

# Sanctions Evasion Through Commodity Flows in Latin America

## Hezbollah-Linked Network Adaptation Under Financial Pressure

*Author: Antoine Bachelin Sena*

### Executive Summary

Sustained external pressure on Hezbollah—including financial disruption and leadership targeting since late 2023—has significantly degraded centralized funding channels. In response, affiliated networks in Latin America are increasingly shifting toward decentralized, locally autonomous financial models.

This transition is driven in parallel by the expansion of foreign terrorist organization (FTO) designation regimes in jurisdictions such as Argentina and Paraguay, which have constrained access to formal banking systems.

As a result, Hezbollah-linked facilitators are increasingly relying on commodity-based value transfer mechanisms—particularly gold—and trade-based money laundering (TBML) structures embedded within legitimate commercial flows.

These adaptations do not eliminate financial activity but reconfigure it into less visible, hybrid systems that are harder to detect through conventional compliance frameworks.

### Key Mechanism: From Financial Constraint to Hybrid Adaptation

The current operational shift can be understood as a three-step causal chain:

#### 1. Constraint

- FTO designations trigger asset freezes and increased compliance scrutiny
- Financial institutions reduce exposure to high-risk clients and jurisdictions
- Parallel external pressure disrupts centralized funding pipelines

#### 2. Displacement

- Reduced access to formal banking channels
- Increased reliance on intermediaries and informal systems

- Fragmentation of previously centralized financial structures

### **3. Reconfiguration**

- Transition toward trade-based money laundering (TBML)
- Increased use of commodities (especially gold) as stores and vectors of value
- Development of locally autonomous financial ecosystems in permissive jurisdictions

This evolution reflects a broader shift from centralized funding models to distributed, hybrid financial architectures.

### **Operational Pattern: How the System Functions in Practice**

In operational terms, this adaptation typically involves the interaction of three layers:

#### **1. Identity Layer**

- Creation and use of shell companies
- Use of intermediaries with legal commercial identities
- Registration of import-export businesses with minimal scrutiny

#### **2. Commercial Layer**

- Use of trade flows to move value (electronics, used vehicles, commodities)
- Trade misinvoicing (over/under-invoicing)
- Integration of illicit goods (e.g. gold) into legitimate supply chains

#### **3. Financial Layer**

- Reduced reliance on formal banking channels
- Use of informal exchange networks and intermediaries
- Re-entry of laundered funds into the formal economy via compliant transactions

These layers interact to create redundancy: when one channel is constrained, others compensate.

## **Regional Anchors of Adaptation**

### **Brazil**

Recent investigations, including Operação Trapiche (2023–2024), indicate the continued use of corporate structures and logistical facilitation networks linked to Hezbollah-affiliated actors.

The absence of a formal terrorist designation framework limits the use of counterterrorism tools, leading to classification of such activities under standard criminal law and reducing long-term disruption capacity.

### **Tri-Border Area (Argentina–Brazil–Paraguay)**

Despite increased enforcement following FTO designations, the region remains structurally permissive due to:

- High-volume cross-border commerce
- Cash-intensive economic activity
- Jurisdictional fragmentation

These conditions facilitate the continued use of TBML and intermediary-based financial transfers.

### **Venezuela**

Venezuela provides both logistical and structural advantages:

- Weak institutional oversight
- Access to commodity flows (notably gold)
- Established pathways for identity issuance and mobility

The use of commodities allows networks to bypass financial restrictions imposed by sanctions and FTO frameworks.

## **Risk Implications**

### **A) For Financial Institutions**

- Increased difficulty in detecting illicit flows embedded in legitimate trade

- Exposure through indirect counterparties rather than direct clients
- Limitations of traditional AML frameworks focused on banking transactions

### **B) For Governments**

- Reduced effectiveness of designation-based disruption when not regionally harmonized
- Emergence of hybrid systems operating below enforcement thresholds
- Increased reliance on cross-border intelligence cooperation

### **C) For Private Sector Actors**

- Elevated risk exposure in commodity trading and import-export sectors
- Potential regulatory and reputational risks linked to indirect involvement
- Growing complexity in supply chain due diligence

### **Key Indicators (Operational Red Flags)**

Practitioners should monitor the following patterns:

- Trade flows inconsistent with company profile or scale
- Repeated transactions involving high-risk corridors (Tri-Border Area, Venezuela)
- Import-export firms with limited physical presence or operational footprint
- Discrepancies between declared value and market price of goods
- Sudden shifts from banking transactions to trade-based or intermediary-based transfers
- Use of commodities (especially gold) as settlement mechanisms

### **Conclusion**

Hezbollah-linked financial activity in Latin America is not disappearing under pressure—it is adapting.

FTO designations and financial constraints have successfully disrupted centralized funding structures. However, these measures have also accelerated the transition toward decentralized,

hybrid financial systems that operate across the intersection of trade, commodities, and informal networks.

Effective disruption will require moving beyond institution-centric approaches and addressing the systemic interaction between identity, commerce, and financial validation mechanisms across jurisdictions.