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10 Illicit Trade Risks in Latin America (2026)

The Year of Smuggling as a Geopolitical Effect



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Executive Summary

In 2026, Latin America does not face isolated illicit trade crises, but rather a systemic revolution of illegality and unfair competition driven by geopolitical forces (in addition to pre-existing criminal enablers). The convergence of tariff wars, China's export assertiveness, the renewed interest of the United States (U.S.) in its economic security within the hemisphere, the strengthening of transnational organized crime, the diversification of illegal "portfolios," technology- and AI-enabled criminal facilitation, and the institutional capacity weaknesses of many countries in the region have created the perfect breeding ground for illicit trade operations to expand and become more sophisticated in 2026.

Illicit trade is no longer a "niche" activity; it has evolved into criminal economies that rival the Gross Domestic Product (GDP) of several nations. Its effects erode tax revenues, undermine national and industrial competitiveness, and displace formal employment, in addition to posing significant public health risks, particularly in the case of consumer goods. Many companies and governments will face a major challenge in achieving their annual sales or revenue targets: market share captured by illegality.

Below, we present the 10 principal illicit trade risks identified for the region in 2026.

1.

The International Legal (Dis)Order and the Tariff War

The international legal order characterized by hyper-globalization, free trade, and U.S. hegemony has come to an end. The geopolitical and geoeconomic confrontation between China and the United States will weaken the rules-based multilateral system and strengthen an economic and legal ecosystem dominated by transactional bilateral agreements, sanctions, tariffs, and other unilateral measures.

The weakening of the World Trade Organization (WTO)—exacerbated by the paralysis of its dispute settlement mechanism—and the loss of legitimacy of international tribunals mean that trade is no longer governed by universal norms, but increasingly by the relative power of states. In this context, illicit trade ceases to be merely a compliance failure and, in many cases, becomes a functional tool within geoeconomic strategies, tolerated or instrumentalized by state and para-state actors operating in the gray zones of the new global (dis)order.

For example, U.S. tariffs on Chinese products incentivize Beijing to strategically use Mexico and Canada as gateways into the U.S. market, tolerating the use of illicit trade techniques such as country-of-origin misrepresentation to evade tariffs or antidumping rules. The triangulation of Chinese products—such as steel or aluminum—through Mexico is already a reality and is likely to be replicated across other sectors. The recent announcement of 30% tariffs by the Government of Ecuador on products from Colombia reflects that this trend will not be limited to major powers.

A foreign trade governance environment characterized by inconsistent and volatile rules will disadvantage states that cannot ensure adequate and agile trade oversight, as well as those unable to swiftly implement protective measures for their domestic industries in response to the political and economic decisions of other states.



2.

China as a Structural Accelerator of illicit Trade in Latin America



China, trapped in a deflationary cycle, is redirecting its excess production toward Latin America at prices that local industries—by and large—cannot compete with, effectively triggering deindustrialization in recipient countries. Additionally, this massive flow of manufactured goods serves as a "cover" for the trafficking of smuggled and counterfeit products across the region, using Mexico and Peru as re-export platforms.

The trade war (tariffs) with the United States has intensified this trend by closing access to its primary consumer market and forcing China to seek alternative international markets, particularly in South America, where China is already the leading trading partner. The new Port of Chancay (Peru) has reduced logistics times and costs along Asia–Latin America routes, further accelerating this dynamic.

The "China surge" has a cross-cutting impact, both industrially and geographically, spanning from Mexico to Argentina. The severe disruption of domestic industries—such as footwear in Mexico, ceramics in Peru, and mobility devices (e.g., scooters) in Colombia—will continue to escalate unless mitigation strategies are developed to protect national competitiveness and reduce unfair competition. Limited customs inspection capacity, inadequate container risk profiling, and widespread delays in antidumping proceedings represent significant bottlenecks in addressing this risk.

3.

U.S. Pressure on the Region: The Donroe Doctrine



The United States has adopted a posture of assertive primacy in the Western Hemisphere, referred to as the "Donroe Doctrine," whose explicit objective is to eliminate the influence of non-hemispheric competitors, specifically China[1]. Under this strategy, Washington will use access to its market and security agreements as leverage, conditioning bilateral relations on Latin American countries curbing Asian investment and illicit trade flows; this pressure may become so significant that it could influence the 2026 electoral cycles in countries such as Colombia, Brazil, and Costa Rica.

In the specific case of Mexico, the current Trump administration views customs inconsistencies and piracy as trade barriers[2], making the 2026 review of the United States–Mexico–Canada Agreement (USMCA) a scenario of high tension. A forceful crackdown on *huachicol fiscal* (fuel tax evasion schemes) and the dismantling of political corruption networks linked to organized crime will be demanded, backed by a sharp increase in sanctions from the Office of Foreign Assets Control (OFAC) and the latent threat of military intervention to secure border control.

This dynamic places the region at a crossroads where commercial neutrality may be penalized, forcing governments to impose "mirror tariffs" against China and to restrict foreign investment in strategic sectors such as mining and technology. Paradoxically, the weakening of international due diligence processes and potential cuts to U.S. funding for illicit flow data-sharing mechanisms could ultimately undermine the very security efforts Washington seeks to enforce.

[1] White House. https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf.

[2] United States Trade Representative. https://ustr.gov/.

4.

Transnational Organized Crime as a Systemic Competitor: Hybrid Platforms and Market Capture

Criminal structures have evolved to compete not only with states for territory and legitimacy, but also unfairly with formal businesses, normalizing the consumption of illicit goods under coercive schemes in which territorial control often escapes government authority. Today, illegal networks have captured entire mass markets, reaching critical levels such as 90% of the cigarette market in Panama and 27% of the liquor market in Ecuador[3], capitalizing on tariff wars and international legal disorder to expand operations in countries with limited customs and judicial controls.

By 2026, the traditional distinction between a drug cartel, a smuggling network, and illegal mining will fade, giving way to transnational criminal organizations operating as optimized logistical platforms. These structures will use the same routes, financial schemes, and corruption networks to move any value-generating commodity—from fentanyl and precious timber to illegal fishing—shifting criminal competition from niche markets to control over the logistical infrastructure that enables these illicit flows to thrive.

Faced with the punitive approach of the current Trump administration and OFAC sanctions, these organizations will be compelled to diversify their portfolios to mitigate risk, migrating toward less prosecuted but highly profitable crimes. A clear example is smuggling, which became the fastest-growing illicit market in South America between 2023 and 2025[4]. The global sophistication of crimes once considered "minor" will outpace the response capacity of slow-moving state bureaucracies, making the forfeiture of financial assets that sustain these platforms significantly more difficult.



[3] Central de Investigación, Monitoreo y Análisis del Comercio Ilegal (CIMA). Reporte estratégico 2025. 2025. Strategos BIP.

[4] OCINDEX. https://ocindex.net.

5.

Technical Smuggling and Trade-Based Money Laundering (Intensified)

Foreign trade faces an unprecedented threat due to the sophistication of technical smuggling and the expansion of Trade-Based Money Laundering (TBML). These practices not only sustain criminal economies, but also enable the "laundering" of illicit funds through documentary manipulation in commercial transactions –such as under-invoicing, tariff misclassification, and the use of shell companies–thereby injecting large volumes of goods into the market with which the legal sector cannot compete.

TBML is projected to become widespread as a tool to legitimize the record revenues generated by cocaine production in Colombia and Ecuador, as well as by the trafficking of fentanyl precursors through ports in Mexico, Guatemala, and Chile. In this context, cigarette smuggling is consolidating as a key laundering mechanism, offering a significantly higher return on investment than the direct sale of cocaine in the United States[5]. This phenomenon also affects licit industries located in cultivation zones, such as palm oil and rice production.

The complexity deepens amid global trade wars and tariff barriers, which incentivize the concealment of country of origin to evade sanctions. This results in the deep infiltration of criminal networks into critical logistical nodes–ports, free trade zones, and shipping companies–raising compliance costs for banks and exporters, and making coordinated cooperation among financial intelligence units, customs authorities, and the private sector imperative to detect and disrupt these operations.



[5] Armada Nacional de Colombia. https://www.armada.mil.co/es

6.

Digitalization and Artificial Intelligence as Multipliers of Illicit Trade



Digital piracy and illicit trade more broadly have migrated into the digital ecosystem, now amplified by artificial intelligence. It has never been easier to position illegal products for sale online. By 2026, generative AI is being used to create e-commerce platforms and illegal streaming/Internet Protocol Television (IPTV) services (such as MagisTV or Cuevana) that are extraordinarily difficult to shut down due to their decentralized architecture and ease of reactivation. AI is also leveraged by transnational organized crime to falsify customs documents in TBML schemes, technical smuggling operations, or cargo contamination with narcotics. With AI, "criminal entrepreneurs" gain greater capacity—at very low cost—to virtually market mass-consumption smuggled or counterfeit goods. Industries with highly protected intellectual property will become increasingly vulnerable to cyber-espionage and cyberattacks.

The widespread lack of AI governance and oversight of digital commercial ecosystems (such as marketplaces on Alibaba, Facebook, Telegram, etc.), combined with the absence of local semi-automated supervisory capabilities based on equivalent technology, will facilitate digital illicit trade and cyberattacks. The surge in small-parcel shipments sold via e-commerce is overwhelming inspection capacity and is being increasingly exploited by illicit actors.

Latin America's significant expansion in digital connectivity will be a double-edged sword; not all market share growth will benefit legal industries. Multi-billion-dollar losses for creative industries "competing" with digital piracy will continue[6]. The use of illicit trade apps will expose consumers' personal data on a massive scale. Illegal online pharmacies—of which approximately 96% already operate outside the law—will be created at industrial scale, posing a proportional public health risk. This expansion does not emerge in a vacuum: markets such as Tepito (Mexico), La Salada (Argentina), and Rua 25 de Março (Brazil) already function as hybrid logistics hubs with online sales fulfillment, demonstrating that illicit trade has been building the infrastructure necessary to scale into the digital environment for years.

[6] United States Trade Representative. https://ustr.gov/.

7.

The Rise of Illegal Mining: A Strategic Criminal Economy of the 21st Century



The global energy transition has inadvertently reshaped illicit economies, turning critical minerals (gold, lithium, coltan, copper) into the new "oil" of organized crime. This inelastic demand—driven by the geopolitical race to dominate clean technologies and electromobility—has driven up commodity prices, making illegal extraction in protected areas a low-risk, highly profitable activity.

Today, illegal mining represents the region's greatest environmental and security threat, operating under a predatory logic that displaces communities, fosters forced labor, and devastates ecosystems through the indiscriminate use of mercury. This toxic metal, trafficked primarily from Mexico to the rest of the continent, has become the critical input enabling the criminal supply chain, contaminating transboundary watersheds and generating a silent yet lethal public health crisis.

In this context, Colombia presents a paradigmatic case in which criminal mining already competes with—and in some cases surpasses—drug trafficking as the principal source of financing for armed groups[7], allowing them to diversify revenues and launder assets more easily than through narcotics. At the same time, the Amazon—particularly in Brazil, Peru, and Venezuela—faces a point of no return due to the destruction of strategic biomes.

For the legitimate industry, the challenge is existential: mining companies face not only rising operational and reputational costs, but also unfair competition "stained with blood," as illicitly sourced minerals enter global markets through illegal refineries and trade-based laundering schemes. Traceability thus becomes the central battleground for corporate due diligence.

[7] The FACT Coalition. https://thefactcoalition.org/.

8.

The Balloon Effect: Displacement of Criminal Networks Amid Increased Pressure on Venezuela



Maximum pressure from the current Trump administration on Venezuela and the broader region has forced a restructuring of illicit trafficking routes and transnational organized crime networks. Hardline tactics and the selective dismantling of criminal leadership (kingpin strategy) do not eliminate networks; rather, they displace them toward new actors, geographies, and/or activities. The military operation aimed at the capture of Nicolás Maduro has unintended consequences in this regard.

Historically—and more recently as a result of U.S. financial sanctions—the regime has deepened its reliance on illicit economies as a source of foreign currency (gold, oil, cigarettes, liquor, etc.), a structure that will not be easily dismantled. Increased pressure on traditional corridors for illegal goods through Venezuela, as well as the shock to the de facto "organization" of these markets under the Maduro regime and its corruption networks (e.g., the alleged control of the illegal alcoholic beverage market by the Flores family), will trigger a realignment of power and routes with regional spillover effects.

The balloon effect—whereby Venezuelan criminal groups relocate to neighboring or "safer" countries such as Colombia, Costa Rica, Ecuador, or Panama—is an ongoing reality that will continue this year, as evidenced by the expansion of Tren de Aragua. These groups compete or form alliances with local cartels, expanding various illicit markets and bringing with them increased homicide rates linked to territorial control and control over strategic infrastructure such as ports, as well as new threats to business ecosystems where illicit trade had previously been marginal or contained.

The U.S. oil blockade in maritime zones will further increase illicit fuel trafficking in border regions.

9.

Erosion of the Rule of Law, Corruption, and Customs Fragility



There is a rise in authoritarianism and a global decline in respect for the rule of law; 68% of countries recorded setbacks in this area in 2025[8]. In Latin America, this translates into the capture of the judiciary by political or criminal interests, reducing the predictability of rulings and fostering impunity. Mexico and Venezuela show the lowest scores in criminal justice and absence of corruption[9].

Despite rising criminality, governments across the region face political, legal, technical, and budgetary constraints in addressing illicit trade threats. For example, in numerous countries, the lack of ex officio authority prevents customs inspectors from seizing counterfeit or suspected smuggled goods without a prior complaint from the brand owner, effectively creating a "free pass" for illicit trade in free trade zones and key ports. At the same time, budget cuts in enforcement agencies (following extreme austerity models), or the assignment of military personnel to perform civilian functions—as seen in Mexican customs—have left these institutions without specialized expertise.

In a context of widespread corruption, as is common across Latin America, the erosion of clear trade rules enables corrupt practices at borders to "facilitate" the movement of both legal and illegal goods indiscriminately.

These governance conditions discourage the protection of intellectual property in the region by increasing enforcement costs and complicating the execution of legal safeguards. They also carry negative implications for foreign investment. In general, within an ecosystem of impunity and corruption, law-abiding industries will always be at a disadvantage.

[8] World Justice Project. Rule of Law Index. https://worldjusticeproject.org/rule-of-law-index/-

[9] World Justice Project. Rule of Law Index. https://worldjusticeproject.org/rule-of-law-index/-

10.

Macroeconomic and Regulatory Factors Driving Illicit Consumption

In a constrained macroeconomic environment—projected to grow by only 2.3% in 2026[10] amid persistent inflation—the erosion of purchasing power pushes consumers toward illicit markets, not out of preference but out of strict economic necessity. This dynamic is reinforced by structural labor informality at 46.4%[11], which serves as a distribution network for illicit goods. At the same time, fiscal policies aimed at closing state deficits through high excise taxes on products such as tobacco and alcohol create price gaps that make smuggling highly attractive, displacing the legal industry.

This phenomenon generates a vicious cycle: the consumption of counterfeit goods reduces tax revenues, further weakening the state's ability to provide basic services, as evidenced in Ecuador and Panama, where the illegal cigarette market has captured shares approaching 90%[12]. The crisis is compounded by failures in public health systems—particularly in Mexico and Colombia—which force patients to seek critical medications, such as insulin or oncology treatments, through informal channels with no guarantee of quality.

Finally, the Mexican experience demonstrates that outright bans—such as those imposed on vaping devices—can be counterproductive by creating new markets for organized crime. This is prompting a reassessment of public policy approaches, prioritizing strict regulation over total prohibition in order to balance public health objectives with the containment of criminal economies.



[10] Economic Commission for Latin America and the Caribbean (ECLAC). 2025. "ECLAC Updates Growth Projections for Latin America and the Caribbean: An Expansion of 2.4% is Expected in 2025 and 2.3% in 2026." Press release, October 23, 2025. Economic Commission for Latin America and the Caribbean (CEPAL). https://www.cepal.org/en/pressreleases/eclac-updates-growth-projections-latin-america-and-caribbean-expansion-24-expected

[11] International Labour Organization (ILO). 2025. "Employment Holds Steady in Latin America and the Caribbean, but Informality and Inequality Persist." ILO News, 11 December 2025. https://www.ilo.org/resource/news/employment-holds-steady-latin-america-and-caribbean-informality-and

[12] CIMA. https://cima.strategosbip.com/cimaindex. Strategos BIP.

The Event of the Year: FIFA World Cup 2026 in North America

The FIFA World Cup 2026 illustrates how mega-events amplify these risks. Mexico, as one of the three host countries, faces a surge in demand for official merchandise—from jerseys to athletic footwear—whose prices are prohibitive for the average consumer: the official "Trionda" match ball retails for approximately USD 170. The gap between official pricing and real purchasing power has triggered an avalanche of counterfeits.

Mexico ranks 9th worldwide as a country of origin for counterfeit goods, according to the Organisation for Economic Co-operation and Development (OECD), and sports apparel accounts for 43% of global seizures. In 2025 alone, Mexico's Institute of Industrial Property (IMPI) has seized pirated goods valued at more than 1.3 billion pesos (approximately USD 75 million) since 2024 as part of its "Operativo Limpieza" strategy. It has also registered 344 specific tournament-related trademarks while establishing 3-kilometer "clean zones" around stadiums. However, enforcement measures cannot close the underlying structural economic gap—particularly when a significant share of consumers perceive counterfeit goods as a socially acceptable form of savings.

This dynamic converges with the massive shipment of counterfeit merchandise from China, its large-scale commercialization through AI-supported e-commerce channels, the presence of organized crime in territories with heightened World Cup activity, and the limited capacity of the Mexican government to address the challenge. Public awareness campaigns, collective intelligence strategies among affected brands and industries, and operational public–private collaboration mechanisms with government entities will be critical to mitigating counterfeiting risks during the World Cup.



Methodological Note

This report summarizes **Strategos BIP**'s annual outlook on the principal illicit trade risks in Latin America for 2026, with an emphasis on smuggling, counterfeiting, unfair competition, and other forms of illegal goods trafficking. The identified risks were selected based on their likelihood of materializing and their potential economic, institutional, and public security impact across the region during the current year. The analysis integrates market intelligence, geopolitical trend monitoring, and data from the **CIMA** platform. This report was published on February 23, 2026.

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Thanks to the collective effort of the Strategos BIP team, this report stands as a relevant resource for decision-making by governments, companies, and industries confronting the challenges of illicit trade in 2026.

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