



## **2018 International Narcotics Control Strategy Report (INCSR)**

Bureau of International Narcotics and Law Enforcement Affairs

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### **Argentina**

#### **Volume I: Drug and Chemical Control**

Transnational criminal organizations primarily utilize Argentina and its transportation infrastructure to traffic cocaine produced in Andean countries to European markets. Domestic cocaine processing and consumption are growing concerns, and the consumption of “paco,” a domestically produced cocaine base, is a particular problem in poorer neighborhoods.

U.S.-Argentine law enforcement cooperation has strengthened significantly under President Mauricio Macri’s administration, and the Ministry of Security has begun to adopt a number of best practices from U.S. law enforcement models, such as encouraging coordination between federal and provincial forces to gather criminal intelligence and increasing investigative collaboration through interagency law enforcement task forces. One such task force began functioning in late 2016 in the northwestern Argentine province of Salta, which borders Bolivia and Chile, and is a key entry point for cocaine originating from Bolivia or Peru.

In 2016, the Argentine government unveiled a new national program to combat drug trafficking that proposed harsher sentences for traffickers, increased deployment of federal law enforcement forces to target drug trafficking organizations, and efforts to reduce the consumption of paco. In response to increased public safety concerns about rising street-level crime, the government deployed federal forces into Buenos Aires and other major urban centers to support crime control efforts. While the deployments have strengthened enforcement efforts in major cities, it has reduced available resources for combating drug trafficking along key smuggling corridors, including at the country’s borders.

Seizures of small cocaine conversion laboratories within the country and the widespread availability of paco suggest domestic processing is growing. In 2017, the Macri administration commenced publishing annual seizure statistics after a seven-year hiatus under the previous government. Official statistics indicate seizures of cocaine, marijuana, and synthetic drugs all increased from 2015 to 2016. The Argentine government does not encourage or facilitate the illicit production or distribution of narcotics or laundering of proceeds. The judiciary and the press pursue allegations of corrupt practices involving government authorities.

Argentina has adopted legal and procedural reforms that could improve its ability to target and prosecute drug trafficking and other criminal organizations. These reforms include limited use of informants and undercover officers in investigations and, more recently, the ability of criminal defendants to cooperate in investigations and prosecutions in exchange for a reduced sentence.

Argentina is in the nascent stages of transitioning from the inquisitorial system to the accusatorial system. Use of aforementioned tools remained limited because investigators, prosecutors, and judges are unaccustomed to them. However, the government is actively planning training on use of these methods.

Constructive measures Argentina could undertake include increasing resources for border security and interagency law enforcement task forces; focusing interdiction efforts on targeted investigations; improving coordination among federal and provincial entities; boosting judicial efficiency in processing investigations and prosecutions; educating investigative and judicial authorities on the benefits of legal and procedural reforms; continuing to make comprehensive statistics available; and coordinating strategies for supply and demand reduction.

Argentina has extradition and mutual legal assistance treaties with the United States, which are utilized to the benefit of both countries.

## **Volume II: Money Laundering and Financial Crimes**

### **Countries/Jurisdictions of Primary Concern**

#### **Argentina**

##### **OVERVIEW**

Argentina faces many of the same challenges confronted throughout the region, including stemming the tide of illicit proceeds from narcotics trafficking and public corruption. In addition, multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) shared with Brazil and Paraguay, which is a base for counterfeiting, drug trafficking, and other smuggling offenses. Persons and businesses linked with the terrorist organization Hizballah operate widely within the TBA. Although moving in the right direction, Argentina still lags behind the hemisphere in implementing adequate mechanisms to effectively prevent, detect, investigate, and prosecute money laundering and related crimes.

Under President Mauricio Macri, Argentina has taken significant steps to strengthen its AML/CFT regime. Recent reforms include much-needed improvements to Argentina's FIU and the adoption of a risk-based AML/CFT compliance approach consistent with international standards. Despite these positive steps, limited regulatory and criminal enforcement capabilities raise serious concerns about the Argentine government's current ability to effectively reduce the flow of illicit proceeds.

##### **VULNERABILITIES AND EXPECTED TYPOLOGIES**

Contraband smuggling, including narcotics trafficking, and public corruption are significant sources of illicit proceeds. Drug-related crimes have increased in Argentina in the last decade, and Argentina is no longer only a transit country but a consumer and exporter of narcotics and precursors. Tax evasion and the sale of counterfeit goods also generate significant amounts of revenue. Various sectors of the economy are vulnerable to exploitation due, in part, to the lack of effective regulatory oversight. Financial institutions, both state and private, MVTS businesses, exchange houses, real estate, and gaming are particularly susceptible. Argentina also lacks adequate controls at points of entry to prevent cross-border transport of contraband and bulk cash. Its cash-intensive economy and large informal sector create additional opportunities for criminals to inject illicit proceeds. Criminal operations often utilize offshore jurisdictions and establish legal entities in other countries to launder illicit proceeds internationally. TBML schemes also have been detected.

## KEY AML LAWS AND REGULATIONS

In 2017, Argentina enacted key AML regulations that mandate a risk-based approach to AML compliance and require CTRs. It also enacted a law that permits greater sharing of financial intelligence among AML government stakeholders. Argentina has negotiated tax information exchange agreements with several countries, including the United States, which will facilitate increased transparency of offshore assets held by Argentine nationals. Foreign and domestic PEPs are subject to enhanced due diligence.

Argentina is a member of the FATF and of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofargentina.html> .

## AML DEFICIENCIES

Despite recent reforms and clear political will to effect change, effective implementation of the AML regime will continue to be a significant challenge for the government. Argentina has still not completed an AML/CFT national risk assessment. Many DNFBPs have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML compliance. Full implementation of the CTR requirement and use of a risk-based approach will likely take years.

Argentina still lacks an adequate legal framework to control contraband smuggling and bulk cash smuggling. Bulk cash smuggling presents a significant challenge given inadequate border controls and lack of resources for outbound enforcement of customs laws. Neither does it have an adequate legal framework to seize, manage, and forfeit illicit assets.

## ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Since entering office in December 2015, the Macri administration has made a strengthened and professional FIU central to its AML/CFT and anti-corruption strategy, and the FIU has made significant upgrades to improve its operational effectiveness. The FIU has an outsized role in the AML regime, largely in response to both a lack of law enforcement capacity and an absence of clear strategies by the other stakeholders to combat these crimes. The FIU participates as a party to criminal cases and is attempting to do so in a more strategic fashion. The compartmentalization of information and lack of interagency coordination between the FIU and federal security forces presents a significant challenge.

Argentina and the United States have a MLAT in place. The United States and Argentina participate in the Argentina-U.S. Dialogue on Illicit Finance (AUDIF), a bilateral initiative with the main objective of identifying shared money laundering and terror financing threats and vulnerabilities and to implement counter-strategies and initiatives.

Argentina has recently adopted legal and procedural reforms which could improve its ability to target and prosecute drug trafficking and other criminal organizations. These reforms allow enhanced use of informants, undercover officers, and criminal defendants in investigations and trials. Widespread use of these measures has not yet occurred, partly because investigators, prosecutors, and judges are inexperienced in their use. Additionally, the laws authorizing these measures include restrictions that limit their use and effectiveness. Efforts are underway to amend these restrictions.

Regime effectiveness, as measured by convictions, asset forfeiture, and regulatory enforcement, has been limited. Argentina has successfully prosecuted only a small number of money laundering cases. Systemic deficiencies in Argentina's criminal justice system persist, including lengthy delays and a lack of judicial and prosecutorial independence. Investigative judges and prosecutors lack experience in financial crimes and there is limited collaboration among the AML stakeholders.