

- Miami Herald illustration

MIAMI-DADE COUNTY

# How drug lords make billions smuggling gold to Miami for your jewelry and phones

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## Dirty gold, clean cash: A Miami Herald investigation

A river of gold controlled by drug lords runs through Miami.

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When Juan Granda ventured into Peru's Amazon rainforest to score another illicit load of gold, he boasted that he felt like legendary Colombian drug lord Pablo Escobar.

"I'm like Pablo coming ... to get the coke," he told two co-workers in a text message in 2014.

A 36-year-old Florida State University graduate who once sold subprime loans, Granda was no cartel kingpin. But his offhand comparison was apt: Gold has become the secret ingredient in the criminal alchemy of Latin American narco-traffickers who make billions turning cocaine into clean cash by exporting the metal to Miami.

The previous year, Granda's employer, NTR Metals, a South Florida precious-metals trading company, had bought nearly \$1 billion worth of Peruvian gold supplied by narcos — and Granda and NTR needed more.

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The United States depends on Latin American gold to feed ravenous demand from its jewelry, bullion and electronics industries. The amount

of gold going through Miami every year is equal to roughly 2 percent of the market value of the vast U.S. stockpile in Fort Knox.

But much of that gold comes from outlaw mines deep in the jungle where dangerous chemicals are poisoning rainforests and laborers who toil for scraps of metal, according to human rights watchdogs and industry executives. The environmental damage and human misery mirror the scale of Africa's "blood diamonds," experts say.

"A large part of the gold that's commercialized in the world comes stained by blood and human rights abuses," said Julián Bernardo González, vice president of sustainability for Continental Gold, a Canadian mining company with operations in Colombia that holds legal titles and pays taxes, unlike many smaller mining operations.

Pope Francis condemned the horrors of illegal mining during a visit to the Peruvian Amazon on Friday. The region's gold boom, the pope said, has become a "false god that demands human sacrifice."



## Colombian police battle illegal gold miners

In the Colombian rainforest, outlaw gold mines are poisoning workers and the environment. Police venture deep into the jungle to destroy them with explosives.

**Jim Wyss, Edited by Matias J. Ocner -**

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In Latin America, criminals see mining and trading precious metals as a lucrative growth business, carefully hidden from U.S. consumers who flaunt gold around their necks and fingers but have no idea where it comes from — or who gets hurt. The narcos know their market is strong: America's addiction to the metal burns as insatiably as its craving for cocaine. NTR, for instance, was the subsidiary of a major U.S. gold refinery that supplied Apple and 67 other Fortune 500 companies, as well as Tiffany & Co., according to a Miami Herald analysis of corporate disclosures.

Last March, federal prosecutors in Miami charged Granda, his boss, Samer Barrage, and another NTR trader, Renato Rodriguez, with money laundering, saying the three men bought \$3.6 billion of illegal gold from criminal groups in Latin America. They claimed the gold traders, who eventually pleaded guilty, fueled “illegal gold mining, foreign bribery [and] narcotics trafficking.”

Now, those prosecutors are investigating other U.S. precious-metals dealers suspected of buying tainted gold from drug traffickers, law enforcement sources say. Their goal is not just to take out crooked gold firms like NTR — they also want to kneecap the drug cartels.

Here's why: Over the past two decades, as the U.S. war on drugs undercut the cash flow of narco-traffickers, kingpins diversified into Latin America's gold industry. By using drug profits to mine and sell gold to American and multinational companies, criminal organizations can launder "staggering amounts of money," said John Cassara, a retired U.S. Treasury special agent. The end result: The gold in American jewelry, coins and smartphones is helping finance shipments of narcotics to the United States, as well as illegal mining in Latin America, current and former law enforcement officials say.

Mining regions in the rainforest have become epicenters of human trafficking, disease and environmental destruction, according to government officials and human rights investigators. Miners are forced into slavery. Prostitutes set up camps near the miners, fueling the spread of sexually transmitted infections. One human rights group found that 2,000 sex workers, 60 percent of them children, were employed in a single mining area in Peru.

Meanwhile, strip mining and the indiscriminate use of mercury to ferret out gold are turning swaths of the world's most biodiverse

ecosystems into a nightmarish moonscape. In 2016, Peru declared a temporary state of emergency over widespread mercury poisoning in Madre de Dios, a jungle province rife with illegal mining. Nearly four in five adults in the area's capital city tested positive for dangerous levels of mercury, according to the Carnegie Institution for Science in Washington, D.C.



A gash in the middle of Colombia's southwestern jungle was created by an illegal mining operation. Colombia's police are scrambling to shut down these operations, which the government says are funneling cash to criminal gangs.

**Juan Manuel Barrero Bueno** - Special to the Miami Herald

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Even criminal outfits from Russia and China are investing in gold mining, observers say, abandoning heavy machinery in the jungle once they've extracted the metal. Soaring prices over the last two decades have driven the modern-day gold rush. In January, gold traded at roughly \$1,300 per ounce on the open market, compared to less than \$300 in 2001.

The human rights abuses and deforestation are a “bleeding sore that affects millions of people and their future livelihoods,” said Douglas Farah, a national security consultant and visiting fellow at the Pentagon-funded National Defense University in Washington, D.C.

“It’s become an enormously damaging industry that very few people are looking at seriously,” Farah said. “Just as with ‘blood diamonds,’ the gold issue ... brings together money laundering, forced prostitution, drug traffickers, human trafficking and child slavery.”

Until now, the international gold market’s dark side has drawn little public attention in the United States.

That lack of scrutiny has allowed the trade in dirty gold to grow more profitable than cocaine, according to government estimates in Latin America.

“Criminal groups make so much more money from gold than from coca, and it’s so much easier,” said Ivan Díaz Corzo, a former member of Colombia’s anti-criminal-mining task force.

And just like cocaine, a market for illicit metal has blossomed in South Florida, where nearly a third of the nation’s imported gold enters.

Over the past decade, Miami, a longtime point of entry into the United States for contraband, imported \$35 billion worth of gold via air, according to U.S. Customs records analyzed by



Mercury used to process gold at Planta de Beneficio La Palma, a gold processing plant owned by Delfin Antonio Gonzalez. The plant is in the process of adopting a more environmentally friendly process to separate gold from rock in Segovia, a gold mining town in Colombia's Antioquia department.

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WorldCity, a Coral Gables-based economic data firm. That was more than any other U.S. city.

Some of the metal shipped to Miami is refined locally. Other batches are sent across the country to be melted down and manufactured into jewelry and bullion. Central banks around the world are major buyers of gold. So is the U.S. Mint. And electronics companies use small amounts of gold in consumer products because it is an effective conductor and doesn't corrode.

One way or another, almost everyone has Miami gold in their pockets, portfolios or jewelry boxes.

Simple math shows it can't all be clean.

Take Colombia, a country with a substantial mining industry that exported 64 tons of gold in 2016, much of it to the United States, according to government statistics. That same year, Colombia's large-scale, legal mining operations produced only eight tons, according to the Colombian Mining Association. A significant part of the gap between what Colombia's big mines produce and what the country exports is unlicensed gold — sometimes unearthed by operations controlled by narco-traffickers and other criminals.



A police officer stands watch in southwestern Colombia after authorities destroyed backhoes involved in illegal mining operations.

**Juan Manuel Barrero Bueno** - Special to the Miami Herald

The big Colombian mines that “[legally] produce gold can be counted on one hand,” said Jaime Pinilla, an engineer and legal gold mine owner in Colombia. “There’s a huge difference in the amount that is produced and the amount that is exported.”

And the discrepancy is not just happening in Colombia: Statistics from other Latin American gold-producing nations show similar ratios between legal and illegal gold mining.

It's impossible to know where all the illegal gold is coming from — but it's clear where most of it ends up. Latin America accounts for nearly three-quarters of the gold imported into the United States, roughly 200 tons in 2015, according to Miami-based trade analytics firm Datamyne and the U.S. Geological Survey. That's not far off from the total amount of gold mined in the United States annually.

## **A currency of pain**

The parallels between gold and cocaine are striking.

Both the white powder and yellow metal are sold by Latin American cartels at huge costs to workers and the environment. Terrorists, including al-Qaida, use gold and cocaine to finance their plots. Officials say they are major threats to law and order.

“Criminal mining has become the fuel for a large part of the violence in this country,” Colombian President Juan Manuel Santos has said.



## In Colombia, criminal gangs threaten small gold miners

Subsistence gold miners in Colombia get hit from all sides. The criminal gangs who extort money from them. The multinational companies that dominate the industry. The government that they say wants to regulate them out of existence.

**Pedro Portal, Edited by Matias J. Ocner -**

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One big difference between cocaine and gold? Cocaine is obviously illegal. With gold, it's hard to tell. Papers can be forged. The metal can be melted and remelted until its origin is impossible to pinpoint.

Another distinction? Profit.

In 2014, a kilo of gold was worth between \$30,000 and \$40,000 in Colombia, according to Colombian intelligence figures obtained by the Miami Herald. By comparison, a kilo of cocaine sold for roughly \$2,500. While drug trafficking in Colombia generated less than a billion dollars in total revenue in 2014, according to those same estimates, illegal mining produced roughly \$2.4 billion.

## Nariño 2, Colombia



Illegal mining has devastated the rainforests of Colombia and other gold-producing Latin American nations.

**Miami Herald**

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Gold's luster has exerted a powerful hold on humanity since ancient times.

Today, the metal appeals to the darkest corners of the financial system. It is a safe investment. It is rare and hard to trace. Best of all: Human beings covet it.

Those factors, coupled with industrial mining and heightened demand from investors and tech companies, have turned the precious-metals business into "the Rolls-Royce of money laundering," said Robert Mazur, a former federal agent who infiltrated drug cartels in the 1980s.

Those cartels are always looking for ways to hide how they make their money.

But banks can't accept big deposits of cash, let alone duffel bags of coke-dusted bills, without checking how the funds were made. One solution for criminals: investing in supposedly legitimate businesses.

Here's how gold fits in: Drug-cartel associates posing as precious-metals traders buy and mine gold in Latin America. Cocaine profits are their seed money. They sell the metal through front companies — hiding its criminal taint — to refineries in the United States and other major gold-buying nations like Switzerland and the United Arab Emirates.

Once the deal is made, the cocaine kingpins have successfully turned their dirty gold into clean cash. To the outside world, they're not drug dealers anymore; they're gold traders. That's money laundering.



Members of the Colombian anti-narcotics police force test cocaine, part of a one-ton shipment seized in Buenaventura, the nation's main Pacific port.

**RAUL ARBOLEDA** - AFP/Getty Images

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The U.S. government — laser-focused on traditional money laundering and terror financing through banks — has shied away from untangling the twisted tentacles of gold smuggling, which can be hard to follow across borders.

But that's starting to change — and it's happening in America's gold-import capital, Miami.

The criminal case against Granda — the self-styled Escobar — and his colleagues at NTR Metals is the largest money-laundering prosecution involving precious metals in U.S. history, authorities say.

“The scope of the conspiracy is enormous,” federal prosecutor Francisco Maderal told a judge during a hearing in Miami last year.

So far, the scandal has not only shut down NTR and cost its Dallas-based parent company, Elemetal, the ability to trade gold on bullion and commodity exchanges. It's also put hundreds of employees at Elemetal's refinery in rural Ohio out of work. Elemetal and its executives have not been charged but remain under federal investigation, according to sources with knowledge of the probe. The company and its attorney, Trey Gum, did not respond to repeated requests for comment, although Elemetal has previously said it is cooperating with authorities.

The downfall of one of North America's biggest gold companies is shaking the entire industry, all the way up to the bankers whose lines of credit sustain dealers and refineries doing multimillion-dollar deals.

“The case against [the NTR employees] is a big deal,” said Jason Rubin, CEO of Republic Metals, based in Opa-locka, just north of Miami, and a major rival of Elemetal.

“Financial institutions ... have rightfully and correctly increased their scrutiny of companies in the wake of the allegations.”



Gold bullion is invoiced prior to testing for purity at a trading house in downtown Miami's jewelry and diamond district on Dec. 12, 2014.

**Max Reed** - For the Miami Herald

Alejandro Esponda, a South Florida gold trader, said he fears NTR's misdeeds will unjustly tarnish the entire industry.

“Everybody is guilty by association,” said Esponda, vice president of Universal Precious Metals, based in the Miami suburb Doral.

Although Latin America's gold market is known for corruption and danger, precious metal there is plentiful and labor cheap.

In comparison, the U.S. gold supply, mostly mined in Nevada and Alaska, offers stiff competition and regulations. Big companies control the big mines. Smaller companies looking to deal in U.S. gold are restricted to buying recycled "scrap" gold from pawnshops and jewelry stores. To gain a competitive edge, many U.S. gold traders look south.

But because Latin America's gold market is so fragmented — with the metal sometimes changing hands among many small companies before it's exported — it's hard to guarantee that individual shipments imported to the United States are lawful, experts say.

And since gold's price is set on a worldwide basis and the vast majority of trades are financed on credit, the metal must move quickly between Latin America and the United States. If one importer can pay a supplier faster than a rival can, it wins the deal. Profit margins are surprisingly small, making gold a volume business. The need for speed and quantity means obeying anti-money-laundering laws are a costly requirement for the industry.

The top three traders at NTR seemed to spend their days dreaming up ways to avoid those restrictions.

## **Heart of darkness**

Juan Granda met Samer Barrage, 40, and Renato Rodriguez, 43, when they were hawking subprime loans at HSBC, according to federal court documents. Barrage and Granda later moved to work at Kaplan University, a for-profit school.

Barrage, a London-born U.S. citizen who traveled back and forth between an NTR office in Colombia and his wife and children in Miami, eventually recruited Granda and Rodriguez to work with him buying gold.

In 2012, the company did relatively little business in Latin America.

But the next year, NTR struck a rich vein, becoming the largest U.S. importer of Peruvian gold with \$980 million worth of deals, according to federal prosecutors.

How did they do it?

With help from Peruvian businessman Pedro Pérez Miranda, who is suspected by authorities in Peru and the United States of laundering drug money through the gold trade.

Shell companies tied to Pérez, whose alias is Peter Ferrari, quickly became some of NTR's biggest suppliers. None of his firms had any track record selling gold. That raised suspicions back at the headquarters of NTR's parent company, Elemetal.

The firm's compliance officer repeatedly warned Barrage and at least four Elemetal executives that criminal gold mining and

smuggling were serious problems in Peru — and that Ferrari seemed to be involved.



Pedro Pérez Miranda, whose alias is 'Peter Ferrari', has been charged in Peru with laundering drug money through the gold trade. He was recently indicted in Miami on a similar charge.

**Alessandro Currarino** - El Comercio

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“We need to be extremely careful going forward,” the compliance office, led by retired U.S. Customs Service agent Steve Crogan, told Barrage and his Elemetal bosses in an August 2012 email cited by federal prosecutors.

Ferrari even came to visit Elemetal’s giant refinery in rural Jackson, Ohio, according to one employee who saw him at the plant.

“He was wearing blue jeans and a T-shirt,” said the worker, who asked not to be named. “It didn’t feel right. He wasn’t dressed like a businessman. His appearance didn’t match the amount of money he was supposed to represent.”

The warnings were ignored.

For the three NTR traders — who declined to comment for this story through their lawyers — breaking the law meant big money: Elemetal “incentivized Barrage, Rodriguez and Granda to purchase as much gold as possible with volume-based commissions,” court documents show.

In 2013, NTR went on to buy \$400 million in gold from Ferrari — whose birthday party in Lima early that year was attended by Granda, an avid watcher of the Netflix show “Narcos,” and his two fellow traders. The trio flew in from Miami for the celebration.



A worker scoops grains of pure gold onto a scale for weighing before packaging and shipment at Ohio Precious Metals in Jackson, Ohio, in 2006.

**GARY GARDINER** - BLOOMBERG NEWS

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The NTR traders hid the purchases from Elemetal's compliance office through front companies and false U.S. Customs declarations, and by arranging to bribe Peruvian customs officials, according to court documents.

The scheme didn't last long: NTR's Peruvian operations collapsed at the end of 2013 when local authorities raided a storage facility outside Lima holding gold that belonged to Ferrari and other traders. Agents seized \$18.8 million worth of gold bound not only for NTR Metals but three other Miami-based gold importers, as well as refineries in Switzerland and Italy, according to local media reports.

The year after the gold raid outside Lima, NTR's exports from Peru dropped 92 percent.

But the party wasn't over — it simply moved to neighboring countries.

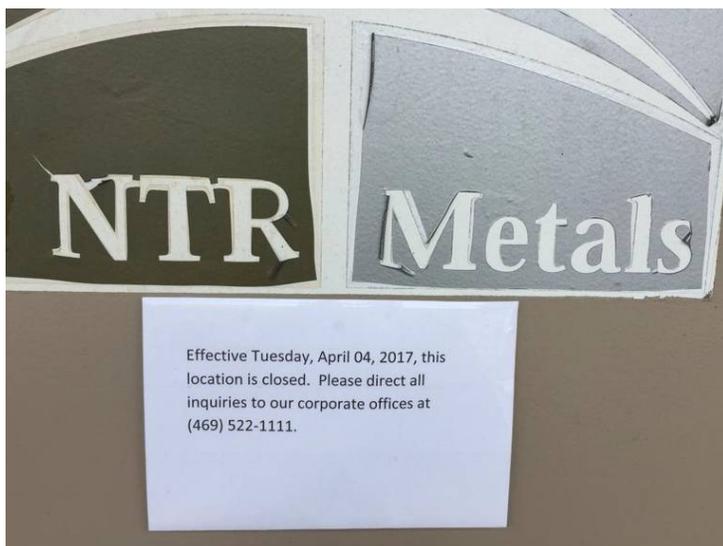
In 2014, Granda and his colleagues began smuggling gold across the border to Ecuador and Bolivia to hide its origins, according to text messages and confidential informants interviewed by U.S. prosecutors. Soon, NTR's purchases in Ecuador and Bolivia soared by \$485 million. Some deals were disguised through the use of companies like one headquartered at a high-end furniture store in Coral Gables, prosecutors alleged.

In February 2015, Barrage laid out the plot in a text message obtained by the government: “We need more Peruvian gold from Bolivia and Ecuador,” he told Granda. “Can u make it happen?”

Granda couldn't. Local governments in those countries had also begun cracking down.

The party moved again, this time to Colombia. In 2015, NTR's imports from Colombia soared to \$722 million, more than double the previous year's haul. That accounted for more than half of the country's gold exports to the United States. Barrage, who owns houses in Nicaragua and Spain, ran the show in Colombia, where he made \$2 million overseeing NTR's operations, prosecutors said.

The company often hid its dirty dealing by exporting gold from Colombia's free-trade zones, which are tax- and duty-free economic development areas where customs regulations are weaker.



A typewritten note announces the closing of NTR

Metals in Miami's Doral suburb. Its traders were criminally charged with importing illegally mined gold into the United States through Miami.

**Jay Weaver** - Miami Herald Staff

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But the smuggling ring finally came crashing down in 2016 after two gold brokers who collaborated with NTR became confidential informants for the U.S. government. One worked as a private customs broker in Peru and dealt directly with Granda, helping him smuggle gold out of the country. The other was a courier based in Chile who carried shipments of illicit gold on flights from South America to Miami. As NTR grew more and more desperate for gold, the courier told investigators that he was sent to Africa, a no-go zone for U.S. gold companies, to secure more metal.

Subpoenas flew, parent company Elemetal began an internal investigation, and Granda, Barrage and Rodriguez were arrested last spring.

Then, last week, federal prosecutors investigating NTR indicted Ferrari, his twin sons and another Peruvian man on a money laundering charge filed in Miami.

Ferrari's lawyer in Peru, Benji Espinoza Ramos, said his client, who is in custody in his home country on domestic money laundering charges, did not break the law. Espinoza said the gold operations were legitimate.

"We believe there is no proof of the existence of illegal gold," he said.

Granda, Barrage and Rodriguez pleaded guilty to a money-laundering conspiracy that carried a maximum of 10 years in prison. They are cooperating with federal prosecutors and providing information about foreign suppliers with narco ties, and about Elemetal. On Friday, Granda and Barrage were sentenced to six and nearly seven years in prison, respectively. Rodriguez will be sentenced later this month.

Will their case scare off other unscrupulous operators in the gold industry?

That's unlikely, experts say, as long as overwhelming demand from U.S. consumers and corporations fuels the market for narco gold.

"The cartels are so powerful," said Mazur, the former federal agent. "They buy banks. They buy refineries. The amount of money they have is ridiculous."

And the lure of gold's profit is too strong.

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