTS**

The next area to discuss is what organizations and agreements are in place within the Tri-Border Area to share intelligence information to combat terrorism, and what deficiencies exist within those organizations and agreements. The scope of this thesis includes the following multilateral organizations: The Organization of American States

(OAS), the Financial Action Task Force (FATF), the Inter-American Committee Against Terrorism (CICTE), and The Southern Cone Common Market (Mercosur).

### **1. Organization of American States (OAS)**

The OAS' most recent contribution toward gaining a consensus among its 34 members toward combating terrorism was arguably its most effective. Until recently, the OAS has been seen by some analysts as quite ineffective at mustering international cooperation and agreement among its members. Viron Vaky, Chairman of the Study Group on Western Hemispheric Governance in 1997 stated:

Currently the OAS does not have the capacity to play the kind of hub role we argue it should have—not for any intrinsic or organic reason, but because of the absence of political consensus among member governments about what the organization should be and what it should do.<sup>104</sup>

This has been due primarily to issues of nationalism, and concerns from major powers such as Brazil about being subjected to supranational controls and constraints. Additionally, the OAS has been subordinate to U.S. interests since its inception, thus the United States has not encouraged its development, especially to be a regional body that might offer policy independent of the United States. Finally, the member nations of the OAS have a long history of respecting national sovereignty above all things. This has made cooperative multilateral agreements problematic since most countries have strong reservations about interfering in a neighbor's internal affairs.

That being said, the OAS sponsored “Inter-American Convention Against Terrorism”<sup>105</sup> has been a significant step in the right direction. First, it includes all of the UN anti-terrorism conventions, to include the most recent and most controversial, that of suppressing the financing of terrorist activities. The convention not only spells out what a signer of this treaty is obligated to do to combat terrorism, it also gives clear standards

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<sup>104</sup> Vaky, Viron “The Inter-American Agenda and Multilateral Governance: The Organization of American States” (Washington D.C. April 1997) p. 1

<sup>105</sup> Inter-American Convention Against Terrorism 3 June 2002. Available [Online] [http://www.oas.org/xxxiiiga/english/docs\\_en/docs\\_items/Agres1840\\_02.htm](http://www.oas.org/xxxiiiga/english/docs_en/docs_items/Agres1840_02.htm) accessed July 8, 2002

as to what a country must do to effectively perform these functions. For example, it explicitly states in Article 4 that each nation will establish financial intelligence units to better track money flows and stem those flows from terrorist organizations. It also appoints the South American Financial Action Task Force as the regional organization to ensure states are both compliant, and have adequate systems in place to monitor and interdict these flows. Argentina, Brazil, and Paraguay are among the nations who have signed this agreement, however, neighboring Uruguay has not due to concerns over its banking secrecy laws. This convention is an excellent start that gives participating nations a common standard of expectations toward combating terrorism. Its weakness is it lacks language on sharing intelligence information. Article 8 simply mentions that states need to cooperate and establish channels of communication to facilitate information exchanges. No organization or agency is appointed to coordinate or facilitate the collection and exchange of information beyond national levels.

## **2. Inter-American Committee Against Terrorism (CICTE)**

This is a committee within the OAS that was established at the Mar Del Plata Conference on Terrorism in 1998. Its purpose is to foster greater cooperation among member nations to combat terrorism, specifically in the areas of information exchange, border, and financial controls.<sup>106</sup> It is primarily a forum to hold meetings on international terrorism develop better regional cooperation initiatives, and to determine issues that might hinder cooperation, and find solutions to overcome those issues. One concrete goal is to establish an Inter-American Terrorism Database. This database is a good step to help nations share open source intelligence that has been collected, but is no substitute for a true intelligence analysis center, that can collect information on transnational threats from countries, process and analyze it, and provide a good regional picture that will allow countries to be more proactive in combating terrorist threats.

The strength of this committee is it meets annually to push forward antiterrorism legislation adopted by the OAS. This is important, since it was previously noted that though the OAS has had success in developing inter American cooperative treaties, and

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<sup>106</sup> CICTE website. Available [Online] <http://www.cicte.oas.org> accessed February 28, 2002

agreements on terrorism and sharing information, implementation of these agreements tends to linger due to the OAS concern for national sovereignty and its hesitation to be adopted as a more forceful instrument in ensuring countries comply with the agreements adopted. Thus the CICTE is a good forum for specific countries to raise concerns about terrorism issues they are facing, and to ask for support and assistance in combating terrorism.

The CICTE is focused on hemispheric initiatives, such as its database development initiative. This is good for some issues, but it may also be problematic, and sacrifice effectiveness at this level. A good example is Mexico signing the Inter-American Convention Against Terrorism with a caveat for the right to asylum of political prisoners.<sup>107</sup> This means that Mexico will decide issues of extradition on a case-by-case basis, and therefore may not extradite wanted terrorists. Another example is Uruguay not signing the convention due to financial secrecy concerns as mentioned above. Thus one can get a “watered down” resolution by trying to include all of the players at a certain level. These examples reinforce the argument for building the cooperative agreement, and especially the mechanisms to facilitate that cooperation at the regional level. The issue then becomes trading off multilateral inclusion for effective cooperation, and finding the right mix of both. This issue will be examined in greater detail in Chapter Four.

In sum, the CICTE is a good hemispheric forum for countries to raise issues regarding terrorism, propose legislation on terrorism, and seek advice and assistance from other countries. Its limitations are in building actual mechanisms to share information and directly combat terrorism, due to the varying perceptions about the terrorist threats within the hemisphere, and attitudes towards cooperation.

### **3. Financial Action Task Force (FATF)**

The regional FATF for South America is a branch of the original FATF that evolved from the G7 summit in Paris in 1989. It goes by the acronym GAFISUD. It is

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<sup>107</sup> Inter-American Convention Against Terrorism, see Declarations, Reservations, Renunciations, and Withdrawals.

headquartered in Buenos Aires, and its membership is Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay, Peru, and Uruguay. Argentina and Brazil are the only members of the primary FATF, and have thus received certification by other members as effective states that have systems in place to combat money laundering, including financial intelligence networks.<sup>108</sup> Based on these evaluations both Argentina and Brazil were considered to have good legislation and capable agencies in place to track money laundering.

Two issues of concern exist. The first is this FATF certification seems geared towards narcotics money laundering. Brazil has been very cooperative, even despite banking secrecy laws, however the Brazilian government may be much less willing to track money flows of Muslim or Islamic organizations due to its large, and well integrated Middle Eastern population. This type of activity could trigger schisms within this ethnic population, something that the Brazilian government is very sensitive to. This issue is discussed in further detail in Chapter IV. The second issue is that Paraguay is not a member of the original FATF nations, and has not received the same certification as Argentina and Brazil from a parent agency or group of peers. Thus the country where most of the money laundering in the area occurs, and according to some sources equals its Gross Domestic Product of \$8 billion,<sup>109</sup> remains below the capabilities of its neighbors in tracking and preventing it. This needs to be the primary task of GAFISUD, to bring countries like Paraguay and Uruguay to the same level of capability as the major regional partners such as Argentina, Brazil, and Chile. This will require external funding; something that Argentina is incapable of at present, and Brazil probably unwilling to do.

In addition to increasing a country's ability to track money laundering, transparency in general must increase. A good report card is *Transparency International's* "Corruption Perception Index" (CPI).<sup>110</sup> This organization conducts surveys that provide indicators on how corrupt people perceive their governments to be,

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<sup>108</sup> Financial Action Task Force website. Available [Online] [http://www1.oecd.org/fatf/Members\\_en.htm](http://www1.oecd.org/fatf/Members_en.htm) accessed July 8, 2002

<sup>109</sup> *Deutsche Presse-Argentur*, October 2, 2001 [Lexis Nexis Database]

<sup>110</sup> Transparency International Corruption Perceptions Index 2002, available [Online] <http://www.transparency.org/cpi/2002/cpi2002.en.html> accessed August 28, 2002

and gives that country a numerical ranking. Since corruption is a major obstacle to thwarting terrorism financing, a regional organization such as GAFISUD should use the CPI as a stick to get a country to improve its corruption levels. An example of this is if a country is perceived as very corrupt, and has a history of money laundering, the GAFISUD could set annual targets for the country to meet based on the CPI. If those targets are not met, it may affect IMF loans, and other aid the country seeks from the international community.

#### **4. The Southern Cone Common Market (Mercosur)**

Mercosur developed as a regional financial market to compete with other world financial markets such as the North American Free Trade Agreement (NAFTA). The member countries are Argentina, Brazil, Paraguay, and Uruguay who form the bloc nations. Chile and Bolivia are associate members. This thesis argues that Mercosur has the potential to fill a crucial gap in South America's ability to combat terrorism; at least in regards to economic intelligence. Mercosur emergence as a regional intelligence collection and analysis agency would give the countries in the Tri-Border Area the multilateral intelligence information sharing that is required to effectively attack terrorist money laundering organizations. The fact that it is a financial organization, and not a military intelligence network supports the argument that the intelligence organization should be civilian in nature. Also its financial background makes it most suitable for the threat that it faces. As was established in Chapter I, money laundering and financing organizations such as Hezbollah have been the primary terrorist activities within the region.

The fact is Mercosur is already well on its way to becoming a regional intelligence information sharing center for its member countries. In June of 2000, the Mercosur bloc countries decided to create a shared intelligence network. *Estado de Sao Paulo* noted it was formed initially as a police information sharing venture, to include identity cards to better control border traffic in the Tri-Border Area.<sup>111</sup> This initial formation had difficulties when Argentina wanted to also include information sharing on

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<sup>111</sup> *Agence France Presse*, June 8, 2000 [Lexis Nexis]

terrorists.<sup>112</sup> Other member countries were concerned this could lead to abuses, such as sharing information for political purposes. This concern came in light of distant memories of the last time these countries conducted an intelligence information-sharing venture, the infamous *Operation Condor*. Brazil even conducted some of the discussions secretly due to concerns public reaction over this type of an agency. Therefore, it seems that concern for the proper handling and use of the information generated by a Mercosur intelligence information service would seem to be a priority among all of the member countries, which is a reassuring sign. This is a significant change in the attitudes of all of these governments from even fifteen years ago.

Two key questions regarding Mercosur's role as an intelligence center exist. First how receptive are member countries to this plan, and will their cooperation with and subordination to this agency in regard to security issues be accepted by their policymakers? Second, does this role include a comprehensive multilateral plan that shares economic intelligence?

In answer to the first question, all member countries have signed the agreement. Thus, it seems there is a commitment to share information on terrorism, at least through Mercosur by all of the countries within the Tri-Border Area, though they cannot agree on what level of terrorism exists and the exact nature of the terrorist threat. The two key players in the region, Argentina and Brazil even renewed their commitment to share information on terrorism as recently as last October. President De la Rúa of Argentina specifically stated that part of his agenda with President Cardoso was to "look into integrating their military and intelligence capabilities to combat terrorism and improve regional security."<sup>113</sup> Argentina is very receptive toward sharing information within Mercosur, and is supportive of its role as multilateral security cooperative body.<sup>114</sup> In December, 2001 a Mercosur security group was formed under a security coordinator to coordinate antiterrorist efforts within the region. It consists of two groups: a Special

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<sup>112</sup> *O Estado de Sao Paulo*, June 7, 2000 [Lexis Nexis]

<sup>113</sup> *EFE News Service*, October 8, 2001 [Lexis Nexis]

<sup>114</sup> Comments from Ms. Marcela Donaldo of Argentina's Ser2000 received by the author via email on September 10, 2002. (Ser2000 is a legislative committee within Argentina that focuses on intelligence policy issues)



Work Group (GTE) and Permanent Work Group (GTP) too coordinate antiterrorism efforts. The GTE will be a political body and consist of deputy interior ministers from each Mercosur country to include associate members. The GTP will be a permanent task force consisting of intelligence officers from each country.<sup>115</sup>

In answer to the second question, it still remains to be seen how this new working group will operate. Since Mercosur is first and foremost an economic forum, economic intelligence should naturally be a high priority. The issues will be what can individual countries be able to contribute based on their economic intelligence capabilities, and how will issues such as banking secrecy laws affect what they bring to the table. Also there will be the issue of these countries totally divergent opinions on what, if any terrorist threat within the region exists. These opinions and attitudes will be explored in greater detail in Chapter IV.

In conclusion, the intelligence communities of Argentina, Brazil, and Paraguay are all at different levels of capability, politicization, and oversight (see tables 1 and 2). As the United States government deals with each country in an effort to foster greater cooperation in fighting international terrorism, these issues need to be kept in mind. First, policy needs to be carefully presented to ensure that intelligence assistance and cooperative efforts don't simply help a country rebuild its regime police, as could easily be the case with Paraguay. Second it needs to ensure the proper agencies are doing the mission. For instance, with Brazil's long history of politicized military intelligence, counter-terrorism assistance should be a civilian police issue, thus supporting a leading expert's opinion in the field.<sup>116</sup> This is especially true since there is no evidence of high levels of terrorist activity in that country yet. The same strategy applies for Argentina. Thus cooperative bilateral efforts may be reached with the countries and genuine progress against terrorism can be made, while respect for democratic oversight is also maintained, or even improved.

The next area to consider is the role the existing multilateral agencies can play in the war on terrorism, and how they can be improved or better incorporated to help the

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<sup>115</sup> *EFE News Service*, December 1, 2001 [Global NewsBank]

<sup>116</sup> Paul Wilkinson, *Terrorism vs. Democracy: The Liberal State Response* (London: Cass 2000) pp. 102-105

both regionally and internationally. The last thing that needs to occur is to stand up another bureaucracy within these Latin American governments. As this chapter has indicated, Mercosur is probably the best organization to form the basis of a multilateral economic intelligence center within the region. The issue will be how the United States can assist this effort, and also benefit from the intelligence information it generates.

#### **IV. UNITED STATES POLICY IN THE TRI-BORDER AREA**

The previous chapter outlined the deficiencies within each country's intelligence community in comparison to the "ideal type" community model. It argued that information sharing between states is hindered by both the capabilities and the attitudes of each country involved. Thus the question posed in this chapter is how has United States assistance and policy towards each country improved or hindered that country's development toward an ideal type intelligence community model? This chapter examines current United States' policy toward countries within the Tri-Border Area to determine if any specific initiatives are offered to improve intelligence networks and information sharing. Also, receptiveness by each country toward U.S. policy and assistance is examined. This chapter argues that very little has been done toward building a multilateral cooperative effort to share intelligence, and that most of the assistance has been military aid to the armed forces and national police to directly address a current crisis such as terrorists and drug traffickers. This assistance has had little foresight and does not address the underlying problem, but primarily the symptoms. An analogy would be giving cough medicine to a person suffering from tuberculosis.

The argument is from the standpoint that intelligence assistance should be civilian in nature. The emerging terrorist threat is not nearly as significant as in Colombia, for instance, and should be dealt with as an internal security matter. United States policy therefore should be to improve intelligence communities within Latin America in both effectiveness and oversight. This will establish standards of conduct and ability through increased professionalization. In turn, this professionalization improves trust among different communities and facilitates greater mutual cooperation in sharing intelligence, thus increasing regional cooperation. The paper also argues that defense-related assistance does not necessarily have negative consequences, as long as it is for military professionalization; and not an attempt to co-opt South American militaries into an internally focused domestic security role. This is a gray area and can quickly go down a "slippery slope" and must be closely managed. For a country like Paraguay, this could spell disaster for its troubled democracy. However, benefits may be gained if through

defense assistance other inroads can be made such as improving civilian infrastructure, and improving civilian control of the state security apparatus.

Regarding U.S. aid and foreign policy, this chapter argues from the standpoint that Argentina has been quite receptive to U.S. assistance, and there has been success in bilateral intelligence sharing. Yet current economic policy toward Argentina has significantly reduced U.S. popularity, which may impede future cooperation. In regard to Brazil, the chapter argues that it has received the least amount of U.S. assistance of the three countries studied, and that Brazil's policies remain largely independent of U.S. assistance influence. Also, Brazil remains cautious toward U.S. policy with concerns that it might be trying to exercise hegemony within the region. Finally, it will examine U.S. policy and Paraguay. The thesis will argue that Paraguay remains the weakest link in the coalition, and U.S. aid has not really addressed Paraguay's systemic problems such as weak government and rampant corruption.

The chapter will conclude with an examination of the National Guard State Partnership Program and Paraguay. Paraguay is the only State Partnership Program participant in the region. It argues that the program is not suited to directly improve Paraguay's ability to gather and share intelligence, but should focus on its primary role of civilian agency engagement. Thus by improving Paraguay's political, economic and social stability, it will make the country a more effective coalition partner with Argentina and Brazil.

## **A. ARGENTINA**

Argentina has been the most cooperative country in sharing intelligence information with the United States regarding the Tri-Border Area. The best example is the fact that shared intelligence information between Argentine and U.S. agencies was decisive in stopping an attempt to bomb the U.S. Embassy in Asuncion, Paraguay.<sup>117</sup> In 1999 the Argentine Minister of the Interior and director of the Federal Bureau of Investigation signed a counter terrorism agreement under a Justice Department initiative that included counter terrorism training for Argentine Police and Coast Guard agencies,

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<sup>117</sup> *Wall Street Journal* (New York) Nov 16, 2001, p. A10

and building a joint database.<sup>118</sup> The U.S. State Department was part of this proactive measure, as then Secretary of State Madeline Albright commented on its progress during a press conference at the time the agreement was signed. Even more significant was a meeting with the director of the Central Intelligence Agency and his Argentine counterpart, director of the Secretariat for State Intelligence (SIDE). Thus the top civilian intelligence agencies were also meeting to discuss counter terrorism issues. As a bilateral agreement this sounded very promising because it showed that Argentina was both concerned about the emerging threat of terrorism, and was addressing it as a domestic security issue within the civilian realm. This agreement also provided an excellent opportunity to deepen bilateral cooperation through training and joint exercises.

However in 2001, a report from *La Nacion* stated that cooperation between the CIA and SIDE was suspended due to diplomatic problems.<sup>119</sup> Part of the reason for the falling out between the CIA and SIDE was resentment on the part of the SIDE against the CIA's insistence that SIDE agents spy on the Russian embassy in Buenos Aires as part of their counter terrorism agreement.<sup>120</sup> There were also accusations by the CIA that SIDE agents were shadowing their agents. The bottom line is a lack of trust has developed between both agencies, and this will be hard to overcome.

According to an interview with an Argentina analyst at the Defense Intelligence Agency though, cooperation with Argentine agencies still occurs.<sup>121</sup> The emerging problem is more the fact that Argentine agencies are becoming internally focused on problems of domestic unrest due to the country's financial solvency.<sup>122</sup> Thus even though sources are available, there was not a great deal of information on terrorist activity within the Tri-Border Area to be gleaned, since it has become less of a priority with Argentina in its current crisis. An article in *Buenos Aires Economico* from 2001 confirmed this assessment when it noted at that time SIDE has been monitoring at least

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<sup>118</sup> *Global NewsBank*, excerpt from Telam News Agency (Buenos Aires) January 13<sup>th</sup> 1999

<sup>119</sup> *EFE News Service* [Lexis Nexis database] (Buenos Aires) May 10, 2001

<sup>120</sup> *La Nacion* (Buenos Aires) May 10, 2001 [FBIS database]; *La Nacion* (Buenos Aires) May 13, 2001 [FBIS database]

<sup>121</sup> Defense Intelligence Agency Argentina Desk Officer. Interview by author at DIA in Washington D.C. 21 May 2002.

<sup>122</sup> *Ibid.*

110 potential domestic conflict situations within the country.<sup>123</sup> Since then the situation has worsened, and one can imagine this effort has probably intensified.

Department of Defense initiatives with Argentina have been effective in building a good working relationship with the United States. In regard to military aid, Argentina has received equipment that has been primarily focused on its regular forces external missions, with emphasis on peacekeeping.<sup>124</sup> This aid has been enhanced significantly with Argentina's designation as a "major non-NATO ally". One can argue that through military cooperation and aid, the United States has both deepened Argentina's democracy, and made Argentina very receptive to other areas of cooperation, such as counter-terrorism initiatives. Argentina has been a staunch supporter of U.S. counter-terrorism aid within the Southern Cone, even at the expense of being seen as too closely aligned with U.S. policy by other regional powers, such as Brazil.

Therefore good bilateral cooperation should remain open to the United States such as when the plot to bomb the U.S. embassy in Asuncion was foiled. Also, these initiatives reinforce democracy in Argentina. By improving military capabilities, Argentine forces remain externally focused, and pose less of a threat to democracy. This is evidenced in the fact that they have remained in the barracks throughout the country's economic crisis. Another indicator of roles and missions becoming more clearly defined is the disbandment of Military Intelligence Battalion 601, which had a notorious reputation in the Dirty War for its role in domestic security intelligence.<sup>125</sup>

State Department and Department of Defense assistance toward Argentina has been positive with what looks like a separation of civilian and military training programs geared at internal and external missions respectively. However the State Department has been pushing for a greater role for the military to participate in internally focused missions such as counter-narcotics.<sup>126</sup> The Argentine military's viewpoint on internal missions seems mixed. Their recent activities in peacekeeping operations in the last

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<sup>123</sup> *Buenos Aires Economico*, June 21, 2001 [FBIS database]

<sup>124</sup> *Argentina Country Snapshot* [CIP Online database] (<http://www.ciponline.org/facts/ar.htm>) accessed May 10, 2002

<sup>125</sup> *Telam News Agency*, February 15, 2000 [FBIS database]

<sup>126</sup> *Ibid.*

decade indicate an external focus. This was also reinforced in a survey where nearly 76% of Argentine military officers who were polled recently stated that internal security missions such as counter narcotics should not be a role for the armed forces.<sup>127</sup> However, in a recent conference on terrorism in the Tri-Border Area sponsored by the Woodrow Wilson Center's Latin American Program, Argentina sent a very different message. All three nations (Argentina, Brazil, and Paraguay) attended, yet Argentina was the only one that sent a military officer as its representative and spokesman to give the opening remarks. General Julio Hang, Commanding III Corps of the Argentine Army made his feelings clear at the conference when he stated that the police in Argentina were incapable of fighting terrorism alone, and that the military would have a role.<sup>128</sup> Hang's comments seem odd based on the fact that as stated in Chapter III, Argentina maintains a National Gendarmerie and Federal Police force with a domestic intelligence branch. Both have missions of domestic security and border policing, and the National Gendarmerie clearly mentions a counter-terrorism role in its mission statement.<sup>129</sup>

Thus the issue is whether Hang truly believes the national security forces within his country are not capable of policing terrorism or he is "shopping" for missions for the Army in an ever fiscally constrained environment. It is interesting to note that the policy analyst interviewed, Argentine Rut Diamint, from the Universidad Torcuato di Tella in Buenos Aires had a different view. She argued that in Argentina, the divisions between the roles of the military and police are still not clear enough, and in the fight against terrorism these roles must be made very clear, to include transparent funding of their separate missions.<sup>130</sup>

Michael Desch supports her argument that a lack of resources should not be an excuse to blur the roles of the military and security forces in internal missions. He argues

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<sup>127</sup> Frank Mora, "Victims of the Balloon Effect: Drug Trafficking and U.S. policy in Brazil and the Southern Cone of Latin America" from *The Journal of Social, Political and Economic Studies* (Washington: Summer 1996) p. 4

<sup>128</sup> Heather Golding, "Terrorism and the Triple Frontier", *Creating Community* A Publication of the Woodrow Wilson International Center for Scholars Latin American Program (Washington: April 2002) No. 4, p. 1

<sup>129</sup> Argentine National Gendarmerie Website:  
<http://www.gendarmeria.gov.ar/ingles/texto/indiceing.htm> accessed February 5, 2002

<sup>130</sup> Golding, p. 2

that developing states need to clearly divide the coercive power of the state between their military and security forces, and ensure the roles of those forces remain separate, and clearly defined. He goes on to point out that this arrangement can also provide a check against the monopoly of coercive power within the state by one organization.<sup>131</sup> This thesis argues that in the case of Argentina, which has a very capable domestic security apparatus, counter-terrorism intelligence operations should be civilian, and military intelligence should remain externally focused at the strategic level. Thus U.S. counter terrorism assistance should be directed toward the Ministry of Interior and SIDE.

This line of argument may seem hypocritical coming from a nation that has heavily involved its military in the war on terrorism. However, the majority of that military involvement has been combating terrorism in an expeditionary fashion overseas, thus it is not an internal security matter. Within the United States, the debate is currently raging over the roles of Regular vs. National Guard forces involved in internal security. This is a healthy sign for a democracy, and one hopes this debate will also continue in Argentina.

Generally, Argentina has been quite receptive to United States foreign policy initiatives, and can be regarded as a reliable, cooperative partner in the war on terrorism. Argentina's financial problems may hinder this cooperative effort as it continues to look inward toward domestic problems though. In regard to this crisis, the United States needs to be careful in its economic policy with Argentina. Though Argentina bears overall responsibility for its current financial crisis, U.S. economic policy toward the country has been clearly inconsistent. This is evidenced in the fact that while the U.S. led International Monetary Fund (IMF) has withheld loans to Argentina due to poor fiscal management, it continues to supply monetary aid to Turkey, which evidence shows has an even worse fiscal policy.<sup>132</sup> The reason for this is suspected to be Turkey's value in the "war on terror" in Central Asia. This could set a dangerous precedent with one of our closest allies in the region. This problem was further exacerbated by Treasury Secretary O'Neil's statement that checks should be in place to ensure that assistance money does

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<sup>131</sup> Desch, p. 122

<sup>132</sup> *Washington Post* (Washington, D.C.) March 5, 2002; *The New York Times* (New York) December 25, 2001



not end up in Swiss bank accounts.<sup>133</sup> Shortsighted statements such as this may have further strained relations and possibly hurt bilateral cooperation on initiatives, such as intelligence sharing. A recent poll indicated that only 38% of Argentine respondents have a positive image of the United States.<sup>134</sup>

In sum, Argentina's domestic security intelligence capability within both the SIDE and the Ministry of the Interior is where United States' cooperation and assistance is still needed. This is for two reasons. First, Argentina has the internal security infrastructure to handle terrorism as a police matter. The threat has not manifested itself within the country that it threatens the national government, and therefore is not a military matter. Second, though, they were able to help the United States avert a tragedy in Asuncion; Argentine intelligence suffered two major failures on its own soil with the Israeli community center and embassy bombings. Therefore efforts in improving information sharing across agencies, and increasing domestic intelligence capabilities in the areas of analysis and dissemination should be major U.S. policy priorities. In addition to improving capabilities, Argentina needs to ensure it is focused on the appropriate threat. As mentioned in the previous chapter, Argentina still struggles with selecting appropriate targets for surveillance within its domestic intelligence community. Thus Argentina is a case where installing appropriate and effective internal oversight mechanisms will not only improve civilian control, but should also increase efficiency by ensuring targets that are truly in the national interest are being identified by the intelligence community.

## **B. BRAZIL**

Initiatives with Brazil have been less productive than with Argentina. Prior to discussing policy directly related to counter-terrorism or intelligence assistance, it will be beneficial to discuss general policy issues to better understand Brazilian attitudes toward the United States.

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<sup>133</sup> *The Financial Times* (London), August 1, 2002 p. 15

<sup>134</sup> *Miami Herald*, August 18, 2002 [Lexis Nexis]

The United States and Brazil generally have a good relationship, however different perspectives on policy tend to produce clashes from time to time. Brazil is strongly nationalistic and is the dominant military and economic power in Latin America. An example of this is that it remains the only country besides the United States in the hemisphere that maintains a carrier battle group in its navy, and is looking to significantly modernize its air force to be on par with any NATO country. Brazil is the largest economy in Latin America, and tenth largest in the world. Brazil tends to regard the United States as a regional hegemon, which wants to dominate other countries within the hemisphere. This perception has been fortified by the United States' long history of intervention in the domestic politics of many Latin American countries during the twentieth century. Unfortunately, the United States continues to reinforce this perception even to day by its actions.

The best example of myopic foreign policy by the United States toward Brazil was when it tried to dictate to Brazil how it could spend U.S. dollars received as rent for the use of the Brazilian space launch facility at Alcantara. The United States did not want the money it paid to be reinvested into Brazilian space technology, though it acknowledges there was really no way to enforce this restriction.<sup>135</sup> Thus Brazil sees the United States trying to dictate how it can spend money that it received for the use of its facility on its own soil. Brazil also does not support the United States' unilateral embargo on Cuba. Recent efforts by the United States to get an anti-Cuban resolution submitted "in absentia" by exerting its influence on other Latin American countries to influence their vote at the UN Human Rights Commission (at the time the United States was not a voting member on the commission) was flatly rejected and criticized by Brazil.<sup>136</sup> This type of action by the United States also tends to lend credence to suspicions of continued U.S. hegemonic dominance in the hemisphere, and helps explain why multilateral cooperative efforts in South America that involve the United States are generally viewed with suspicion by Brazil.<sup>137</sup>

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<sup>135</sup> *The New York Times* (New York) September 12, 2001 p. B3

<sup>136</sup> *Sao Paulo O Estado de Sao Paulo* (Sao Paulo) 11 April 2002

<sup>137</sup> David Pion-Berlin, "Will Soldiers Follow? Economic Integration and Regional Security in the Southern Cone" from the *Journal of Inter-American Studies and World Affairs* vol 42 issue 1, p. 53

The most problematic foreign policy issue between Brazil and the United States is the Amazon. This dilemma is due to the fact that the United States along with much of the international community, and environmental organizations feel that Brazil should be doing more to preserve the rain forest as a vital part of the world's ecosystem. The argument has merit since Brazil has allowed a great deal of deforestation to occur, but it has become more responsive recently to both environmental concerns, and preserving territory for indigenous peoples within the region. Brazil is very protective over the sovereignty of the Amazon region and is highly sensitive to any policy initiatives that suggest relinquishing this sovereignty in any way to international control in the interests of ecological preservation. This "ticklishness" over national sovereignty was exhibited recently at the 2002 Earth Summit in Johannesburg, South Africa. Brazil voted strongly to maintain the status quo regarding issues in the region.<sup>138</sup> There is even speculation that many Brazilians see the United States as wanting to subvert control over the Amazon for its own gain. A recently fabricated map that appeared on the internet renewed these suspicions among many Brazilians. A high school history teacher in Brazil was even quoted as saying, "The map may be a falsification, but that the United States covets the Amazon and wants to eliminate Brazil's sovereignty is beyond dispute." He was also cited as emphasizing this message to students "whenever the opportunity arises."<sup>139</sup>

This extremely high level of concern over Amazonian sovereignty may have an adverse affect on information sharing with the United States. General Alberto Cardoso, The Brazilian National Security Advisor's quote in a recent speech regarding the new SIVAM radar surveillance system stated, "Brazil is not selfish" and would share intelligence information produced by the system with its neighbors.<sup>140</sup> However when queried about sharing intelligence from SIVAM with the United States, the project director, General Quirico, stated that intelligence sharing only applied to countries that share the Amazon region, and that information passed to other countries would "be a

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<sup>138</sup> *Agence France Press* (Rio De Janeiro) [Lexis Nexis database] August 21, 2002

<sup>139</sup> *The New York Times* (New York) June 23, 2002 (Week in Review sec 4, p. 4)

<sup>140</sup> *The New York Times* (New York) July 27, 2002 p. A1

matter for the foreign ministry to consider.”<sup>141</sup> Though SIVAM was developed with U.S. technology, it was strictly a commercial venture, and not part of an assistance package, thus there it has no influence in sharing Brazilian intelligence. Brazil does not need “hand-outs” from the United States. Trust must be deepened through policy initiatives that demonstrate to Brazil that the United States is not simply looking to advance its own agendas within the hemisphere.

Apart from the issues of SIVAM, recent bi-lateral cooperation between the countries has intensified, through efforts by the State Department. This is evidenced in Brazil receiving training through the State Department’s Anti-Terrorism Assistance Program. Part of Brazil’s reciprocation has been increased information sharing.<sup>142</sup> Recent evidence of this cooperation was when General Alberto Cardoso, the National Security Advisor, visited the United States in November 2001 to discuss what measures Brazil had taken to investigate potential terrorist threats in the Tri-Border Area.<sup>143</sup> This is encouraging, but as will be argued below, Brazil tends to play down the threat in the Tri-Border Area, due to economic and political concerns. The United States also plans to increase counter-narcotics aid to Brazil from an average of \$3.6 million to over \$16 million in 2002; an increase of about 345% in funding. Though this is a significant increase, the aid package as a whole is quite small, and will have little effect on U.S. policy influence with Brazil. The focus of this funding is on Brazil’s “Operation Cobra” program to better secure its Amazonian border region with Colombia, which has become a major problem due to its remote location and increased cross-border incursions by the FARC.<sup>144</sup>

A major effort by the State Department and Department of Defense was rewarded when Congress authorized the Pentagon to sell F16 fighters to Brazil with AMRAAM beyond-visual-range missile technology.<sup>145</sup> Though motivated primarily to award General

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<sup>141</sup> Ibid.

<sup>142</sup> Brazil, *Country Snapshot* [CIP online database] (<http://ciponline.org/facts/br.htm>) p. 2 accessed May 10, 2002

<sup>143</sup> *Xinhua News Agency* (Brasilia) [Lexis Nexis database] November 8, 2001

<sup>144</sup> *Just the Facts* 2001-2002 report (<http://ciponline.org/facts/1101jtf.htm>) p. 5 accessed June 10, 2002

<sup>145</sup> *Associated Press* (Washington, D.C.) [Lexis Nexis database] May 22, 2002

Dynamics with a major contract, this deal has an added benefit. It may help mitigate the perception of the United States as trying to be the dominant player in the Western Hemisphere. By selling Brazil an advanced aircraft with state of the art technology, the United States is sending Brazil a message that it sees the country more as a regional partner, more of an equal within the hemisphere than a subordinate. Whether this gesture was intentional or not, it should help reverse a very contradictory policy toward Latin America regarding advanced weapon sales, especially with aircraft that the United States has maintained for nearly thirty years.<sup>146</sup> Additionally, this capability would allow the Brazilians to participate in major exercises with U.S. units. Confidence between the countries could be built through this avenue, and may provide inroads with Brazil on other policy initiatives, such as counter-terrorism.

Brazil's receptiveness to United States' foreign policy initiatives is varied. As evidenced above, it receives limited economic aid and training from the United States, and is very careful not to align itself too closely with U.S. policy. Simply defining the terrorist threat in the Tri-Border Area has been a contentious issue between the United States and Brazil. This is due to the fact that Brazil has a major vested tourism interest within the Tri-Border Area, and to admit to terrorist activity would hurt business. In a summit between the nations that share the Tri-Border Area and the United States, Ambassador to the United States Rubens Barbosa of Brazil reiterated the fact that his country cooperated fully with U.S. requests after September 11<sup>th</sup>, but also stated that no actual evidence exists of terrorist activity within the area. This was in direct conflict to the statements made by the Paraguayan representative, Marcial Bobadilla, Deputy Chief of Mission for the Paraguayan Embassy in Washington D.C.<sup>147</sup>

Secondly, Brazil has a significant Arab population that is well integrated into Brazilian society. Recent counter-terrorism initiatives in the Brazilian city of Foz do Iguacu have caused rancor within this population, something which the Brazilian government is very sensitive to.<sup>148</sup> This sensitivity also stems from accusations by the

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<sup>146</sup> Frank Mora and Antonio Pala, "US arms transfer policy for Latin America from *Airpower Journal*, vol 13 issue 1, Spring 1999 [Proquest database] p. 3

<sup>147</sup> Golden, p. 2

<sup>148</sup> *The Economist* (London) Nov 3, 2001 vol 361, issue 8246 pp. 44-46

Muslim community that the Brazilian intelligence services were unfairly targeting them well before September 11<sup>th</sup>.<sup>149</sup> Finally is the issue of what threat Brazil is focused on. From a Brazilian perspective, securing its Amazonian border with Colombia takes far higher precedence than emerging threats in the Tri-Border Area. “Operation Cobra” was designed by the military and civil government to address what they see as Brazil’s primary security threat. Forming a Southern Cone security system with efforts focused on its borders with Argentina and Paraguay is seen as having only marginal returns.<sup>150</sup>

Brazil has shown a willingness to cooperate with countries to combat terrorism though. This is evidenced by its security agreement within MERCOSUR with Argentina and Paraguay to better secure the Tri-Border Area, talks with Argentina to integrate their intelligence capabilities to better combat terrorism,<sup>151</sup> and even an international counter-terrorism treaty signed with Russia.<sup>152</sup> Brazil has also shown a willingness to hold suspected terrorists for extradition. Once again, the colorful Mr. Barakat enters into this equation. The Brazilian Supreme Court ordered his arrest in support of a Paraguayan request for his extradition, after he fled Ciudad del Este when Paraguayan security forces began sweeping the area for suspected terrorists after September 11<sup>th</sup>.<sup>153</sup> A second example is Brazil’s holding of Ibrahim Soliman for extradition, wanted by the Egyptian government for connection with bombings in Egypt.<sup>154</sup>

Thus, United States policy toward Brazil should be to foster greater economic and security cooperation between the countries, and deepen Brazilian trust in U.S. information sharing initiatives. Policy must be perceived as working to build an equal partnership that benefits both countries and is not seen as an attempt to promote U.S. dominance. After September 11<sup>th</sup>, Brazil was very proactive in response to the United States’ requests to track potential threats within the region. The United States must be careful to ensure its policy towards Brazil is not shortsighted in nature, such as with the

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<sup>149</sup> *EFE News Service*, (U.S) [Lexis Nexis database] December 16, 2000

<sup>150</sup> Pion-Berlin, pp. 52-53

<sup>151</sup> *EFE News Service* (Brasilia) [Lexis Nexis] October 8, 2001

<sup>152</sup> *Moscow Kommersant* (Moscow) January 15, 2002

<sup>153</sup> *Associated Press* (Rio De Janeiro) [Lexis Nexis] June 22, 2002

<sup>154</sup> *EFE News Service* (Curitiba, Brazil) [Lexis Nexis] April, 16<sup>th</sup>, 2002

Alcantara agreement. Brazil has the tenth largest economy in the world. It needs to be recognized as a major world power and dealt with as such. Brazil is aware of the threat terrorism poses to its security, as evidenced by its recent counter-terrorism activity and initiatives. However, it will be a reluctant player in a U.S.-led counter-terrorism coalition. Some analysts feel that if Brazil is to cooperate in a multilateral coalition to include sharing intelligence in the Southern Cone, it needs to be the coalition leader.<sup>155</sup> Pion-Berlin also supports this argument when he notes that Brazil's participation in MERCOSUR is due to it being the "regional giant" and the fact that the system is not like the European Union, with supranational controls that might restrict its actions.<sup>156</sup>

### C. PARAGUAY

Since September 11<sup>th</sup>, Paraguay has been very cooperative with the United States in the areas of investigating terrorist organizations within Ciudad de Este. However the effectiveness of this cooperation remains in question. Paraguay's initial response was to send out sweeps that rounded up various individuals suspected of fundraising for terrorist organizations in the Middle East. While significant players like Barakat were put out of business, many innocent businessmen may have been caught up in the sweeps. This has created a lot of tension and anger by citizens in Ciudad del Este toward the United States.

Paraguay is also a willing participant in Department of Defense sponsored multilateral training exercises in the region.<sup>157</sup> Military equipment sales to Paraguay are miniscule in comparison to Argentina and Brazil. This primarily due to the very small size of the country's armed forces and limited budget for defense.

The United States certified Paraguay in 2000 in its counter-narcotics effort, saving it from its second decertification, even though it missed most of its required targets.<sup>158</sup> This brings into question Paraguay's ability to police transnational threats such as narco-trafficking and terrorism. Even regional players question this ability. In a recent

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<sup>155</sup> Author's interview with a Defense Intelligence Agency analyst on Brazil, Washington, D.C. 22 May, 2002

<sup>156</sup> Pion-Berlin, p. 52

<sup>157</sup> Paraguay, *Country Snapshot*, [CIP online database] (<http://www.ciponline.org/facts/pa.htm>) p. 1 accessed May 10, 2002

<sup>158</sup> *Economist Intelligence Unit* (EIU ViewsWire) [Lexis Nexis database] June 6, 2000

interview with Brazilian Federal Police from Foz do Iguacu, one was quite skeptical of the efforts made by local Paraguayan police to manage threats within Ciudad del Este.<sup>159</sup> Current State Department and Department of Defense initiatives with Paraguay have been military assistance to Paraguayan army and national police to better equip these forces to fight terrorists and narco-traffickers. Lack of controls on the waterways and airstrips in the region has been a major U.S. concern, and aid has been focused on improving Paraguay's ability to police these areas. Due to Special Forces involvement and the paramilitary nature of such aid and training, some analysts have felt this type of training too closely resembles counterinsurgency activity.<sup>160</sup> With Paraguay's unstable political situation, these concerns could be quite legitimate. Without a solid democratic regime in place, assistance to Paraguay and better equipping their forces to combat a certain threat could easily be used or abused in other ways by a corrupt regime.

Some analysts consider corruption within Paraguay systemic.<sup>161</sup> This problem undermines the country's counter terrorism efforts. Evidence shows corruption within the Social Security Administration, National Electricity Authority, Highway Department and other public sectors. The word "kleptocracy" has even been used in one case to describe the fact that all branches of the government are affected by it.<sup>162</sup> Though the president signed an anti-corruption agreement with the World Bank to make it a better prospect for loans, there is little evidence of improvement within the country.<sup>163</sup> The most damning evidence has been Transparency International's 2002 Corruption Perceptions Index, which listed Paraguay as one of the most corrupt nations in the world, scoring a dismal 1.7 out of a possible 10. This placed Paraguay 100 out of 102 countries scored.<sup>164</sup>

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<sup>159</sup> Goldberg, p. 75

<sup>160</sup> Larry Birns and Ross Knutsen, "Paraguay: South America's Cub Med?" from the Council on Hemispheric Affairs Press, October 18<sup>th</sup>, 2001 p. 4 ([http://www.coha.org/Press\\_Releases/01-20-Paraguay.htm](http://www.coha.org/Press_Releases/01-20-Paraguay.htm)) accessed March 14, 2002

<sup>161</sup> Telma Luzzani, "South America" from the *Global Corruption Report 2001*, Transparency International (<http://www.transparency.org>) p. 171 accessed August 28, 2002

<sup>162</sup> Burns et al. p. 2

<sup>163</sup> Luzzani, p. 178

<sup>164</sup> Transparency International Corruption Perceptions Index 2002, available [Online] <http://www.transparency.org/cpi/2002/cpi2002.en.html> accessed August 28, 2002



Paraguay has attempted to make progress by addressing the issue of money laundering, and created a money laundering division within the country's central bank. This will help track illicit cash flows that might be funding terrorism, but the problem is that a lot of the money going to terrorist organizations has been through legitimate donations from individuals to organizations such as Hezbollah, or sent as remittances to families in the Middle East.

Beyond corruption is the issue of Paraguay's massive underground economy. Some economists estimate that half of Paraguay's economy is dependent on smuggling.<sup>165</sup> This economy has been stagnant, and even shrinking since 1995. Thus, without any legitimate economic improvement, going after illegitimate financing will probably produce even greater adverse affects on a situation that is already very poor. This would be quite unpopular with the many people dependent on these revenues. This is a situation that the Paraguayan government may not be able to pursue until some type of assistance is provided to produce more viable legitimate economic alternatives for people. A recent poll conducted in Paraguay noted that people's dissatisfaction with the current government's economic policies is so high that 80% of those polled thought life was better under Stroessner's dictatorship.<sup>166</sup>

As mentioned in the previous chapter, Paraguay announced that it disbanded its state intelligence agency due to abuses and public outcry against it. Thus Paraguay is hardly in a capable position to be a major partner in a multilateral intelligence information sharing coalition with Argentina and Brazil. At the national level, Paraguay seems to be a willing participant, however evidence shows that due to ineptness and corruption within the public sector, little can be done to effectively stem terrorism. The other major issue with Paraguay is the fact that intelligence services of other countries would be naturally apprehensive to share information that might have to reveal sources, thus potentially compromising them within a corrupt system. Finally, though Paraguay has been very supportive of U.S. policy at the federal level, the community of Ciudad de Este, which is the heart of the Tri-Border Area, has denied the terrorist threat exists. It

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<sup>165</sup> *Associated Press*, [SOUTHCAM Daily News Brief], July 16, 2002

<sup>166</sup> *Washington Post*, May 20<sup>th</sup>, 2002, p. A27

has even gone so far as to threaten to sue the United States for slander over the issue.<sup>167</sup> Thus it is suspect how solid cooperation at the local level really is.

This is the heart of the dilemma for sharing intelligence in the Tri Border Area: the country with the greatest emerging terrorist threat is the least capable of containing it or collecting and sharing crucial information to defeat it. Thus, Paraguay's problem is everyone's problem within the region, to include the United States, since it is one of the primary targets of terrorist attacks that result from the funds being generated within the region.

The key underlying problem is that Paraguay's civic infrastructure must be built up and developed to a level that instills confidence and that democratic norms are actually respected. This requires aid to civic institutions, especially in the area of judicial reform at all levels. The current policy of attempting to make the Paraguayan paramilitary police and armed forces better capable of combating the threat is like putting the cart before the horse. These forces will be hamstrung by a corrupt system no matter how professional they become. If captured terrorists can simply buy their way out of the system, or the intelligence agencies are infiltrated due to the fact that agents are easily bribed, the whole purpose of the police and military aid is defeated. The State Department provided \$12 million in USAID money in 2001 in an effort to strengthen democracy through civic institutions.<sup>168</sup> This is certainly a start in the right direction, but more civic assistance is needed. Part of this answer may lie in Paraguay's Partnership with the Massachusetts Army National Guard.

Paraguay is the only National Guard State Partnership Program (SPP) participant within the group. If ever a country were designed for the goals of the SPP program, it is Paraguay. The purpose of the SPP program is to improve bilateral relations with the United States and the partnership country and promote regional stability and civil-military relationships in support of U.S. policy objectives.<sup>169</sup> The program begins with

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<sup>167</sup> *EFE News Service*, (Ciudad Del Este) [Lexis Nexis database] May 25, 2002

<sup>168</sup> *U.S. State Department Bureau of Western Hemispheric Affairs Country Profile: Paraguay* (<http://www.state.gov/r/pa/ei/bgn/1841.htm>) pp. 4-5 accessed May 15, 2002

<sup>169</sup> SPP Information Paper, National Guard State Partnership Program ([http://www.ngb.dtic.mil/staff/ia/spp\\_info\\_paper.shtml](http://www.ngb.dtic.mil/staff/ia/spp_info_paper.shtml)) accessed June 18, 2002

military to military contacts, but the goal is to move toward civic assistance by fostering civilian government contacts between the National Guard state and host country governments. A good example is the Montana National Guard and Kyrgyzstan partnership. Initial contacts started with combat lifesaver training between the National Guard and the Kyrgyzstani military. It has evolved into formal direct contacts between civic governments within Montana and civic governments in Kyrgyzstan, thus strengthening democracy through improving the country's civil government capability.<sup>170</sup>

Massachusetts' partnership with Paraguay is still in the initial stages. Discussion with the SPP Program Coordinator revealed they are doing a military to military engagement with an engineer exercise, but no civic assistance programs have been considered yet.<sup>171</sup> As this partnership evolves, Massachusetts has the potential to play a significant role in improving Paraguay's civic stability. Emphasizing this program would complement the State Department USAID assistance strategy to build up Paraguay's civil government capabilities. The State Partnership programs that have been emphasized have a track record of success. Such examples are Montana/ Kyrgyzstan, North Carolina/Moldova, and California/Ukraine. All of these programs have evolved beyond military exchanges, and there are contacts between the governments of the States and host countries.

The emphasis of the Massachusetts and Paraguay partnership would be best served in improving Paraguay's civil government. One is tempted to think about this program coming in with a fix-it plan for the country's intelligence community, to make it a more capable player in the region. An example might be to develop a coordination center modeled after Massachusetts' state emergency operations center, maybe even some assistance from their own state bureau of investigation, but with Paraguay, the people have a lack of trust in the government, especially in its security and intelligence community. Trust must be reestablished by first building a foundation for a solid government that can escape its rampant levels of corruption and abuse. This is where an SPP civil assistance initiative will be best served.

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<sup>170</sup> Author's discussion with the Montana National Guard SPP coordinator at the State Partnership Program Workshop CENTCOM breakout session in Biloxi MS, February 2001

<sup>171</sup> Author's telephonic interview with MAJ Catherine Corkery on June 13, 2002

In sum, Paraguay is a very willing coalition partner with the United States' and its policy to fight terrorism. However, until its civil government becomes more effective and democracy becomes truly consolidated, it will be ineffective. Two concrete indicators of democratic stability in Paraguay will be (1) when the president's term ends, the threat of a coup is not clearly present as it has been in the past decade, and (2) while the president is in office, he or she is not under consideration for impeachment for corruption scandals. Those who feel the military will remain in the barracks in Latin America during unrest only need to turn to Paraguay to find the situation is not that clear. As recently as May 2002, the Army attempted a coup.<sup>172</sup> Though it was an almost farcical show of force by a mere company of tanks, it is still an indicator that solid democratic control has not been achieved by any means.

#### **D. UNITED STATES INITIATIVES**

One area that the State Department could immediately improve on is to quit rewarding failure. If Paraguay cannot perform the tasks for which it is receiving certification, such as its counter-narcotics operations, it should not continue to be certified and receive funding. By continuing to certify Paraguay in its substandard counter-narcotics performance, there is little incentive for the country to improve its operations. What is the purpose of having a certification program, if a failure to certify does not have any consequences? Paraguay is heavily reliant on the United States,<sup>173</sup> thus Washington can exert a great deal of influence over this country. U.S. policy should be carefully crafted to ensure that by pulling aid for lack of performance, it entices improvement, yet does not do more harm than good by helping cause the economy to falter, as occurred in Colombia in the early 1990's. Secondly this should not be a unilateral action. Argentina and Brazil need to take a similar stance with their training assistance programs. If the United States acts unilaterally in this regard, it will be seen as a hegemonic act, exercising its significant dominance over this tiny country. This could

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<sup>172</sup> *Washington Post*, May 19, 2002, p. A20

<sup>173</sup> In 2001, the USAID aid package to Paraguay was \$12 million, a sizable amount for a country of only 5.5 million. More importantly is that U.S. exports to Paraguay are around \$450 billion. Source: *U.S. State Department Bureau of Western Hemispheric Affairs Country Profile: Paraguay* (<http://www.state.gov/r/pa/ei/bgn/1841.htm>) pp. 4-5 accessed May 15, 2002

do a great deal of damage in fostering cooperation with regional powers such as Brazil. Therefore it is in the best interests of the United States to convince Argentina and Brazil that funding assistance programs in Paraguay should be conditional on performance. It is in everyone's best interests within the region for Paraguay to reach a level of capability to deal with its security threats. Argentina should be an easy sell, since the two bombings it experienced in the 1990's originated from Paraguay.

U.S. counter terrorism aid and policy toward each country has been reviewed separately. As in the previous chapter, one sees vast differences in attitudes and capabilities of the recipient countries. This raises the question of what should overall U.S. strategy be for the region, whether a multilateral approach to sharing intelligence is really feasible?

With respect to strategy, the United States needs to ensure that each country within the Tri-Border Area is capable of addressing the primary emerging terrorist threat. This has been funding terrorist activity abroad, primarily to the Middle East as detailed in Chapter II. Therefore each country needs to have the capability to track the money flow internally and have a mechanism or agency that can collate that intelligence and build a comprehensive picture. The International Monetary Fund's study on the financing of terrorism in regard to sharing economic information states,

The failure to share information creates negative cross-border externalities that compromise the fight against predicate crime and terrorism" and that "This complexity implies that no single agency can be expected to resolve the problem independently; multiple actors at the national and international levels must contribute."<sup>174</sup>

Of the three, Paraguay has been the most proactive, with its central bank task force, and the fact it has made arrests of individuals suspected of funding terrorist activity. The fact that Argentina and Brazil do not have the capability to track these money flows abroad has led to a debate between the three countries as to what actually is

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<sup>174</sup> International Monetary Fund, "Intensified Fund Involvement in Anti-Money laundering Work and Combating the Financing of Terrorism" In Consultation with Other Departments and the World Bank, November 5, 2001, p. 6

the terrorist threat in the region.<sup>175</sup> The first step is to help each country get better financial tracking systems in place, through their banking systems. The IMF working with Mercosur would be an ideal start. Mercosur would also be the best agency to foster regional coordination as an economic intelligence analytic center to allow this information to be gathered, processed, and shared with the United States.

First and foremost though is to get each of these countries fully committed to stemming the flow of money to terrorist organizations. All three countries need to ratify the United Nations International Convention for the Suppression of the Financing of Terrorism.<sup>176</sup> This will eliminate ambiguity as to what constitutes the financing of terrorism and clearly establishes the legal mandate to prosecute those who participate in this activity, whether through illicit funds or legitimate remittances.<sup>177</sup> Paraguay should be willing to do this, based on its willingness to establish a money laundering section within its central bank as noted above. Argentina, the recipient of two bombings in the past should also be easy to convince. Brazil, once again, will be the challenge. This means it would have to enter into a supranational agreement, primarily sponsored by the United States. It has not been the recipient of any significant terrorist acts. It also must consider the sensitivities of its Muslim population in the Foz do Iguacu area, further exacerbated by recent actions after September 11<sup>th</sup>. These are all compelling reasons for Brazil to want to maintain the status quo.

The second part of the question is how effective can one expect multilateral cooperation against terrorism in the Tri-Border area to be. Paul Wilkinson makes a very compelling argument that bilateral cooperation has been the most effective technique in combating terrorism in Europe, especially in the areas of border policing and sharing intelligence information.<sup>178</sup> His major criticism of multilateral initiatives has been that one generally ends up with a “watered down” product due to the fact it is so difficult to get a consensus from all parties involved. The fact that there have been clear examples of

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<sup>175</sup> *O Globo* (Rio de Janeiro) February 3, 2002

<sup>176</sup> Available [Online] <http://www.un.org/law/cod/finterr.htm> accessed June 10, 2002

<sup>177</sup> See Article 2 of the convention

<sup>178</sup> Paul Wilkinson, *Terrorism Versus Democracy: The Liberal State Response* (London: Cass, 2002) p. 121

bilateral cooperation between Argentina, Brazil, and Paraguay cooperating with their border patrols, at the local and state police levels tends to justify Wilkinson's conclusion that this level is where cooperation is most effective, and the higher the level of cooperation goes, the less effective it tends to become.<sup>179</sup>

In the area of policing borders and containing terrorist transnational movements within the region Wilkinson's logic seems quite sound. This is due to the fact that the Tri-Border Area is policed by several different agencies, all at different capabilities, so Wilkinson would argue that in a multilateral agreement, the lowest common denominator would emerge. In this region, that would not be a very effective solution. The problem is Wilkinson also bases this argument on European examples, especially in regard to the Basque separatist ETA, which do not have a lot of latitude, since they are tied to their region. This is not the case in the Tri-Border Area, since the threat is not concerned about issues of national sovereignty within the region. It is likely that in a bilateral situation, the threat would migrate to an area where the controls are not as efficient. This is especially the case with the primary threat in the region: financing terrorism. As the IMF study cited above argues, all countries involved must play a role and coordinate their effort, or else the funding activity will simply move to the region where financial tracking is least capable, and continue, relatively unabated. Once again this supports Frank Mora's argument previously stated in Chapter II regarding the balloon effect, when he describes how a lack of multilateral effort in combating narcotics trafficking simply drove the traffickers to other regions, with no noticeable loss in production.

In conclusion, United States' foreign policy toward the Tri-Border Area needs to focus on an endstate that will allow agencies to build an effective multilateral intelligence-sharing network. But in the near term, policy must be bilaterally focused to address each country's different capabilities and shortcomings in counter terrorism intelligence. The United States must realize that in it will have to deal with each country in the region in a different way, to bring about the same result: international cooperation on terrorism. There is not one easy prescribed "fix-it kit" or comprehensive Anti-Terrorism Assistance package that the State Department can pull off the shelf that will

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<sup>179</sup> Ibid. pp. 195-196

solve the problem. Willingness and competence must be built within each country at the national level to foster the international cooperation needed to combat the terrorist threat at the regional level.

The next chapter will expand on these issues, and look at what tools are available to the United States to foster bilateral and eventual regional cooperation in intelligence sharing. The role of Mercosur in this endeavor will be examined in detail. Some prescriptions for the State Partnership Program and Paraguay will be offered in regard to civic assistance and improving the Paraguayan government's ability to improve its legitimacy and efficiency. Also an intelligence model for Paraguay will be offered tailored to transnational threats, and with control and oversight mechanisms that can bring the community from a political police back to the realm of a domestic intelligence bureau that respects democracy. For a multilateral effort to work, Paraguay must have the ability to fight the intelligence war. Yet that ability cannot hijack its fragile democracy, thus this particular dilemma will be examined and a solution proposed.



## V. CONCLUSION

The purpose of this chapter is to offer policy recommendations for each country to better align their intelligence communities toward the ideal type model. It will first review what deficiencies exist within each country's intelligence community, and how those deficiencies can be addressed to improve their oversight and efficiency. This will allow each country to be more effective in gathering, analyzing, and sharing intelligence within the Tri Border Area. The chapter will then review United States foreign policy toward each country to determine what improvements in policy may allow a deepening of trust, thus facilitating greater cooperation on a bilateral level. Finally, the chapter will argue that Mercosur is the best vehicle to manage coordination of collection efforts, and information sharing on the Tri Border Area at a regional, multilateral level.

### A. ARGENTINA

Structurally, the Argentine intelligence community is the best of the three countries examined. As noted in Chapter III, it offers multiple, competitive all-source agencies, has clearly divided roles and missions, oversight is present, and intelligence continues to be an issue of national importance within the government and especially the legislature.

Argentina needs to focus on improving internal oversight mechanisms within each agency. The best method for this would be to develop Inspector General (IG) office with its head appointed by the minister that oversees each agency. Thus the minister of the interior would appoint IG's for the National Gendarmerie, Coast Guard, and Federal Police. The dilemma of IG's is that externally appointed ones are usually pariah's within the department they oversee, and internally appointed ones become co-opted and "rubber stamp" the policies of the agency director. Argentina will need to look for examples of successful IG programs within the military or other civilian agencies that they could emulate. John Gentry, a former intelligence professional with the CIA argues that two methods to improve inspectors general is to give them the ability to report directly to the executive or congressional oversight committees, and develop a separate career field for

personnel working in the IG office, thus eliminating concerns over co-optation or retribution when not assigned in an IG status.<sup>180</sup>

An example of a good IG program that has independent oversight, and seems to develop a good working relationship with the bureau it oversees is the U.S. Army Inspector General Directorate and its relationship to each state's Army National Guard. Within each state, a Regular Army officer, outside of the National Guard chain of command oversees each Inspector General Office for that state. This author's experience with the IG program within the Nevada Army National Guard has been very positive. The office has a very good reputation within the state for its professionalism and objectivity. Besides investigating complaints, the office is also a resource for commanders to consult prior to taking action, to ensure they remain within Army legal guidelines. In addition to this example, Peter Gill remarks favorably on the Australian Intelligence community's IG program; with the exception of it being greatly undermanned.<sup>181</sup>

The second area that Argentina needs to improve is its ability to share information within its own agencies. Before Argentina can be an effective regional participant, it must be able to communicate and analyze consolidated intelligence internally. This is where United States assistance is probably most needed. Due to Argentina's current financial crisis, the country is in no position to invest the money required for expensive state-of-the-art computer databases. This is a very relevant issue for the United States as well, since it also sees improving information sharing and dissemination within its own intelligence community as a major priority in the aftermath of September 11<sup>th</sup>. Therefore, it would be in the United States' best interests to help Argentina develop a system that can better share information within its national intelligence community, and also among regional partners down to the bilateral level between local police forces. Though this is a bilateral initiative, it should be addressed within a regional forum, such as the CICTE or Mercosur. Thus it will ensure compatibility with other systems in the region, such as those in Brazil, especially at the state police level. It may also offer a blueprint for

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<sup>180</sup> John Gentry, "A Framework for Reform of the U.S. Intelligence Community" June 6, 1995 p. 7 available [Online] <http://www.fas.org/irp/gentry/index/html> accessed May 15, 2002

<sup>181</sup> Gill, p. 266-267

systems in need within other areas in Latin American as well, thus the proverbial wheel does not have to be reinvented.

The fallout between the SIDE and the CIA was a major even at the time, but it may have been overcome for the most part. This is evident in ongoing cooperation that still occurs. A genuine effort by the United States to help improve the Argentine intelligence network could do a lot to deepen trust and cooperation between both countries. Finally, Argentina's domestic crisis needs to be addressed more proactively by the United States. The sooner Argentina becomes more stable, the sooner, her domestic security intelligence will refocus on transnational threats, instead of issues of domestic unrest. What must be clearly understood is Argentina remains the strongest ally of the United States in combating terrorism in the Southern Cone. The analyst and writer, Mariano Bartolome, supports this argument when he states,

Argentina is the only country in the Southern Cone where the government understands transnational terrorism as a serious and "real" threat. Brazil is simply looking to the other side and Paraguay...well, Paraguay is a kind of virtual state where you can find a high degree of corruption at every level of government.<sup>182</sup>

In sum, the United States needs to craft its policy toward Argentina so that she remains a strong ally within the region. This can be achieved through practical aid and assistance, and through policies and actions that show support for the country in time of crisis.

## **B. BRAZIL**

Brazil, like Argentina, has a very capable intelligence system. The key issue is making the Tri-Border area a priority within the Brazilian intelligence community. The best way to do this is to increase trust and deepen relations between Brazil and the United States to improve bilateral cooperation. Where the United States can help Brazil specifically to improve its intelligence community is to help it develop better congressional oversight. As argued earlier in Chapter II, oversight and accountability can

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<sup>182</sup> Interview with author via email, September 12, 2002

directly affect efficiency. Brazil has the assets and technological capability. What the country needs most is direction within its community from civilian authorities.

The Center for Civil Military Relations' efforts assist the Brazilian government in developing specific intelligence oversight committees within congress is a major step forward for intelligence oversight in Brazil. By moving intelligence oversight out of the defense committees, and giving it the attention it deserves, intelligence should become an issue of greater importance within the legislature. This will hopefully get intelligence more into the arena of public debate and scrutiny, forcing policy makers to address these very issues of information sharing, collection priorities, targeting, and what constitutes a threat to the nation. Through this debate, the Brazilian intelligence system will continue to evolve and improve. This evolution occurred in Argentina. Its intelligence community's greatest progress toward the ideal type model has been since democratization in 1983, due in a large part to the priority that intelligence issues have had in congress and public concern over intelligence due to the Dirty War.

Brazil has made meaningful progress in improving its intelligence capabilities to combat transnational threats. As noted in Chapter III, the country is investing money to improve regional police intelligence capabilities, and continues to improve its ability to track money laundering and financing of terrorism abroad. These efforts need to be supported by the United States, and as with Argentina, any technical assistance to improve the Brazilian Intelligence community's ability to gather and share information should be a top priority.

Brazil must be dealt with as a regional partner, in equal standing with the United States in the hemisphere. Policy should be crafted that shows trust and respect for the nation. The F16 sales negotiation is a good example. It would have been a serious mistake had policymakers heeded outspoken opponents of the deal in Congress, and not allowed Brazil the opportunity to purchase the aircraft in its fully capable state. To believe this would prevent over-the-horizon missile technology from entering Latin America is a fantasy, as the Peruvians have already shown.<sup>183</sup> This is not a technology

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<sup>183</sup> Peru purchased MiG-29 fighters from Belarus with over-the-horizon missile technology. Brazil is still negotiating with France in a deal with advanced Mirage fighters with the technology.

that the United States has a monopoly on, thus not supplying it will not prevent its emergence into the Southern Hemisphere. More importantly, it would have been seen as the United States once again treating Brazil as a subordinate player in the hemisphere, not capable of handling itself internationally. Finally, by allowing Brazil to have up-to-date technology, it facilitates giving its military the capability to conduct real-world, externally focused military missions with coalition forces abroad. This could lead its military intelligence apparatus to focus on more appropriate targets, besides the landless peasant movement, and other internal security issues that should be in the purview of the civilian authorities.

In sum, getting Brazil to reciprocate to United States' initiatives to share intelligence in the Tri-Border Area will hinge on overall U.S. policy toward the country, thus it is critical that this policy remain far-sighted. Brazil is the regional hegemon in the Southern Cone, and its participation or lack thereof, will shape the success or failure of a regional intelligence-sharing network. This policy toward Brazil will certainly be tested in the upcoming months as President Lula de Silva takes the helm in Brazil. His leftist, militant stance and populist rhetoric during his recent presidential campaign has not been received well in Washington. Lula has used populism; specifically preaching a backlash to U.S. sponsored economic reforms to fuel his popularity with the masses.<sup>184</sup> Thus engagement with Brazil, and emphasizing that tracking transnational threats in the Tri-Border area are not just in the interests of the United States, but the entire region will remain a challenging task.

### **C. PARAGUAY**

As Mariano Bartolome argued above, Paraguay must be addressed as an entire system, not just by its intelligence community. To offer policy recommendations specifically geared to improve Paraguay's domestic intelligence capability without addressing the issues of rampant and systemic corruption would be irresponsible. The result would be a regime police that would be co-opted by the elites in power and used

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<sup>184</sup> *Washington Post*, September 22, 2002 and October 7, 2002

for their benefit. As argued in Chapter III, the old Paraguayan intelligence service was used in this capacity, even after democratization.

Therefore the issue of corruption must be addressed as well, and that is fertile ground for an entirely separate thesis. One recommendation that will be offered is, that like the example of its counter-narcotics certification, one must not reward failure. With Transparency International's Corruption Perception Index, progress in fighting corruption can be gauged. Therefore progress within this index, and favorable reports from organizations like the Financial Action Task Force (or its regional equivalent, GAFISUD) could be used by organizations like the IMF and World Bank to base loan arrangements. The same approach could be used for U.S. aid in areas of military equipment and training. As progress is made, cooperation and aid intensifies, if progress does not occur, one must question whether it is wise to give equipment and training to a regime that can be easily co-opted by the very forces that the equipment and training are being used to defeat.

Thus, as stated in Chapter IV, programs such as the National Guard State Partnership program should be geared to overall development, and not a specific issue, such as intelligence networks. Paraguay's plight also makes the State Partnership Program that much more critical to its success. If through the program, initiatives can be developed that build government efficiency, its legitimacy with the people will increase and this in turn may allow democratic stability to return to the country.<sup>185</sup> Secondly, if the program can develop initiatives that reinforce stability, this would increase legitimate investment, which the country desperately needs to boost its economy. Therefore a second area in which research can be furthered is what specific initiatives the State Partnership Program with Paraguay may want to involve itself in with the specific intent of increasing the legitimacy of its government and economic development.

But, as stated in Chapter III, it is unrealistic to imagine that Paraguay will disband its state intelligence service and not have an organ to replace it. An even more dangerous development is the government officially disbands its intelligence service, as it stated it

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<sup>185</sup> Author is referring to the classic argument first articulated by Juan Linz in *The Breakdown of Democratic Regimes: Crisis, Breakdown, and Reequilibration* (Baltimore: Johns Hopkins University Press, 1978)

had in the media (see Chapter III), and “unofficial” intelligence heads begin to grow from the police and military, which have no oversight mechanisms in place.

Therefore, in closing, a model is offered for a Paraguayan civilian intelligence agency modeled after the U.S. State Department’s Bureau of Intelligence and Research (INR). The reason for this is State’s Bureau of INR is very small. It would not require a large operational budget, something that Paraguay does not have. It does not have an operational element, something that could easily be abused through covert operations; and yet INR is a very highly respected part of the U.S. intelligence community due to its professionalism and ability to get good, concise, and relevant intelligence quickly into the hands of policymakers.<sup>186</sup> A central intelligence agency like INR would allow Paraguay to still gather information on transnational threats within the Tri-Border Area, share this information effectively with other regional partners, and it would pose the least amount of a threat to Paraguay’s fragile democracy as opposed to a more robust organization such as a U.S.-styled CIA or a SIDE would.

The proposed community (figure 5) would have a central intelligence agency modeled after State INR. Its primary role would be to conduct economic and domestic security intelligence based on transnational threats. It would not have an operational directorate, thus it would provide intelligence for the national police, and also military if they were being used for issues of border security or counter-terrorism. This intelligence dissemination and direction would be managed by an intelligence coordination center, similar to Argentina’s National Intelligence Center (figure 2). Military Intelligence would be focused on strategic threat analysis, and possibly overseas transnational threats that might affect Paraguay. It would have no domestic role whatsoever. Oversight would be established through inspector generals at the agency level that would report to the intelligence coordination center. Executive oversight would be this center, which would be the executive’s tool to ensure intelligence is focused on genuine issues of the state’s interest. Congressional oversight would be achieved through specific intelligence oversight committees established in both the Senate and Chamber of Deputies. Public

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<sup>186</sup> Gentry, p. 6

oversight would rest with the media, which as argued in Chapter III, seems to be quite vocal and an effective whistleblower in Paraguay.

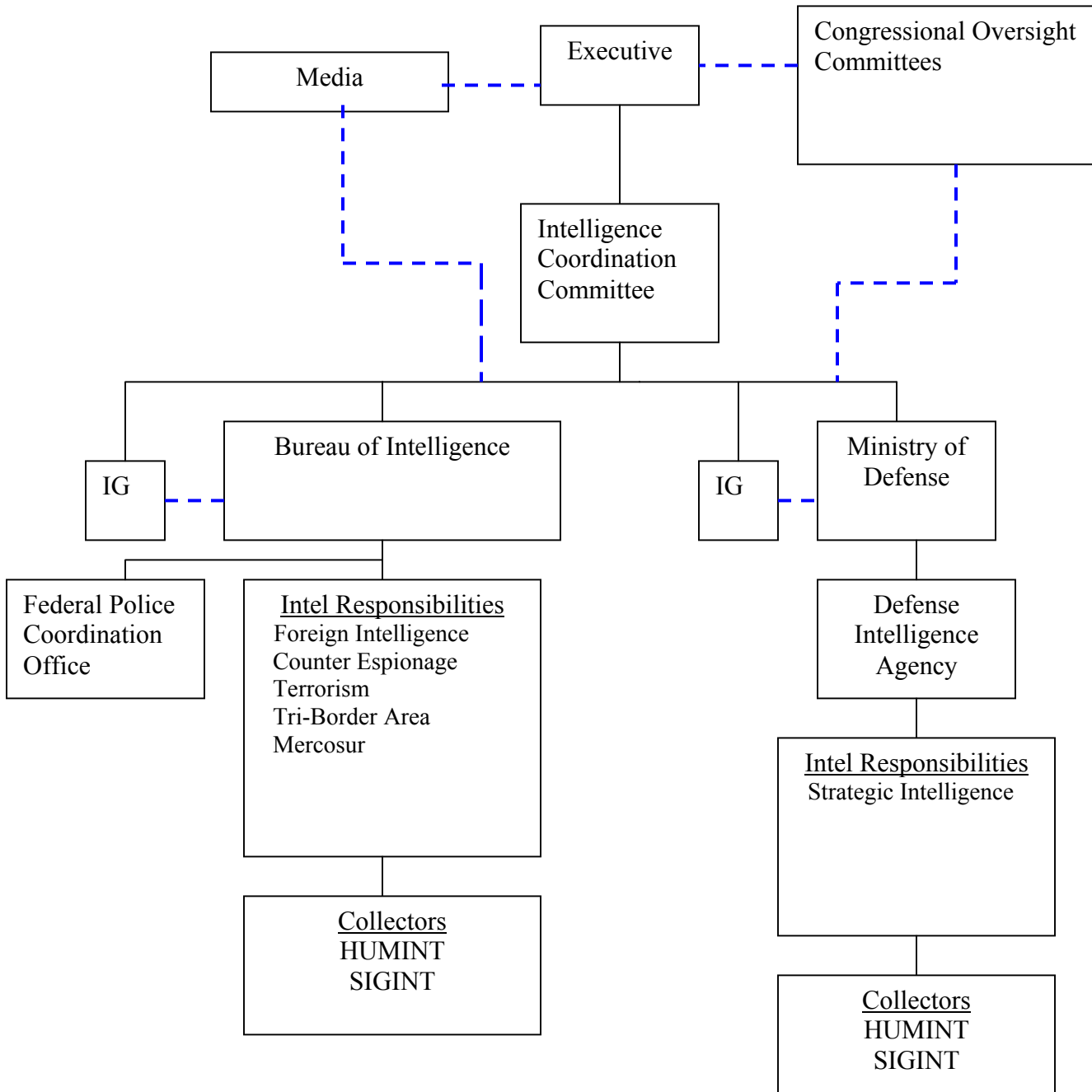


Figure 5. Proposed Paraguayan Intelligence Community



#### **D. MULTILATERAL COOPERATION**

The previous section examined each country as an individual to determine how U.S. policy and assistance could improve each separate community in a bilateral fashion. But, this thesis argued in Chapter IV that multilateral cooperation was crucial to tracking the primary threat in the Tri-Border Area: financing of terrorism. Therefore, it is argued that the United States needs to look at cooperating with existing networks within the area to share information multilaterally. Also, it is argued that Argentina, Brazil, and Paraguay, as well as Uruguay, Chile, and Bolivia are well on their way to developing effective multilateral cooperation through Mercosur. Mercosur needs to be the lead agency that fosters multilateral cooperation on intelligence information sharing regarding transnational threats in the Tri-Border Area. This is due to the fact that it developed as an economic organization, therefore is likely to be best equipped to process and analyze economic intelligence. Second, it is an organization highly regarded by all participating and associate members, therefore high levels of cooperation already exist through the organization. Finally, Mercosur has taken the lead in the aftermath of September 11<sup>th</sup> in forming security working groups for the purpose of increasing multilateral cooperation as discussed in Chapter III. Therefore as a regional organization, Mercosur offers the best chance of intelligence cooperation within the Tri-Border Area.

One recommendation is for the United States intelligence community to seek the establishment of a liaison office within Mercosur for the purpose of sharing information. It is further recommended that State INR take the lead on this initiative. This is for two reasons. First, the primary purpose of a liaison office within Mercosur would be to have access to data that is being gathered by the national agencies within the region, after it has been compiled and analyzed by the Mercosur permanent security working group (GTP), thus the need for operative agents in the field would not be required. As argued earlier, INR may offer insight and expertise that the GTP could benefit from due to INR's reputation for highly regarded analysis within the U.S. intelligence community. Second, State INR may be a lot more palatable to work with vs. CIA or NSA with countries such as Brazil, and to a lesser extent Argentina, after its recent friction with the CIA.

Part of a U.S. liaison office within Mercosur could also include technical assistance not only in analysis as mentioned above, but in improving Mercosur's

technological capabilities to track money flows from the region, a very difficult task that requires sophisticated technology, significant resources, and a global reach; all things that the United States possesses as demonstrated when it launched an intensive effort to track Osama bin Laden's global financial network after September 11<sup>th</sup>.

## **E. CONCLUSION**

The Tri Border Area of South America shared by Argentina, Brazil, and Paraguay presents unique challenges for these nations to govern due to the fact that all aspects of the area such as border control, immigration, trade, and combating transnational crimes must be cooperative efforts between the countries. This is precisely why transnational threats will emerge in areas such as this. It is important to craft solid organizations that can effectively deal with these threats as they emerge, and not get caught in the trap of reacting to their actions, thus being set up for failure. As argued in Chapter II, an effective intelligence organization must get into the terrorist decision cycle to defeat it. Denying the problem exists will simply make it an even greater problem to solve down the road. Therefore a country debating whether or not a threat exists is moot. The evidence shows that transnational illegal activity exists. If it is not dealt with now it will certainly grow.

The United States can greatly effect this intelligence war against transnational threats in the Tri-Border Area; both positively and negatively. It must craft its foreign policy carefully, with long-term goals in mind. It may even have to defer its own near term interests to ensure greater cooperation from the countries involved. As financial crisis emerge in South America, and populist presidents continue to get elected, this will require a high level of statecraft to ensure trust is both maintained and deepened.

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