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# Outlaw Capital: Accumulation by Transgression on the Paraguay–Brazil Border

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**Abstract:** Outlaw economies are a key, but under-appreciated, feature of late capitalism. With an ethnography of what one journalist called "the largest illicit economy in the Western Hemisphere" on the Paraguay–Brazil border, this article contributes empirical findings about the production of space for extralegal economies. Contributing to debates about geographies of the illicit, I theorise *outlaw capital*, a form of capital that negotiates profits and distributes rents through situated forms of deals, bribes, and schemes. Outlaw capital zones particular places as sites of useful transgression. Powerful spatial imaginaries then cast them out of thought, despite their connections to spaces of authorised economic practice. Outlaw capital's diverse, flexible spatio-economic forms benefit from explicit and tacit state support. As an example of theory building from the South, outlaw capital can help us think broadly about the power and politics of *accumulation by transgression* as a key logic of outlaw capital.

**Keywords:** illegality, urban development, southern theory, borders, globalisation, corruption

## Introduction

Outlaw economies are a key feature of late capitalism. I launch this argument from what one journalist called "the largest illicit economy in the Western Hemisphere", in the tri-border region of South America, where Paraguay, Brazil and Argentina meet (Brown 2009). Ciudad del Este, Paraguay is a key node in global networks of commerce and contraband, connecting Chinese export processing factories with consumers across South America. The city offers a specific comparative advantage: access to cheap logistics systems that move merchandise through global space. Place-based profits in Ciudad del Este are considerable as traders import and then re-export commodities worth several billion USD.[1] Ordinary Paraguayans and Brazilians helped constitute this China–Paraguay–Brazil trade route, as Rosana Pinheiro-Machado (2017) calls it, alongside middle and upper-class traders, especially from Lebanon, China and Taiwan. Small-scale Brazilian traders called *sacoleiros* cart bags of merchandise from Ciudad del Este to cities across Brazil, reselling them for a profit. During the boom of late 1990s, tens of thousands of Brazilians crossed the International Friendship Bridge into Ciudad del Este each day.

Transgressive trade economies, in their popular and elite expressions, require specific spaces from which to organise various transactions, like clandestine ports


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and shopping malls. From these sites, vendors, entrepreneurs, traffickers and state agents all enact globalisation. Vast commodity flows shape the city and require urban infrastructure oriented toward enabling commerce, both registered and off-the-books. The urban forms of a city built for contraband are both shadowy and showy. Smugglers use a network of clandestine ports along the Paraná river to move cell phones and cigarettes produced in an ex-President's frontier factories. Underground trade routes also connect to formal-looking, less scandalous spaces, like high-end shopping malls. One new mall, Shopping Paris, sports two half Eiffel Towers protruding from the mall's front face as eight-foot statues of the Queen's guard flank the entrance. Inside the Jebai Center, 700 shops specialise in electronics, perfume or toiletries. The crowds of buyers thin by the third of five floors, where armed guards watch warehouse space and a ceaseless rasping sound echoes as groups of young men cover boxes of merchandise with layers of packing tape in preparation for their night-time river crossing.

In this article, I argue globalised capitalism depends on cities like Ciudad del Este. The city enables low-cost commodity circulation, subsiding consumption throughout South America, especially across Brazil. The dynamic popular economy supports thousands of small-scale vendors, traders and traffickers. Indeed, celebrated spaces of production, like China's special economic zones, rely on these spaces of extralegal commerce. Yet, the city is cut out of most stories of development. Powerful spatial stories disconnect ports and malls; frontier wealth and political power in the capital city; East Asian manufacturing centres and cities like Ciudad del Este. Development experts describe it as hopelessly corrupt, economically backward and irrelevant for contemporary questions of urbanisation and economic change. Disciplines like geography and urban studies—equipped to analyse the social production of space—remain "almost entirely undisturbed" by research in anthropology, sociology and criminology detailing the power and reach of extralegal economies (Chiodelli et al. 2017).

This article contributes to the emerging field of geographies of the illicit, arguing Ciudad del Este is a crucial place from which to ask questions about the spaces and politics of late capitalism. I contribute empirical findings about the production of space for the extralegal border trade. Conceptually, I offer *outlaw capital* as a strategic frame through which to analyse extralegal economies. Outlaw capital is a mode of accumulation that works through dealmaking and rule breaking. Uninvested in producing surplus value, it is a form of capital that negotiates profits and distributes rents through situated forms of deals, bribes and schemes. By staking a claim to the category of capital, I contend outlaw capital is central; not an exotic aberration, not mere empirical variation, and not a stage of underdevelopment to be overcome through the expansion of real capitalism.

The dynamics of outlaw capital are relevant beyond these South American borderlands. Outlaw capital zones particular places as sites of useful transgression. Powerful spatial imaginaries then cast them out of thought, despite their connections to spaces of authorised economic practice.[2] While hard to see, the profits and powers of outlaw capital suture together rightwing political coalitions gaining ground across the Americas. Triumphantly corrupt heads of state—think Trump

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or Brazil's Bolsonaro—weaponise discourses of corruption as they push nightmarish policies. Yet this corruption talk somehow sticks, articulating with other forces to oust leftist governments and undermine projects of redistribution and social inclusion. Thus, thinking with outlaw capital—not the duplicitous category of corruption—is crucial.

My arguments are based on 15 months of ethnographic fieldwork between 2011 and 2015, focused on economic practice and its regulation in Ciudad del Este. I observed street vendors, their associations, a key chamber of commerce and state officials charged with overseeing the border trade and organising the street market. I also conducted more than 100 open-ended interviews with a range of actors engaged in the border trade, its regulation or urban space-making practices.[3]

In what follows, I review the literature on geographies of the illicit with a focus on spatial production and state practice, highlighting my debt to Brazilian and Argentine researchers whose work on the *sacoleiro* circuit crucially informs my findings. Three empirical sections follow. In the first, "Spatial Imaginaries", I analyse the narratives that justify cutting places like Ciudad del Este out of most stories of urban development and global capitalism. In the next section, "Outlaw Capital", I offer a social history of contraband and commerce in the city, focusing on elite involvement in the border trade. The final empirical section, "Contraband Urbanism", describes two interconnected spatial forms of a city built for contraband: the clandestine port and the mall. I conclude with reflections on the role of outlaw capital in the global economy writ large and the importance of making theory from Ciudad del Este.

## Illegalities and Economic Geography

Economic globalisation, and neoliberalism's (partial) deregulatory impulse, opens up new spaces for illegal, illicit and criminal economic activities. These "shadow" worlds constitute a significant share of global economic activity (Castells 2010), even as measurement of their size is an impossible task.[4] These outlaw economies are responsive, diverse and intensely international (Schendel and Abraham 2005). Illicit and illegal economic organisations, like contraband networks, drug traffickers and cartels shape economic globalisation as much as so-called legal firms, both through ordinary people's everyday lives (Galemba 2017) and a "symbiotic relationship" with neoliberal economic forms, like NAFTA (Muehlmann 2013:12). Yet, there is relatively little research on the modes of spatial production that enable outlaw economies.

To move beyond the legal/illegal binary, I focus on economic practice and the everyday relationships through which it is regulated. Anthropological approaches deconstruct how descriptors—informal, illegal, illicit, criminal—require and stabilise an imagined space of a bounded legal economy. The anthropologist Carolyn Nordstrom (2007) uses the term "il/legal" to describe the interpenetration of illegality and rule-breaking throughout a social field of legitimated economic practices. Gregson and Crang (2017) show how illicitness is a "transient quality" flickering through different intensities as commodities move. Furthermore, the law

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tends to enshrine the interests and worldviews of the powerful. For instance, institutionalised corporate tax evasion through off shore accounts—"advanced business services" in corporate parlance—shapes regulatory landscapes (Haberly and Wójcik 2015) and is largely unpunished. Indeed, the boundaries of authorised economic practice are established, contested, reworked through law, race/gender/class discourses of legitimacy and contentious enforcement politics (Scott 1969; Tucker and Devlin 2019). The diversity of these clandestine economic spaces is easily overlooked, as they work by being hard to see.

What are the relationships between state power and extralegal economies? Some argue outlaw economies thrive in spaces where the sovereignty of states wane (Schendel and Abraham 2005) or where governance fails (Chabal and Daloz 1999; Luke and Toal 1998). Others emphasise the coexistence of multiple forms of political authority (Das and Poole 2004), pluralisms that Western theories of state and governance struggle to see (Wilson 2009). Drawing on Tilly's (1985) argument that early European states formed through protection rackets and war, Karass (2010) argues smuggling helped construct modern states while others demonstrate that drug trafficking profits helped consolidate global capitalism (Bhattacharyya 2005; Davis 2002). Assumptions that outlaw economies thrive in spaces of "state absence" shore up a normative, Eurocentric ideal-type of something called the state, overlooking how state formation works alongside and through illicit organisations. Instead, state formation is contested, ongoing and processual. Outlaw economies co-constitute with the state. They are eminently modern, not temporary stages on some imagined ladder of development.

This paper contributes to a small but growing literature of spaces of the illicit (e.g. Ballvé 2019; Hall 2012; Hudson 2014; Weinstein 2008). Transborder trade economies are specific economic configurations, made up of worldwide circuits of commodities, money, people and expertise. These circuits require material, infrastructural investments in physical space (Harvey 1982), even if these border towns depart from expectations of what a "distributive city" (Easterling 2014; Negrey et al. 2011) looks like. Like any economic world, these are deeply social, political and contested spaces, with their own particular histories, patterned but never determined by global forces.

The tri-border region has largely reached English speakers through sensationalist press coverage (e.g. Fisher and Regan 2007; Webber 2010) and sporadic reports by the US intelligence community speculating about links between smuggling revenues and terrorist organisations (e.g. US Department of State 2004, 2010). Researchers from the region, however, tell a much more nuanced story. Ordinary Paraguayan street vendors (Rabossi 2008), *sacoleiros* (Cardin 2014; Pinheiro-Machado 2008), Chinese merchants and Lebanese traders (Karam 2013) together constructed a global trade route provisioning regional consumers with cheap merchandise. The trade economy exemplified "globalization from below" (Rabossi 2012), as small-scale traders innovated diverse economic tactics and vernacular understandings of legitimacy (Cardin 2012). Since 9/11, a racialised discourse of security conflated the presence of Arab communities with terrorism, imagining the region as lawless (Giménez Béliveau 2011). Compounding this, corporate-led anti-piracy efforts (Pinheiro-Machado 2010), militarised securitisation of the

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border (Aguiar 2012) and an anti-smuggling campaign backed by questionable knowledge practices (Rabossi 2018) criminalised the *sacoleiro* circuit. Indebted to these scholars, my own work adds a spatial analysis, addressing the co-constitution of the city and the trade route.

Outlaw capital is a mode of accumulation that works through dealmaking and rule breaking. Conceptually, it is a form of capital that negotiates profits and distributes rents through situated forms of deals, bribes and schemes. Outlaw capital is uninvested in producing surplus value. Yet, with outlaw capital, some reap vast profits. Like Marx's general category of capital, outlaw capital is both a social relation and the product of those relations in the form of profits from extralegal economic practices. Following the feminist GENS collective, the everyday social relations of outlaw capital *generate* the profitable trade economy, rather than just exploiting it (Bear et al. 2015). Grounded in feminist economic anthropology, this approach starts with situated practices of valuation—always realised through historically constituted regimes of kinship, gender, race and class—rather than assuming an abstract logic or pre-given form of capital. Thus, the practical activities of outlaw capital are enacted through relationships and social networks, produced by and productive of social hierarchies of race, class and gender.

*?A3B2 twb=.40w?>Contrabandistas* plough the money accumulated through their transgressions into further profitable deal-making. Indeed, *accumulation by transgression* is the core logic of outlaw capital. While uninvested in producing surplus value, accumulation by transgression is still a means of valuation, which captures rents through rule breaking and dealmaking. I use this play on the concept of accumulation by dispossession (Harvey 2003) to emphasise the vast worlds of value capture at work in extralegal economies and to specify the everyday practices through which elite illegalities capture value in Ciudad del Este and beyond. Accumulation by dispossession, or what some have called "enclosures", describes how capitalism continually renews its conditions of possibility through capturing or colonising hitherto uncommodified spheres of life, an ongoing process rather than a founding moment. Unlike what Marx called the "silent compulsion" of normalised exploitative economic relations (cited in De Angelis 2004:67), these enclosures often require violence and coercion, not uncommonly abetted by state action. Under the broad banner "accumulation by extra-economic means", Glassman (2006) gathers enclosures and forms of accumulation enabled by the uncompensated but essential (gendered and racialised) work of social reproduction.[5] The tag extra-economic emphasises processes internal to capitalism but outside the wage relation, a key distinction given the decline of waged work and production as capitalism's central pivots. I argue that accumulation by transgression is a central mode of accumulation by extra-economic means. Rather than enclosing a commons, accumulation by transgression captures or redistributes revenue streams through illegalities or the productive grey, clandestine and shadow spaces which abound in neoliberal landscapes of aggressive de/reregulation. This framing helps us to better apprehend capitalism as a complex and mutating social formation working through worlds beyond waged and productive labour.

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## Spatial Imaginaries

On a flight to Asunción in 2015, I sat next to a white woman from Ohio, a naturalised Paraguayan married to a successful Paraguayan businessman. We chatted about Elisa's strong connection to Paraguay, rooted in her childhood as a diplomat's daughter under authoritarian president Alfredo Stroessner and a comfortable upper-class life. Yet, when I shared my research in Ciudad del Este, a frown flashed across her face and her chattiness faded fast. Her husband leaned into the conversation, commenting that the city ran on contraband and pirated CDs. Elisa concluded, "I always tell people that Ciudad del Este isn't Paraguay", emphasising the "isn't" and abruptly shifting the conversation.

Elisa saw the city as a problem place, seeking to excise Ciudad del Este from the nation by exiling the frontier city with its troubled reputation, constructing it as somehow outside real Paraguay. Elisa's husband's comment suggests that anxieties about extralegality motivate this desire to set Ciudad del Este apart. Over empanadas, I shared Elisa's comments with Sofía Espíndola, a researcher and friend. Espíndola recounted growing up in another frontier boomtown which, like Ciudad del Este, drew rural migrants expelled from the countryside by industrial agriculture. But with few waged jobs, the survival of many depended on the border economy. Espíndola argued Elisa's imaginative exclusion of the frontier from the space of the nation represented a common, situated discourse: a view from the capital city that delighted in scandalous stories of drug running and contraband through frontier cities but which sought distance from its object of ridicule. The "stigmatising narratives" (*narrativas estigmatizantes*), as she called them, confine illicit trade to border cities and then sever those spaces from a socially constructed understanding of real Paraguay. They also deny the struggles of residents for whom smuggling is the only buffer against destitution. I came to think of these narratives as spatial imaginaries with important political lives. Like "territorial stigmatisation" that denigrates ghettos and slums (Slater 2015), Elisa's narrative spatialises a so-called cultural dysfunction, in this case, corruption and illegalities, discursively confining them to particular spaces imagined as underdeveloped or backward.

Stigmatising narratives work through a collective denial of the links between the capital city and the frontier: circulations of wealth, relationships of political power and circuits of development expertise. While Elisa disconnects Ciudad del Este from her desired Paraguay, development experts exact disconnections at another scale, invoking the developmentalist hierarchies that divide up the world into advanced and underdeveloped, modern and backward; carving interconnected systems into discrete bits and slotting them into spots on an imaginary ladder of development. For instance, the go-to *Paraguayan Reader* (Lambert and Nickson 2013) condenses the rise of Ciudad del Este as a multi-billion dollar trading hub to a four-page, hyperbolic *Financial Times* article. In this narrative, the "city of hustlers" was "hacked out of the jungle", where, subsequently, a local "culture of graft" thwarts various formalisation efforts (Webber 2010). Stories like this depict the autonomous rise of a deviant city. The framing of a 30 million dollar USAID anti-corruption initiative was only slightly more nuanced. In a small trove of leaked cables, US embassy officials describe Ciudad del Este as an

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exceptionally troublesome place. The cables oppose corruption to both modernity and state presence, noting, "Corruption in Paraguay's political and economic system undermines its efforts to modernize", blaming "bloated but weak state institutions".[6] These experts misdiagnose transgression as a cultural failing or state incapacity rather than as a local expression of globalised capital.

What spaces are tagged as corrupt? A tired imaginative geography locates corruption in the global South, whitewashing the extensive role of corporate power, private interests and dark money in the global North. In these spatial stories, Ciudad del Este figures as an intense manifestation of lawlessness, understood as modernity's antithesis. Authoritarian populists use the same language of corruption to stigmatise different spaces, targeting the redistributive projects of Latin America's leftist Pink Tide governments. Their success in weaponising the talk of corruption, as evidenced by the imprisonment of former President Lula da Silva, underscores the urgent need for an analytic vocabulary able to contend with the interconnected spaces and politics of outlaw capital, to which I now turn.

## Outlaw Capital

This section puts my concept of outlaw capital to work as a strategic frame through which to analyse extralegal economies. In Ciudad del Este, the border economy grew up along with the city as an entangled mix of legal trade and smuggling, both promoted by an urban growth coalition I call the merchant bloc. Traders profit through arbitrage, that is, taking advantage of price differences between different markets. Different sources generate these price differences. *Contrabandistas* evade tariffs and taxes, creating profit opportunities by breaking the law, that is, through accumulation by transgression. At the same time, state policies promote re-exportation. Since the 1990s, registered re-exportation moved goods worth one to five billion US dollars annually. But activities cannot be classified into binaries, like illegal/legal or contraband/re-exportation indexed with metaphors of black/white. Everyday practice mixes intensities of transgression, leading one merchant to comment, "if you don't buy in the grey, you can't compete".[7]

Proximity to Brazilian markets is a sort of spatially fixed asset, what Schuster (2019) describes as a "bottleneck". In the language of economic geographers, the city generates land rents, that is, profits flowing from ownership of or access to a place-bound resource. During the 1960s, Brazil, like other Latin American countries, protected nascent national industry with high tariffs on imported goods. This development strategy—import substitution industrialisation (ISI)—paired high tariffs with strong state policies and subsidies to nurture homegrown manufacturing and attract foreign direct investment. With a population of less than two million in the 1960s, Paraguay's small domestic market could not generate the domestic demand necessary to make ISI work. But Brazil's high tariffs created arbitrage possibilities. Traders imported goods to Paraguay under relatively low tariffs, smuggled or transported them into Brazil where they resold the goods at a higher price. City planners have long sought to capitalise on the city's particular competitive edge: "a magnificent geographical location" and "accumulated

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experience as a commercial centre that yields comparative advantages and competitivity", according to a 1997 planning document.[8]

These trade geographies change constantly. In the 1950s and 1960s, Lebanese traders set up shops that became cornerstone businesses, importing name-brand goods, often from Miami, through Panama's free trade zone in Colón or Paraguay's custom warehouse in the port of Paranaguá, Brazil. Brazilian buyers purchased for themselves or for resale. *Contrabandistas*, mostly politically connected elites, smuggled luxury goods like perfume, whisky and cigarettes. Taiwanese and Chinese migrants soon settled in the city, sourcing goods from China's emerging Export Processing Zones. Today, the criminalisation of the *sacoleiro* circuit has rerouted many goods directly from China to provisioning centres in São Paulo, cutting out Ciudad del Este and threating the city's economic base.

Throughout, the state backed re-exportation and contraband as a strategy of development, even as some sectors opposed the border trade. The small industrial sector argued it hurt local manufacturing. Economists in the treasury department worried about the hit to tax revenues, concerns the merchant bloc labelled as *fiscalista* (fiscalist), over prioritising tax revenue generation and undervaluing the importance of re-exportation. Even as changing regional economic conditions threatened the arbitrage base of the trade, state policies continued to back re-exportation. By the 1980s, Brazil abandoned ISI, lowering import taxes. Paraguayan lawmakers responded, sharply lowering taxes and tariffs.[9] In the 2000s, the regional customs union Mercosur (Brazil, Argentina, Paraguay and Uruguay) sought to liberalise trade within the bloc, threatening to extinguish the price differentials behind re-exportation. State authorities responded to defend re-exportation, extracting concessions in international negotiations to protect arbitrage (Ruiz Díaz and Ons 2011).

The spatial management of the border trade has also changed. For several decades the authoritarian ruler Alfredo Stroessner divvied out access to contraband routes to loyalists to stabilise his restive alliance, famously calling contraband "the price of peace".[10] Some researchers describe straightforward trades of loyalty for "opportunities for graft, smuggling, and illicit trade" (Setrini 2010:18). The fall of Stroessner in 1989 threw into question centralised control of the border trade. In the following tumultuous decades, the merchant bloc fought for control over border profits and the local state apparatus, ultimately developing a successful strategy to decouple the local government from national oversight.

The spatio-economic forms of outlaw capital are flexible. Policy makers used two different legal strategies to create arbitrage opportunities: a spatial strategy and a list-based strategy. The list-based strategy slowly added items to lists of items subject to lower taxes, first through a special transit tax (*despachos en transito*) then through the Tourism Regime (*Regimen del Turismo*). The spatial strategy designated exceptional spaces of commerce for re-exportation.[11] In addition, street vendors and shop owners rarely charged sales tax, earning the city a reputation as "the world's largest duty-free zone". This slogan captured the experience of buyers who paid very low or no taxes. The phrase travelled, repeated often by journalists and academic researchers and even headlining the second paragraph of the city's 2019 Wikipedia entry (see, for example, Coletto 2010). But the city

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has never been a duty-free zone. The widespread uptake of the phrase captures the wild divergence between everyday economic activities and what was supposed to happen according to the law, as well as the productivity of the mismatch.

If tax evasion and smuggling directly violate legal codes, other practices of accumulation by transgression operate in an ambiguous grey zone. In one scheme, called undervaluation, customs officials cleared entire containers of high-value electronics by weight, underreporting the value of merchandise in order to slash tax bills.[12] Customs officials, traders, customs brokers and political fixers split the profits generated by diverting money from state coffers, an example of how outlaw capital negotiates profits. Distinct from both smuggling and re-exportation, undervaluation skirts the law as it works through it, both referencing and breaking customs codes. Customs officials sometimes pressured businesses to undervalue imports. At a planning meeting, a businessman described a phone call from a customs agent, insisting he declare his perfume imports under a less valuable customs category. The businessman concluded, "the state made us *contrabandistas*!", referencing an economic world that thrives in the shadows and benefits from state support, accessible to those with the right connections and economic knowledge.[13]

These deal-making networks protect their profits. An ex-Finance Minister explained how customs agents resisted reform by reducing tax revenue to the national treasury. The Minster emphasised he could not prove this strong-arm tactic. Instead, he wryly observed, "immediately, when there is an effort to reform [customs] personnel, revenue collections fall".[14] These networks also use violence. Under this Minister's tenure, a World Bank trade expert charged with customs reform received death threats and fled.

In the 2000s, formalisation pressures mounted. Post-9/11, the US security apparatus interpreted the presence of Lebanese traders as inherently threatening. Trade liberalisation put downward pressures on Brazilian tariffs, threatening the city's arbitrage potential. In addition, a corporate-led anti-piracy discourse criminalised the *sacoleiro* circuit (Pinheiro-Machado 2017).

As conditions changed, different groups defended their economic strategies with varying degrees of success. The state response to elite and street illegalities was fundamentally different. When turned toward illegalities in the elite-led electronics trade, the state responded by legalising contraband. The merchant bloc had long equated formalisation with tax breaks for their businesses, arguing low taxes reduced the temptation to smuggle, ultimately increasing tax revenue. Illustrating this logic, a Ministry of Industry and Commerce (MIC) representative described her list-based proposal to re-energise the border trade, asking: "At what point do we need to have taxes so that there isn't undervaluation?" In 2005, under pressure from electronics importer/exporters, lawmakers slashed total taxes to under 5%.[15] Thus, one state strategy brings contraband inside the law, legalising the circulation of consumer goods through national territory and across the border without paying much in taxes. However, a plan to formalise the *sacoleiro* circuit—the Unified Tax Regime (RTU)—was less successful. RTU offered registered *sacoleiros* lower taxes on a restricted list of consumer goods, purchased from

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registered shops and tracked through an electronic system.[16] Like tax breaks for the electronics trade, reducing taxes aimed to make the legalised trade competitive with smuggling. However, after tense negotiations, Paraguay and Brazil settled on a 25% tax rate; much higher than the 5% extended to the electronics sector, and the 18% Paraguayan officials estimated would make regularised trade competitive with smuggling. A few years after its launch, most in the city declared the plan dead.

Undervaluation and electronics smuggling are examples of accumulation by transgression, a dealmaking logic capturing value through specific, placed practices. Such high-end profiteering practices are enabled by the systemic imbrication of public and private actors, and of state and economic capacities. Often, these elite illegalities are talked about as corruption, a language indexing the dominant mental mapping of separate political and economic spheres we inherit from Eurocentric state theory. This misinformed mapping is backed by an anticorruption industry reliant on the disciplinary assumptions of economics and ignoring other social science research (Wedel 2012). These theories of corruption overlook the legalised forms of taking, dispossession and exploitation at capitalism's core (Doshi and Ranganathan 2018). Their predictable imaginative geography locates corruption in the global South, whitewashing the extensive role of corporate power, private interests and dark money in the global North. Their individualist remedies seek to punish bad actors rather than rework systems.

Instead of separate spheres, thinking with outlaw capital helps focus attention on specific practices and points us to more rigorous ways of analysing the relationships between the political and the economic. One model of this thinking is Barkan's (2013:4) argument that corporate-economic and state power are "ontologically linked", "doubled", "conjoined but also in conflict". Instead of corruption, I argue outlaw capital better assesses the folding together of political and economic powers in accumulation by transgression, everyday practices of profitable deal-making that enable this South-South trade circuit.

## Contraband Urbanism

Like all economic forms, outlaw capital requires supportive spatial forms. I argue the city and the trade circuit co-produced each other, as Ciudad del Este grew up with contraband. In this section, I consider two urban forms: the port and the mall, detailing their roles in border commerce, their interconnections and the spatial imaginaries that split them apart.

### *Clandestine Ports*

Hundreds of clandestine ports dot both shores of the Paraná River and the upstream Itaipú lake.[17] These unassuming patches of riverbank process millions of dollars' worth of inventory without the cranes and container ships found in the capital-intensive transport hubs often associated with globalisation. Clandestine ports represent a transformation in contraband logistics. After city founding in 1954, traders relied on private landing strips for small planes to fly over dense

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forests, transporting luxury goods like whiskey from Miami. State infrastructure projects, especially Highway 7 and the International Friendship Bridge, transformed the material basis of the border trade. These transport infrastructures unexpectedly decentralised access to smuggling. Post 9/11 security logics impelled another round of transformation as securing borders and cracking down on traffickers took on new regional importance. In response, traders turned to the river, clearing patches of the steep Paraná riverbank for makeshift landing zones.

Large *and* small scale *contrabandistas* rely on this network of ports. One of the largest, frontier business tycoon Horacio Cartes, was elected President of Paraguay in 2013. The election of Cartes followed the speedy 2012 parliamentary coup of the country's only modern left-leaning president, an early example of a new regional trend in right-wing statecraft. Meanwhile, Cartes' contraband cigarettes were flooding the Brazilian market. The former president's factories produce 20 billion cigarettes yearly, 2% of which are smoked by Paraguayans.[18] Cartes disavows connection to the contraband networks that move his merchandise, hiding behind a complex division of labour that concentrates risks onto specialised traffickers.

From my vantage as a foreign researcher, clandestine ports were hard to see, even as they were open secrets. Social norms of access regulate spaces of smuggling, including mechanisms that effectively zoned the ports as off limits. My social network helped me meet poor hawkers, community leaders, business tycoons, senators and even President Cartes. However, this network lost effectivity as it neared the riverfront neighbourhoods. Even with introductions facilitated by a community leader to a port worker and a lawyer for small-scale traffickers, I could not secure a visit to the ports.

The local term *blindaje* helps explain these practices of differential visibility. Residents use *blindaje* to describe arrangements between judges and politicians in the merchant bloc, promises exchanging impunity for kickbacks. *Blindaje* is a military term for a protective screen. Its double sense connotes both protection and an impediment to visibility. I argue *blindaje* is a spatial, as well as relational, practice. *Blindaje* zones clandestine ports as off limits from certain kinds of publics, like journalists and foreign researchers. These cartographies of access and prohibition are enforced. Chatting with a taxi driver about a riverfront neighbourhood, he commented casually to me, "oh *you* can't go there". This small act of *blindaje* emerged from and yet also produced a conditional map of no-go zones. Likewise, a journalist recounted covering an enforcement operation at a port. As his car wound down the dirt road, residents gathered to block the path, cursing, brandishing sticks and yelling "leave us poor people alone!" This small uprising defended the popular extralegal economy. Yet these port workers and contraband runners are also enrolled in *blindaje*, protecting the spaces of smuggling that generate fortunes for rich men.

One riverfront neighbourhood, Remansito, briefly appears in Caroline Schuster's (2015) ethnography of gender and microcredit in Ciudad del Este. Against the commonsense that women, as mothers, are reliably good investments, a women's lending collective in Remansito aggressively refused to repay their loans. The NGO microcredit counsellor in charge of the group commented, "The

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neighborhood made the women hard", suggesting that space and economy shape Remansito women (Schuster 2015:141).

The discourse of "hard women" references the territorial stigma cloaking the neighbourhood. These narratives of spatial danger imagine certain places as threatening, spaces produced by and productive of criminal poverty. Early in my fieldwork, my Guaraní language teacher Ignacio and I walked through Remansito's incoherent slapdash of houses: shacks set alongside mini-mansions hidden behind 15-foot walls where traffickers were rumoured to live. Ignacio recruited a resident to show us the river, a means to gain access to a space otherwise effectively off limits to non-residents. Our impromptu guide led us down a dirt path between close-set shacks, asking permission to pass from a sceptical woman sweeping leaves and trash from her yard. The path turned into stone stairs, paralleled by a single line of light bulbs leading back to the house. Our guide led us to a small strip of shore, a few metres of exposed earth amid a dense tangle of bushes from which we watched a small skiff crossing the river. I did not yet appreciate the import of this unremarkable landing, a key space in global contraband routes. Ironically, once I did, I was not able to make my way back.

On our way out, we chatted with the young woman. The dirt floor of her small home and the broom made of sorghum leaves signalled poverty. Her responses to Ignacio's questions where short, foreclosing conversation. When Ignacio asked if she worked, she replied brusquely, "I study". Ignacio, however, did not believe her. He later commented, "she doesn't have the look of a student; a prostitute is more likely". He continued, painting broad brushstrokes of criminality across the neighbourhood. Ignacio's casual assertion tainted the woman as transgressive, echoing the microcredit counsellor's analysis that spaces of smuggling produce hard woman. These narratives of spatial danger stigmatise both the neighbourhood and poor residents. Territorial stigma gains power through collective imaginations of safe spaces and proper subjects. Hard women challenge norms of feminine friendliness, as they also index a string of shared meanings about the spaces of poverty. Collective maps which demarcate riverfront neighbourhoods as dangerous also protect key spaces of commerce, helping to cloak the ports from inquisitive eyes and uncomfortable questions.

Accumulation by transgression requires obfuscation: methods to hide or displace responsibility for the litany of legal trespasses behind these practices of profiteering. Standards of journalistic sourcing require evidence linking particular individuals to specific acts, based in notions of individual culpability. *Blindaje* works by obscuring these linkages. As a vernacular means of critique, *blindjae* names the relational networks that enable impunity for elites, as it also describes its obfuscatory practices. In this, *blindaje* is social analysis. I extend *blindaje* to include the spatial practices limiting access to sites of contraband.

Raced and gendered performances of (im)plausible deniability also hide accumulation by transgression. Cartes embodies the alchemy by which transgression transmutes into legitimised political authority. He baldly denies links to contraband, saying "Contraband is a customs problem. We do not do any contraband. We have a totally clean conscience" (ABC Color 20122012). The brazenness of his transgression alongside his claim to a clean conscience suggests a deep-seated

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sense of entitlement to peruse profit outside the law. His post-truth claims to innocence illustrate both a logic, and a practice, of impunity. Coherence is not the point. Instead, what matters is a confident performance of authority alongside the political capacity to secure *blindaje*. Successful performances of legitimacy are, unsurprisingly, worked out through social hierarchies of race, class and gender. Indeed, Paraguayans use the term *blanqueamiento*, whitening, referring to a social process of wiping away illegality's stains from the pasts of the powerful. Cartes' rap sheet is long, including contraband, currency fraud and money laundering.[19] His 2013 win at the polls demonstrates the effectivity of *blanqueamiento,* the ways that wealth and whiteness work to substantiate claims to social legitimacy.

*Blindaje* has a long history in the region. Through the early 1900s Eastern Paraguay was a site of extraction and labour exploitation. Organised through the spatial form of the planation, elite *patrones* controlled huge landholdings to produce yerba mate and other exports. The anarchist essayist Rafael Barrett described the persistence of brutal indentured servitude, even after the state outlawed it in 1901, saying "the judges and boss eat from the same money" (Barrett 1910:37). Then, distance from the capital city made these death-dealing networks of profit and state power hard to see. Today, legal tricks and *blindaje* have taken on the role distance used to play in producing illegibility. While its spatial forms have changed from the plantation to the clandestine port, opacity and dealmaking continue to structure state power.

## *Shopping Malls*

In Ciudad del Este, the mall stands in for formalisation by materialising the urban forms of the modern city. Yet, the sneakers and video games purchased at these malls often move through smuggling circuits, including clandestine ports.[20] These two worlds are intimately intertwined. The mall is also a talisman, a fetish: invested with powers to promote economic development, provide jobs, offer (privatised) community space and push cities in the Majority World toward a Eurocentric modernity. Arlene Dávila (2016:viii) demonstrates that across Latin America urban development projects increasingly promote shopping malls as "models of how cities and citizenship should work".

Contraband urbanism makes good use of the shopping mall. In the last decade, sleek shopping mall development along the Paraná riverfront provides the merchant bloc with an alibi, a means to claim movement toward formalisation, even as smuggling persists. The two half Eiffel Towers stuck to Shopping Paris's façade clumsily recycle core symbols of modern Europe. Yet, the contraband networks that move the President's cigarettes also circulate the consumer goods purchased in these swanky malls. Shopping Paris may look legal, but it requires and calls forth other spaces of contraband.

The mall is a cornerstone of global urbanism, a hegemonic form of depoliticised, market-oriented urban development (Sheppard et al. 2013).[21] Cities, through this lens, are bounded, competing units travelling along development paths. Global urbanism pulls from a limited stockpile of urban forms, like malls, private tech campuses, mega-stadiums and Export Processing Zones. The

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premises of global urbanism are often unquestioned by decision-makers as they align with their common sense understanding of economic growth and urbanisation, in which the city is a "growth machine" (Logan and Molotch 2007), urban space is a commodity, and the role of planners is to attract investments and maximise the exchange value of land. Yet urban scholars may under-appreciate the flexibility of global urbanism, the ease with which illicit networks can mobilise its discourses while enabling outlaw capital.

Of course, malls enable ground rents, that is, profits from property leases. Urban scholars demonstrate that rent gaps organise real estate investments and incentivise gentrification as developers seek out places where the difference between current rents and future, post-redevelopment rents are the greatest. In part, riverfront shopping malls portend what David Harvey (2001) calls a spatial fix, a means to capture value in the built environment, generate ground rent, and sop up over-accumulated capital. Indeed, Arlene Dávila (2016:10) argues Latin American malls are "settling institutions", like plantations, tools for gaining control of space and profit, a means to link landholding to transnational capital circuits.

These political economic models capture important drivers of development, but miss a core means of urban construction: the bribe. The range of vocabulary used in Ciudad del Este to describe the relational know-how required to get things done speaks to its import: cash register number two (*caja dos*), eating money (*ho'u la plata*) and collections (*recaudaciones*). Of course, elite illegalities laundered licit are core dynamics building urban environments in many contexts (Roy 2002; Yiftachel 2009). Casual assessment of Trump's real estate empire demonstrates they are not restricted to the global South.

Shopping malls also index widely held aspirations, desires to participate in global modernity through consumption and to live in cities that look like they "should". Malls enable this "worlding" (Roy and Ong 2011). Global urbanism's spaces of consumption seduce, linking up with popular aspirations of the global consumer. Indeed, the aesthetics of the world-class city can work as a form of governance. Asher Ghertner (2015) argues that "rule by aesthetics" displaces rule by bureaucratic procedure in contemporary India, as state representatives sidestep legality as their main guide. Instead of authorising development based on legal compliance, planners resort to the aesthetics of global urbanism to sort out the sanctioned from the condemned. The mall is an effective fetish because it so successfully mobilises the easy, commonsense associations between modernity and legality.

In 2013, the city's leadership convened a planning commission meeting to address troubling declines in the border trade.[22] The assembled group of business leaders, local officials and a representative from the Ministry of Industry and Commerce (MIC) sought to maintain the profitability of the re-exportation economy, while addressing the city's international reputation as a site of lawlessness. The proposals drew from the grab bag of global urbanism: formalising (or evicting) street vendors, public-private partnerships and investment in export processing zones. Drawing from global urbanism's epistemology, participants envisioned the city as an economic unit, competing against other urban units. Local businessmen focused on built form, arguing for infrastructure improvements and a global mall

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aesthetics. A prominent businessman argued passionately that upgrading urban infrastructure for "modern commerce" would necessarily "eliminate contraband and informality", two vices, he suggested, antithetical to the modern city. In these visions, streets and sidewalks should be for circulating consumers rather than working vendors. Meeting participants desired a world-class aesthetics, not a haphazard tumult of self-built vending stalls and crumbling galleries spider-webbed with noncompliant electrical connections. Here, mall stands in for formalisation by materialising the urban forms of the modern city. Yet the goods shopping tourists purchase at malls often move through the circuits of contraband. Furthermore, the merchant bloc built frontier malls through dealmaking and legal trickery, a story which I do not have space to tell here.

Indeed, global urbanism's ideas and practices provide traction for elite projects of accumulation by transgression. The MIC representative Nomei Haudenschild downplayed the city's international reputation as a contraband hub, saying there was "a small bit of bad" in the city, "but a lot of good". Haudenschild framed the commercial "know-how" of importer-exporters as a comparative advantage (using the English term), thus valorising knowledge gained through contraband. The governor described the small bit of bad as an image problem that hurt the city's commerce. Referring to a 2013 extortion scandal involving the local transit police, Lucho Zacarías painted a rosy picture of the city's commercial future. The governor said:

> [We need to] calm Ciudad del Este down. I've spoken with the Transit Police about the issue of extortion and they are not going to do illegal things … We need to leave off this. We want a healthy, comfortable city, with running water and amenities … We need to do "marketing", pro-Ciudad del Este advertising and then we have to offer what we promise. Right now, the police are bad for our marketing campaign … one month without breaking the balls of the tourists [demanding bribes], and the Brazilians will come back.

The Governor acknowledged the Transit Police bribery scandal as "breaking the balls of the tourists". He describes extortion as a minor problem, easily fixed with a man-to-man chat. The healthy, comfortable city invoked by Lucho Zacarías reins in aggressive extortion, but maintains the border trade. The problem is not rule-breaking, but rather practices which deter shopping tourism. The solution, then, is urban branding and a face-lift of urban form. The merchant bloc uses the mall as a means to conjure modernity and to solve the city's image problem, without necessarily troubling the rule-breaking written into global trading circuits.

## Conclusion

Outlaw capital is a mode of accumulation that works through dealmaking and rule breaking. Conceptually, it is a form of capital that negotiates profits and distributes rents through situated forms of deals, bribes and schemes. I argue that outlaw capital is also a mode of spatial production. Contraband urbanism describes the spatial forms of a city built for global circuits of extralegal trade and governing strategies of the merchant bloc. The merchant bloc celebrates the mall

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but remains committed to the border trade, in both its legal and illegal moments. Malls—signature forms of the so-called formal city and spaces symbolising modernity—can be enrolled in contraband urbanism. At the scale of the city, illegality is imaginatively bounded to poor riverfront neighbourhoods, street vendors' stalls and clandestine ports, ignoring how these spaces connect to frontier malls. Just as these linkages enable commerce at the city-scale, inter-connected places fuel global commerce. Stigmatising narratives split these places apart, obscuring these interconnections.

It matters that we make theory from places like Ciudad del Este. From here, we can construct a more complete story of globalisation. In so doing, we must take seriously local political critiques, letting them teach us about the workings of power. By naming *blindaje* and *blanqueamiento*, Paraguayans argue the state is shot through with lawbreaking. Rule-breaking is not just a few bad apples in a rogue customs office. Local critiques help us see there no such thing as "the state" external to the practices constructing state power, including bribes, undervaluation, *blindaje* and other practices of accumulation by transgression. These local registers of critique thus analyse specific practices and name their uneven, class-based impacts. In this, they are more effective than the analytically inadequate category of corruption, which obscures the co-constitution of the state with outlaw capital as it also confidently claims universal relevance unbranded by the specificity of place, context or culture. Yet critiques like *blindaje* miss how outlaw capital builds the city and shapes the built environment. The legacy of these logics is written into space, and will live on even if a new political coalition takes office.

The lessons from here are at once particular and general. The particular spatio-economic practices like undervaluation are rooted in the specific histories of the frontier economy. Yet, the insight that state power can work through confusions, ambiguity and trickery is general. Likewise, the baldness of elite illegalities is perhaps unusual. Yet, we can generalise the finding that global capitalism produces places for contraband; that transgressive trade regimes concentrate in particular, stigmatised spaces. In this, outlaw capital is a zoning technology. Global capital produces similar places in border zones around the world. The banishment of these spaces from theories of the urban is, paradoxically, part of their power. Ciudad del Este is not an exceptional space but rather a distillation of the ways that accumulation by transgression is central to late capitalism. Theorising with outlaw capital underscores that liberal bureaucratic capitalism is one form among many; and perhaps an exceptional, waning one.

Outlaw capital is not exclusive to the Majority World. Rich cities are not innocent spaces of legality and formality. World spanning circuits of capital are interconnected, producing uneven geographies of wealth and poverty, safety and vulnerability, formality and informality, the authorised and the condemned; that is, of life and death. Concentrating outlaw capital in particular spaces does not mean its effects do not reverberate throughout the system. As the Panama Papers demonstrate, the vaunted worlds of finance are interwoven with outlaw capital. Furthermore, the logics of accumulation by transgression are present in many places across the globe. Indeed, this article gestures to logics of impunity that

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animate rising authoritarianisms across the Americas. Trump's fraudulent real-estate empire and his racialised and gendered post-truth claims to innocence share a family resemblance to Cartes' declaration of his "clean conscience". Trump's outlaw fortune is likewise laundered licit by investments in the built environment, like high-rise hotels hosting a global-trotting elite. A similar alchemy is also at work, wherein the ways of wealth and whiteness, *blanqueamiento*, blinds many to the fraudulent foundations of these political projects.

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## Endnotes

[1] Anthropologist Roberto Abínzano (2005) estimated the trade volume, including contraband, at 10 billion USD. Between 1970 and 2012 registered re-exportation moved between one and five billion USD worth of consumer goods each year (author's calculations with Customs data).

[2] I draw from Wendy Wolford's (2004) Lefebvrian concept of spatial imaginaries.

[3] I conducted interviews in Spanish or the indigenous Guaraní, the mother tongue of most Paraguayans.

[4] The elaborate quantitative models estimating the size of national "shadow economies" (Schneider and Enste 2013) rely on an untenable dual economy model and ignore the social construction of licitness.

[5] Glassman (2006) includes primitive accumulation as a separate category of extra-economic appropriation while Moore (2018) adds the unpaid energy and work of "Cheap Nature".

[6] "Scene-Setter for Codel Reid", 20 November 2007, 07ASUNCION970_a (accessed through Wikileaks); "Paraguay Scenesetter for Southcom Commander", 4 April 2007, 07ASUNCION285_a (accessed through Wikileaks).

[7] Personal communication, 13 August 2013.

[8] "Lineamientos Para El Desarrollo de Ciudad Del Este y Su Area Metropolitana", 1997, Secretaría Tecnica de Planificación.

[9] In 1972 the overall tax burden was between 27.75% and 39.25%. By 2010, the total tax rate was below 5% for items in the Tourist Regime (Ruiz Días 2011).

[10] This quote from Stroessner is frequently cited (Nickson and Lambert 2002:166).

[11] In 1971, Law 237/71 established a 10-hectare Zona Franca Internacional and Law 523/95 established another duty-free zone, Zona Franca Global del Paraguay S.A.

[12] Press reports document undervaluation in 1999 and it remained active during my fieldwork through 2015.

[13] Observation of planning meeting, 11 September 2013.

[14] Personal communication, September 2013.

[15] Total tax rates of goods, like electronics included in the Tourist Regime, across five taxes and tariffs totaled 4.1%.

[16] RTU refers to the Brazilian plan. In Paraguay, it is RFC (the Regime of Frontier Commerce).

[17] The media reported 250 ports in 2019 (ABC Ultima Hora 2019).

[18] These factories are under multiple investigations, including a Brazilian lawsuit contending they are the main source of the counterfeit cigarettes flooding the regional market.

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[19] For instance, the CIA's "Heart of Stone" investigation named Cartes as the "head" of a money laundering ring (source: US Embassy Cable, "ZA-09-0007/YAZ1K Martinetti, Julio et al/ Operation Heart of Stone Case Coordination Meeting", 5 January 2010, 10BUENOSAIRES5_a [accessed through Wikileaks]).
[20] *Sacoleiros* hire help to carry items over the bridge when they exceed the fluctuating quota, which limits the value of goods exempt from tax ($150–$500). It was an open secret that taxi drivers delivered merchandise to the ports. Street vendors described merchandise as crossing the border "by bridge" or "by water".
[21] The hegemony of global urbanism is well documented by critical urban scholars (Bunnell and Maringanti 2010; McFarlane 2011; Pieterse 2008; Robinson 2006).
[22] Observations of planning meeting, 11 September 2013.

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