



United States Department of State

*Bureau for International Narcotics and Law
Enforcement Affairs*

International Narcotics Control Strategy Report

**Volume I
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Control**

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Common Abbreviations

APEC	Asia-Pacific Economic Cooperation
AFRICOM	U.S. Military Command for Africa
ASEAN	Association of Southeast Asian Nations
ATS	Amphetamine-Type Stimulants
CARICC	Central Asia Regional Information Coordination Center
CARSI	Central America Regional Security Initiative
CBP	U.S. Customs and Border Protection
CBSI	Caribbean Basin Security Initiative
DARE	Drug Abuse Resistance Education
DEA	U.S. Drug Enforcement Administration
DHS	U.S. Department of Homeland Security
DOJ	U.S. Department of Justice
DTO	Drug Trafficking Organization
ECOWAS	Economic Community of West African States
EU	European Union
FBI	Federal Bureau of Investigation
FIU	Financial Intelligence Unit
ICE	U.S. Immigration and Customs Enforcement
ILEA	International Law Enforcement Academy
INCB	International Narcotics Control Board
INCSR	International Narcotics Control Strategy Report
INL	U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs
JIATF-S	Joint Interagency Task Force South
JIATF-W	Joint Interagency Task Force West
MAOC-N	Maritime Analysis and Operations Centre-Narcotics
MLAT	Mutual Legal Assistance Treaty
MOU	Memorandum of Understanding
NIDA	National Institute of Drug Abuse
OAS	Organization of American States
OAS/CICAD	Inter-American Drug Abuse Control Commission
ONDCP	Office of National Drug Control Policy
SIU	Special Investigative Unit
SOUTHCOM	U.S. Military Command for the Caribbean, Central and South America
UNODC	United Nations Office on Drugs and Crime
USAID	U.S. Agency for International Development
USCG	U.S. Coast Guard
WACSI	West Africa Cooperative Security Initiative
Ha	Hectare
HCL	Hydrochloride (cocaine)
Kg	Kilogram
MT	Metric Ton

International Agreements

1988 UN Drug Convention – United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)

UN Single Drug Convention – United Nations Single Convention on Narcotic Drugs (1961 as amended by the 1972 Protocol)

UN Psychotropic Substances Convention – United Nations Convention on Psychotropic Substances (1971)

UNCAC – UN Convention against Corruption (2003)

UNTOC - UN Convention against Transnational Organized Crime (2000), and its supplementing protocols:

Trafficking in Persons Protocol – Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime

Migrant Smuggling Protocol – Protocol against the Smuggling of Migrants by Land, Air and Sea, supplementing the United Nations Convention against Transnational Organized Crime

Firearms Protocol – Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition, supplementing the United Nations Convention against Transnational Organized Crime

INTRODUCTION

Legislative Basis for the INCSR

The Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2015 INCSR, published in March 2015, covers the year January 1 to December 31, 2014 and is published in two volumes, the second of which covers money laundering and financial crimes. In addition to addressing the reporting requirements of section 489 of the FAA (as well as sections 481(d)(2) and 484(c) of the FAA and section 804 of the Narcotics Control Trade Act of 1974, as amended), the INCSR provides the factual basis for the designations contained in the President's report to Congress on the major drug-transit or major illicit drug producing countries initially set forth in section 591 of the Kenneth M. Ludden Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002 (P.L. 107-115) (the "FOAA"), and now made permanent pursuant to section 706 of the Foreign Relations Authorization Act, Fiscal Year 2003 (P.L. 107-228) (the "FRAA").

Section 706 of the FRAA requires that the President submit an annual report no later than September 15 identifying each country determined by the President to be a major drug-transit country or major illicit drug producing country. The President is also required in that report to identify any country on the majors list that has "failed demonstrably . . . to make substantial efforts" during the previous 12 months to adhere to international counternarcotics agreements and to take certain counternarcotics measures set forth in U.S. law. U.S. assistance under the current foreign operations appropriations act may not be provided to any country designated as having "failed demonstrably" unless the President determines that the provision of such assistance is vital to U.S. national interests or that the country, at any time after the President's initial report to Congress, has made "substantial efforts" to comply with the counternarcotics conditions in the legislation. This prohibition does not affect humanitarian, counternarcotics, and certain other types of assistance that are authorized to be provided notwithstanding any other provision of law.

The FAA requires a report on the extent to which each country or entity that received assistance under chapter 8 of Part I of the Foreign Assistance Act in the past two fiscal years has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" (the "1988 UN Drug Convention"). FAA § 489(a)(1)(A).

Several years ago, pursuant to The Combat Methamphetamine Enforcement Act (CMEA) (The USA Patriot Improvement and Reauthorization Act 2005, Title VII, P.L. 109-177), amending sections 489 and 490 of the Foreign Assistance Act (22 USC 2291h and 2291) section 722, the INCSR was expanded to include reporting on the five countries that export the largest amounts of methamphetamine precursor chemicals, as well as the five countries importing the largest amounts of these chemicals and which have the highest rate of diversion of the chemicals for methamphetamine production. This expanded reporting, which appears in this year's INCSR and will appear in each subsequent annual INCSR report, also includes additional information on efforts to control methamphetamine precursor chemicals, as well as estimates of legitimate demand for these methamphetamine precursors, prepared by most parties to the 1988 UN Drug Convention and submitted to the International Narcotics Control Board. The CMEA also requires a Presidential determination by March 1 of each year on whether the five countries that

legally exported and the five countries that legally imported the largest amount of precursor chemicals (under FAA section 490) have cooperated with the United States to prevent these substances from being used to produce methamphetamine or have taken adequate steps on their own to achieve full compliance with the 1988 UN Drug Control Convention. This determination may be exercised by the Secretary of State pursuant to Executive Order 12163 and by the Deputy Secretary of State pursuant to State Department Delegation of Authority 245.

Although the Convention does not contain a list of goals and objectives, it does set forth a number of obligations that the parties agree to undertake. Generally speaking, it requires the parties to take legal measures to outlaw and punish all forms of illicit drug production, trafficking, and drug money laundering, to control chemicals that can be used to process illicit drugs, and to cooperate in international efforts to these ends. The statute lists actions by foreign countries on the following issues as relevant to evaluating performance under the 1988 UN Drug Convention: illicit cultivation, production, distribution, sale, transport and financing, and money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2015 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. The reports vary in the extent of their coverage. For key drug-control countries, where considerable information is available, we have provided comprehensive reports. For some smaller countries or entities where only limited information is available, we have included whatever data the responsible post could provide.

The country chapters report upon actions taken – including plans, programs, and, where applicable, timetables – toward fulfillment of Convention obligations. Because the 1988 UN Drug Convention’s subject matter is so broad and availability of information on elements related to performance under the Convention varies widely within and among countries, the Department’s views on the extent to which a given country or entity is meeting the goals and objectives of the Convention are based on the overall response of the country or entity to those goals and objectives. Reports will often include discussion of foreign legal and regulatory structures. Although the Department strives to provide accurate information, this report should not be used as the basis for determining legal rights or obligations under U.S. or foreign law.

Some countries and other entities are not yet parties to the 1988 UN Drug Convention; some do not have status in the United Nations and cannot become parties. For such countries or entities, we have nonetheless considered actions taken by those countries or entities in areas covered by the Convention as well as plans (if any) for becoming parties and for bringing their legislation into conformity with the Convention’s requirements. Other countries have taken reservations, declarations, or understandings to the 1988 UN Drug Convention or other relevant treaties; such reservations, declarations, or understandings are generally not detailed in this report. For some of the smallest countries or entities that have not been designated by the President as major illicit drug producing or major drug-transit countries, the Department has insufficient information to

make a judgment as to whether the goals and objectives of the Convention are being met. Unless otherwise noted in the relevant country chapters, the Department's Bureau for International Narcotics and Law Enforcement Affairs (INL) considers all countries and other entities with which the United States has bilateral narcotics agreements to be meeting the goals and objectives of those agreements.

Information concerning counternarcotics assistance is provided, pursuant to section 489(b) of the FAA, in section entitled "U.S. Government Assistance."

Major Illicit Drug Producing, Drug-Transit, Significant Source, Precursor Chemical, and Money Laundering Countries

Section 489(a)(3) of the FAA requires the INCSR to identify:

- (A) major illicit drug producing and major drug-transit countries;
- (B) major sources of precursor chemicals used in the production of illicit narcotics; or
- (C) major money laundering countries.

These countries are identified below.

Major Illicit Drug Producing and Major Drug-Transit Countries

A major illicit drug producing country is one in which:

- (A) 1,000 hectares or more of illicit opium poppy is cultivated or harvested during a year;
- (B) 1,000 hectares or more of illicit coca is cultivated or harvested during a year; or
- (C) 5,000 hectares or more of illicit cannabis is cultivated or harvested during a year, unless the President determines that such illicit cannabis production does not significantly affect the United States. FAA § 481(e)(2).

A major drug-transit country is one:

- (A) that is a significant direct source of illicit narcotic or psychotropic drugs or other controlled substances significantly affecting the United States; or
- (B) through which are transported such drugs or substances. FAA § 481(e)(5).

The following major illicit drug producing and/or drug-transit countries were identified and notified to Congress by the President on September 14, 2014, consistent with section 706(1) of the Foreign Relations Authorization Act, Fiscal Year 2003 (Public Law 107-228):

Afghanistan, The Bahamas, Belize, Bolivia, Burma, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, India, Jamaica, Laos, Mexico, Nicaragua, Pakistan, Panama, Peru, and Venezuela.

Of these 22 countries, **Bolivia, Burma, and Venezuela** were designated by the President as having “failed demonstrably” during the previous 12 months to adhere to their obligations under international counternarcotics agreements and take the measures set forth in section 489(a)(1) of the FAA. The President determined, however, in accordance with provisions of Section 706(3)(A) of the FRAA, that continued support for bilateral programs in Burma and Venezuela are vital to the national interests of the United States.

Major Precursor Chemical Source Countries

The following countries and jurisdictions have been identified to be major sources of precursor or essential chemicals used in the production of illicit narcotics:

Afghanistan, Argentina, Bangladesh, Belgium, Bolivia, Brazil, Burma, Canada, Chile, China, Colombia, Costa Rica, Dominican Republic, Egypt, El Salvador, Germany, Guatemala, Hong Kong Administrative Region, Honduras, India, Indonesia, Iraq, Mexico, the Netherlands, Nigeria, Pakistan, Peru, Republic of Korea, Singapore, South Africa, Switzerland, Taiwan, Thailand, and the United Kingdom.

Information is provided pursuant to section 489 of the FAA in the section entitled "Chemical Controls."

Major Money Laundering Countries

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." FAA § 481(e)(7). However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. This year's list of major money laundering countries recognizes this relationship by including all countries and other jurisdictions, whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crime. The following countries/jurisdictions have been identified this year in this category:

Afghanistan, Antigua and Barbuda, Australia, Austria, Bahamas, Belize, Bolivia, Brazil, British Virgin Islands, Burma, Cambodia, Canada, Cayman Islands, China, Colombia, Costa Rica, Cyprus, Dominican Republic, France, Gaza, Germany, Greece, Guatemala, Guernsey, Guinea-Bissau, Haiti, Hong Kong, India, Indonesia, Iran, Iraq, Isle of Man, Israel, Italy, Japan, Jersey, Kenya, Latvia, Lebanon, Liechtenstein, Luxembourg, Macau, Mexico, Netherlands, Nigeria, Pakistan, Panama, Paraguay, Philippines, Russia, Singapore, Somalia, Spain, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, West Bank, and Zimbabwe.

Further information on these countries/jurisdictions and United States money laundering policies, as required by section 489 of the FAA, is set forth in Volume II of the INCSR in the section entitled "Money Laundering and Financial Crimes."

Presidential Determination

THE WHITE HOUSE

WASHINGTON

September 15, 2014

Presidential Determination No. 2014-15

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Presidential Determination on Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2015

Pursuant to Section 706(1) of the Foreign Relations Authorization Act, Fiscal Year 2003 (Public Law 107-228) (FRAA), I hereby identify the following countries as major drug transit and/or major illicit drug producing countries: Afghanistan, The Bahamas, Belize, Bolivia, Burma, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, India, Jamaica, Laos, Mexico, Nicaragua, Pakistan, Panama, Peru, and Venezuela.

A country's presence on the foregoing list is not a reflection of its government's counternarcotics efforts or level of cooperation with the United States. Consistent with the statutory definition of a major drug transit or drug producing country set forth in section 481(e)(2) and (5) of the Foreign Assistance Act of 1961, as amended (FAA), the reason major drug transit or illicit drug producing countries are placed on the list is the combination of geographic, commercial, and economic factors that allow drugs to transit or be produced, even if a government has carried out the most assiduous narcotics control law enforcement measures.

Pursuant to Section 706(2)(A) of the FRAA, I hereby designate Bolivia, Burma, and Venezuela as countries that have failed demonstrably during the previous 12 months to adhere to their obligations under international counternarcotics agreements and take the measures set forth in section 489(a)(1) of the FAA. Included in this report are justifications for the determinations on Bolivia, Burma, and Venezuela, as required by Section 706(2)(B) of the FRAA. Explanations for these decisions are published with this determination.

I have also determined, in accordance with provisions of Section 706(3)(A) of the FRAA, that support for programs to aid Burma and Venezuela are vital to the national interests of the United States.

International Framework for Narcotics and Crime Control

This determination highlights significant U.S. domestic drug control issues and foreign assistance approaches to drug control. It also examines policies and programs shared by most countries to counter the destabilizing effects of illegal drugs and transnational organized crime. The combined aim of these undertakings is to foster sustainable citizen security to advance social welfare, safety, and economic prosperity of vulnerable communities around the world.

International cooperation remains the cornerstone for reducing the threat posed by the illegal narcotics trade and related crimes carried out by criminal organizations. The sophisticated and effective operations of organizations challenge law enforcement officials and policy makers everywhere. The essential underpinnings of our unified stance against criminal enterprise are embodied in long-standing international agreements, including the 1961, 1971, and 1988 UN Conventions; the UN Convention against Transnational Organized Crime; and the UN Convention against Corruption. A myriad of regional and sub-regional joint undertakings, such as the 2010 Drug Strategy for the Hemisphere, adopted by the 34 members of the Organization of American States (OAS), mirror the wide-ranging standards of the UN conventions. The frameworks established by the UN conventions are as applicable to the contemporary world as when they were negotiated and signed by the vast majority of UN member states.

The United States shares the view of most countries that the UN drug conventions – without negotiation or amendment – are resilient enough to unify countries that often hold divergent views of the causes of the international narcotics problem, while at the same time providing a framework upon which to build the best solutions to it. The UN drug conventions, which recognize that the suppression of international drug trafficking demands urgent attention and the highest priority, allow sovereign nations the flexibility to develop and adapt new policies and programs in keeping with their own national circumstances while retaining their focus on achieving the conventions’ aim of ensuring the availability of controlled substances for medical and scientific purposes, preventing abuse and addiction, and suppressing drug trafficking and related criminal activities. The United States supports the view of most countries that revising the UN drug conventions is not a prerequisite to advancing the common and shared responsibility of international cooperation designed to enhance the positive goals we have set to counter illegal drugs and crime.

The Challenge of Opium Poppy Production and Heroin

The 2014 UN World Drug Report states that illegal poppy cultivation and production of heroin and opium and other derivatives are at the top of the list of global drug problems. According to the Office of National Drug Control Policy, the latest United States Government estimates show for the third consecutive year, in Afghanistan, which has the world’s largest opium poppy cultivation, cultivation increased from 180,000 hectares in 2012 to 198,000 hectares in 2013. The opium poppy trade in Afghanistan threatens domestic institutions, subverts the legal economy, and undermines good governance and the capacity of the Afghan people. Although less pronounced, opium poppy cultivation also increased considerably in Burma and Laos; this situation presents similar threats in these countries as those faced by Afghanistan.

In spite of Afghanistan’s crop reduction setbacks, which include a reduction in eradication from 9,672 hectares in 2012 to 7,348 hectares in 2013, U.S. assistance has advanced the country’s counternarcotics capacity in some areas. In particular, there have been positive developments in Afghan programs such as interdiction, prosecutions, treatment services and alternative livelihoods for farmers. All of this has happened in the context of a difficult security situation and entrenched corruption. Still, opium poppy is grown in less than three percent of farmable land; nearly 10 times more is devoted to wheat production.

U.S. support for Afghanistan after 2014 will focus on maintaining established infrastructure and improving security. The United States is also working to secure more bilateral and multilateral assistance from the international community beyond programs that are already in place. This includes support from Canadian and European partners. At the same time, it is in the best interest of countries in the region with high levels of opium-product abuse to support Afghanistan's counternarcotics efforts. This includes Afghanistan's immediate neighbors, Iran, Pakistan, and Russia, as well as other nations such as India and China. There is also an increase in transshipments of Afghanistan heroin going to Canada, a development of concern that is being addressed by Canada with support from the United States.

In the past several years, U.S. officials have noted an alarming surge in the use of heroin and are taking many steps to confront this growing domestic problem. Survey results released in 2012 reported that nearly 700,000 American citizens used heroin, as compared to 373,000 in 2007. In the United States, between 2006 and 2010, heroin deaths increased by 45 percent. Today, experts understand that people from various walks of life are abusing opium products. Significant increases have been noted in major U.S. cities, including Atlanta, Denver, Chicago, San Diego, and Seattle. In the United States, between 2006 and 2011, heroin-involved deaths increased by 110 percent.

The United States is particularly concerned about poppy cultivation in Mexico, the primary supplier of illegal opium derivatives to the United States. According to the Heroin Signature Program program carried out by the U.S. Drug Enforcement Administration (DEA), opium poppy products also arrive in the United States from Colombia and Guatemala, although to a lesser extent from these countries than from Mexico. DEA reported a 324 percent increase in heroin seizures at the Mexican border between 2009 and 2013.

The United States is increasing its heroin drug interdiction efforts as one element of a set of measures for confronting the growing problem. Since 2011, more than 4,500 heroin related investigations were opened in the country. Overseas, \$110 million in U.S. funds have been provided to Mexican border agencies for inspection equipment and training. Concrete success resulting from this support includes seizure of illegal drugs and currency by Mexican authorities valued at nearly \$4 million. Similarly, U.S. foreign assistance helped Colombia seize 379 kilograms of heroin in 2013 and Guatemala eradicated a considerable amount of poppy cultivation in the same year. Working with concerned counterparts, the United States will adjust policy approaches and build upon existing programs, including the Mexico Merida initiative, to counter criminal elements that are creating heroin markets in the United States and reaping growing illegal profits.

Cocaine Production and Use

The 2014 UN World Drug Report reaffirms that Colombia, Bolivia, and Peru continue to cultivate virtually the world's entire supply of coca for cocaine and related products. The good news is that illegal coca crop production, now approximately 133,700 hectares in the three countries, is at the lowest level since authorities began to establish estimates in 1990. Moreover, global seizures have slightly increased, according to the UN Office on Drugs and Crime (UNODC).

The United States is the world's largest consumer of illegal cocaine, followed by Brazil and certain countries in Europe. Although DEA reports that cocaine availability declined steadily in the United States from 2007 to 2012, the number of cocaine users has remained steady in recent years, according to U.S. surveys.

U.S. law enforcement agencies estimate that about 84 percent of the cocaine entering the United States passes through Central America and Mexico to reach destinations in the United States. Based on a decline in maritime interdiction assets and diminished intelligence, there has been a reduction in the awareness of cocaine transshipments. While recent assessments indicate an increase in cocaine flow in the maritime transit zone, there are conflicting indicators on total cocaine flow and continued success in combatting drug trafficking organizations will require closing awareness gaps.

Various types of U.S. assistance, including numerous programs aimed at supporting national efforts to interdict drugs and target major traffickers, are carried out through the Central American Regional Security Initiative. Similar programs are supported by the United States through the Caribbean Basin Security Initiative. These programs support national efforts to increase law enforcement capability to confront organized crime and gangs, build judicial sector capacity, and advance economic and social programs for at-risk youth and communities disproportionately affected by illegal drugs and crime.

New Psychoactive Substances (NPS)

Confronting illegal production and consumption of methamphetamine in the United States, with much of the product originating in Mexico, has been compounded by the growing problem of NPS – also described as synthetic designer drugs. This is a dynamic industry that uses chemicals and other substances that are frequently not controlled. According to the 2014 UN World Drug Report, the number of NPS more than doubled over the period 2009-2013. The number of such substances reported to UNODC, almost 500, far exceeds the psychoactive substances already controlled by the UN conventions.

In the United States, DEA secured emergency scheduling of certain substances and statutory changes (The Synthetic Drugs Abuse Prevention Act of 2012), banning many of these substances, but U.S. law enforcement agencies report that substance variations to make NPS are continually appearing, posing a serious threat to public health and unprecedented challenges to drug awareness and treatment programs.

In 2013, the European Commission announced it would strengthen the European Union's ability to respond to NPS by withdrawing products used to make them from the market. This action followed a report by the European Monitoring Center for Drugs and Drug Addiction stating that the scale of NPS use is growing dramatically on the continent. In its most recent reports, UNODC highlights the NPS problem in particular. In one significant initiative, UNODC is working to create a network to exchange information on NPS use and related trends. With U.S. assistance, another UNODC program seeks to identify the connections between precursor chemicals and NPS. Much of this action has been proposed in resolutions by the Commission on

Narcotic Drugs to promote international cooperation in responding to the challenged posed by NPS.

Drug Awareness and Demand Reduction

The international community recognizes that drug use is as much a public health problem as it is a public safety issue. The U.S. National Drug Control Strategy stresses that prevention and treatment must be adapted to the latest scientific knowledge and social services to help individuals overcome their addictions. This approach has been adopted in other countries following the call to member states by the International Narcotics Control Board to integrate abuse prevention into public health, health promotion, and child and youth prevention programs. More than 2,600 specialty courts in the United States have connected over 120,000 people convicted of drug-related offenses with the community services they need to avoid future drug use. Similar initiatives around the world, many supported by the United States, provide a variety of alternatives to incarceration programs for non-violent offenders. These programs are integral to scientifically based drug control policies.

Looking to the Future

Historically, U.S. foreign assistance programs have focused primarily on fighting drug production, and have supported related law enforcement programs. This approach is still integral to U.S. policy, but efforts today take an increasingly holistic approach. Beginning with the current decade, efforts aimed at preventative measures in U.S. assistance programs are designed to enhance overall citizen security by challenging both transnational and local security threats. These efforts involve United States partnerships including the public and private sectors to achieve our common security goals and create safe communities. This is carried out through law enforcement training, judicial and human rights training, and alternative development, emphasizing that such efforts must be designed to create and maintain safe environments.

In many nations, especially in Central and South America, countries are actively seeking to strengthen their inter- and intra-regional cooperation and exchange of information about best practices for counternarcotics and crime control law enforcement activities relative to broad citizen security. Taken as a whole, they are intended to promote respect for the rule of law and human rights and to empower citizens to foster law-abiding communities consistent with long-term sustainability.

You are hereby authorized and directed to submit this report, with the enclosed memoranda of justification regarding Bolivia, Burma, and Venezuela, under Section 706 of the FRAA, to the Congress, and publish it in the *Federal Register*.

/S/

Barack Obama

MEMORANDUM OF JUSTIFICATION FOR MAJOR ILLICIT DRUG TRANSIT OR ILLICIT DRUG PRODUCING COUNTRIES FOR FY 2015

Bolivia

During the past 12 months, the Bolivian government has failed demonstrably to make sufficient efforts to meet its obligations under international counternarcotics agreements or to uphold the counternarcotics measures set forth in Section 489 (a)(1) of the Foreign Assistance Act (FAA) of 1961, as amended.

Bolivia is one of the world's three largest producers of coca leaf for cocaine and other illegal drug products. Bolivia seriously compromised its ability to interdict drugs and major traffickers when the country expelled U.S. Drug Enforcement Administration (DEA) personnel in 2009, harming its ability to conduct counternarcotics operations and cooperate on international illicit drug interdiction. Due to a lack of sufficient cooperation from the Bolivian government on counternarcotics activities, the United States government closed the State Department's International Narcotics and Law Enforcement Affairs section at U.S. Embassy La Paz in 2013.

Bolivia has not maintained adequate controls over licit coca markets to prevent diversion to illegal narcotics production nor closed illegal coca markets. Bolivia also failed to develop and execute a national drug control strategy. Unlike other coca growing countries, Bolivia has not implemented many of the UN-mandated controls over coca. In 2011, Bolivia also withdrew from the 1961 UN Single Convention on Narcotic Drugs, one of the essential cornerstones of international cooperation in drug-related matters, and re-acceded in 2013 with a reservation permitting coca to be used only within Bolivia and for traditional, cultural and medicinal purposes. At the same time, Bolivia continues to promote the worldwide cultivation and commercialization of coca leaf products, contrary to the conventions' foundational premises and Bolivia's own reservation. Given the substantial number of coca crops already grown in Bolivia, the difficulty the country has had policing illegally grown coca, and the diversion from licit coca markets to illicit ones, this reservation encourages coca growth by promoting cultivation and commercialization and adds to the complication of distinguishing between illegally and legally grown coca. The United States remains concerned about Bolivia's intent by this action to limit, redefine, and circumvent the scope and control for illegal substances as they appear in the UN Schedule I list of narcotics. The United States was one of 15 states parties formally objecting to Bolivia's reservation to the 1961 Convention. Objections from 61 states were needed to prevent Bolivia's reservation.

Bolivian government policies and actions are not in line with international drug control standards. Such policies include Bolivia's promotion of the idea that coca leaf can be used generally for commercial products, as well as its de facto allowance of 20,000 hectares of legal cultivation, 8,000 hectares over the 12,000 hectare limit set by the country's own law and roughly 6,000 more than the European Union determined was needed for Bolivia's consumption needs.

On November 19, 2013, the Bolivian government released key findings of a study funded by the European Union to identify the amount of legal cultivation need to support traditional coca consumption. Initial reports indicate that no more than 14,705 hectares of coca are needed.

The United States encourages Bolivia to strengthen its efforts to achieve tighter controls over the trade in coca leaf to stem diversion to cocaine processing, in line with international treaties; protect its citizens from the deleterious effects of drugs, corruption, and drug trafficking; and significantly reduce coca cultivation.

To diminish Bolivia's appeal as a convenient trafficking venue for drug smuggling, further government action is required. Bolivia needs to improve the legal and regulatory environment for security and justice sector institutions to effectively combat drug production and trafficking, money laundering, corruption, and other transnational crime, and to bring criminal enterprise to justice through the rule of law.

While Bolivia continues to make drug seizures and arrests of implicated individuals, the Bolivian judicial system is not adequately processing these cases to completion. Bolivian law requires that an arrestee be formally charged within 18 months of arrest. An overwhelming majority of the incarcerated population in Bolivia, however, has not been formally charged in accordance with Bolivian law. The number of individuals who have been convicted and sentenced on drug charges in Bolivia has remained stagnant over the last several years and has not increased in proportion to the number of arrests.

In accord with U.S. legislation, the determination that Bolivia has failed demonstrably to make substantial efforts to adhere to its obligations under international counternarcotics agreements and to take counternarcotics measures set forth in the FAA, does not result in the withholding of humanitarian and counternarcotics assistance.

MEMORANDUM OF JUSTIFICATION FOR MAJOR DRUG TRANSIT OR ILLICIT DRUG PRODUCING COUNTRIES FOR FY 2015

Burma

During the past 12 months, the Burmese government has failed demonstrably to make sufficient efforts to meet its obligations under international counternarcotics agreements or to uphold the counternarcotics measures set forth in Section 489 (a)(1) of the Foreign Assistance Act of 1961 (FAA), as amended. However, during this period, the Burmese government has undertaken political and economic reforms to address many of the United States' longstanding concerns regarding governance, democratization, and human rights. Given the government's demonstrated commitment to reform and increased collaboration with the U.S. government, it is in the interest of the U.S. government to grant Burma a national interest waiver.

According to the 2014 International Narcotics Control Strategy Report (INCSR), Burma remains the second largest cultivator of illegal opium poppy in the world. Recent estimates show that Burma had 57,814 hectares under cultivation in 2013, a 13 percent increase reported over 2012. Although opium poppy and/or heroin are trafficked through all of Burma's porous borders, the most significant routes lead to China and Thailand. The Mekong River is also a vital trafficking route and there are growing signs of new routes to the western part of Burma for onward trafficking to South Asia. Since 1996, there has been a sharp increase in production, consumption, and export of synthetic drugs, especially amphetamine-type stimulants (ATS). ATS attributed to Burma are trafficked along new routes to Thailand, China, and Laos. Reports from India, Nepal, and Bangladesh indicate that South Asia is also increasingly affected by the trafficking of methamphetamine pills originating in Burma.

According to Burmese statistics, law enforcement officers destroyed 12,288 hectares of opium poppies in 2013 compared to 23,584 hectares in 2012 and 7,058 hectares in 2011. Such government statistics cannot be independently verified. Furthermore, U.S. and UN reporting often reflect the fact that eradication occurs after the poppies have been harvested.

On the positive side, the Government of Burma has intensified its focus on increasing the country's capacity to conduct counternarcotics activities. The Central Committee for Drug Abuse Control (CCDAC), chaired by the Minister of Home Affairs, is in the process of restructuring and expanding its counternarcotics task force, pledging to fight drug production, trafficking, and drug use. Over the course of the past year, the CCDAC has expanded its task forces from 26 to 50 units located throughout the country, with a greater presence in high-traffic areas such as Shan and Rakhine states. Notwithstanding these efforts, counternarcotics police officers still lack adequate training and resources to sufficiently address the breadth of the country's narcotics problems.

Burma has indicated a willingness to work regionally on counternarcotics initiatives, including those coordinated through the UN Office on Drugs and Crime (UNODC). Burma continues to cooperate with the United States and is increasing engagement with the international community.

Through the Lower Mekong Initiative Program, for instance, Burma, Cambodia, China, Laos, Thailand, and Vietnam are cooperating regularly in the fight against illegal drugs and other forms of transnational crime which pose a significant threat to the region.

Despite these improvements, Burma's current counternarcotics performance is not sufficient to meet its international counternarcotics cooperation obligations. The Burmese government needs to dedicate adequate resources to its counternarcotics efforts, increase illegal crop eradication in a timely and comprehensive manner, and redouble its efforts to obtain and maintain ceasefires with ethnic minorities, which would allow for increased access to areas with high drug cultivation, trafficking, and use. In addition, credible reporting from non-governmental organizations and the media claim that mid-level military officers and government officials are engaged in drug-related corruption, though no military officer above the rank of colonel has ever been charged with drug-related corruption. As a matter of policy, the Burmese government does not encourage or facilitate the illicit production or distribution of drugs, or the laundering of proceeds from illegal drug transactions.

The U.S. decision to grant Burma a national interest waiver for the third year in a row reflects political change taking place in Burma and the country's interest in improving its international drug control cooperation. Burma and the United States carried out a joint opium yield survey in early 2013 and supported Burmese participation at the International Law Enforcement Academy in Bangkok. The United States is supporting expanded counternarcotics programming including a poppy cultivation survey carried out by the UNODC, interdiction training opportunities, and drug demand reduction activities.

In accordance with Section 481 (e)(4) of the FAA, the determination that Burma has failed demonstrably does not result in the withholding of humanitarian and counternarcotics assistance. It is in the vital interest of the United States to grant a national interest waiver to Burma.

MEMORANDUM OF JUSTIFICATION FOR MAJOR DRUG TRANSIT OR ILLICIT DRUG PRODUCING COUNTRIES FOR FY 2015

Venezuela

During the past 12 months, the Venezuelan government failed demonstrably to make sufficient efforts to meet its obligations under international counternarcotics agreements or to uphold the counternarcotics measures set forth in section 489(a) (1) of the Foreign Assistance Act of 1961 (FAA), as amended. A national interest waiver for 2015 for Venezuela permits support for programs vital to the national interests of the United States, such as democracy building and human rights advocacy.

Venezuela's porous western border with Colombia, weak judicial systems, selective and inadequate international counternarcotics cooperation, and permissive and corrupt environment make the country one of the preferred trafficking routes for illegal drugs leaving South America. As a matter of government policy, Venezuela does not encourage or facilitate illegal activity involving drug trafficking. However, credible reporting indicates that individual members of the government and security forces engaged in or facilitated drug trafficking activities. In the last two years, nearly all detected illegal drug flights arriving in Honduras, the region's largest center for airborne drug smuggling, originated from Venezuela. Moreover, the majority of detected illegal flights departing Central America and returning to South America landed first in western Venezuela. In 2013, Venezuelan officials also reported disabling and/or destroying 30 aircraft and destroying 108 clandestine airstrips. As implemented, some of these actions are contrary to international civil aviation conventions to which Venezuela is a signatory.

Venezuelan authorities reported seizing 46 metric tons of illegal drugs in 2013 compared to 45 in 2012. While Venezuela publically reports such seizures, it does not systematically share the data or evidence needed to verify the destruction of the drugs. The government also published statistics on arrests and convictions for drug possession and trafficking, though it did not provide information on the nature or severity of the drug arrests or convictions. Venezuela is party to all relevant international drug and crime control agreements, including the 1988 UN Convention.

Since ceasing formal cooperation with the U.S. Drug Enforcement Administration in 2005, the Venezuelan government has maintained only limited counternarcotics cooperation with the United States. Cooperation consists mainly of coordination of fugitive deportations from Venezuela to the United States and bilateral maritime interdiction operations. Venezuela, however, did not provide follow-up information to the United States on drug trafficking organizations involved or the prosecution of suspects as it relates to maritime interdictions. Venezuela's limited and ad hoc international counternarcotics cooperation casts doubt on the government's intent to uphold its international commitment to combat drug trafficking.

The Venezuelan government again failed to take action against government and military officials known to be linked to the Revolutionary Armed Forces of Colombia (FARC) and other drug trafficking organizations. In August 2013, pursuant to the Foreign Narcotics Kingpin

Designation Act, the U.S. Department of the Treasury designated a former Venezuelan military officer a drug kingpin. This followed Treasury's 2008 and 2011 designations of senior Venezuelan government officials for acting on behalf of the FARC in support of narcotics and arms trafficking activities.

On July 27, 2014, the Government of the Netherlands ordered the release of designated criminal Kingpin and wanted Venezuelan narcotics trafficker Hugo Carvajal Barrios from detention in Aruba. The United States remains disturbed by credible reports that the Venezuelan government threatened the Governments of Aruba and the Netherlands, along with others, in its attempts to obtain Carvajal's release.

Pursuant to section 706 of the Foreign Relations Authorization Act of Fiscal Year 2003, while Venezuela has failed demonstrably, a national interest waiver under the FAA allows the continuation of U.S. bilateral assistance programs to Venezuela; counternarcotics and humanitarian assistance can be provided without a national interest waiver.

POLICY AND PROGRAM DEVELOPMENTS

Overview

Volume 1 of the 2015 International Narcotics Control Strategy Report summarizes the steps taken by over 80 governments over the previous year to protect their citizens from the harms of dangerous drugs. This is a shared challenge for all governments, and as this report illustrates, it is a perpetual process. Some countries have continued to update legislation and reform state institutions necessary for effective criminal justice responses to drug trafficking. Many also continue to implement demand reduction and treatment programs to avoid the risk of losing the next generation to drug addiction. Because transnational drug trafficking organizations continuously seek to expand, diversify, and extend their markets, combating them requires effective international cooperation between governments and with other stakeholders, and this cooperation is also described within the report.

The United States is committed to playing a leading role internationally to reduce the use and availability of illegal drugs, including by assisting our partners to develop effective institutions necessary for sustainable progress. An underlying principle behind U.S. assistance in this field is the importance of addressing the full continuum of criminal justice institutions – police, prosecutors, courts and corrections. Inadequate capacity in any one of these components can compromise the effectiveness of a country’s overall ability to bring criminals to justice. Corruption can inflict exponentially worse harm, particularly given the billions of dollars available to drug criminals. Countries that have achieved lasting success in curbing the influence of drug trafficking and other forms of organized crime have prioritized measures to prevent corruption, and U.S. assistance also promotes and advances anti-corruption reforms consistent with international standards and best practices.

Another precept that has been demonstrated repeatedly is that foreign assistance can only supplement reform efforts that are initiated and led by host governments. The ultimate success of these efforts hinges on the actions and commitment of these countries themselves. U.S. assistance is directed by the requests of our international partners, and host governments determine what forms of assistance are best suited to their needs.

The most urgent U.S. assistance priorities for 2015 will be to assist governments that have clearly demonstrated the political will to reform and bolster their domestic institutions, in countries and regions that are most threatened by the destabilizing influence of criminal organizations and where these organizations most directly threaten the health and safety of U.S. citizens. The United States has a critical interest in ensuring that legitimate governments have the capacity to exercise sovereign authority throughout their national territories, in order to safeguard the rights and safety of their own citizens as well as ours. This is an essential capacity that governments must have in place for the effective protection and promotion of their citizens’ human rights and fundamental freedoms. It must also be supported by the contributions of educators, the media, civil society and the business community – who play critical roles in helping to lay the economic and social groundwork for effective criminal justice institutions to operate.

In terms of law enforcement cooperation, we will continue to work with international partners to focus on the criminal organizations that traffic the largest volumes of the most dangerous drugs. Prioritizing resources to target the most dangerous criminal enterprises is both strategically sound and fiscally prudent. For much of the past four decades, U.S. efforts have focused on preventing drugs originating from South America from entering the United States. Overwhelmingly, these efforts have focused on cocaine, and beginning approximately about a decade ago, on methamphetamine. These drugs inflicted the most harm on communities and generated the largest profits for criminal enterprises, fueling corruption in key regional allies. But consumption patterns have shifted in the United States, and cocaine use has declined dramatically, by up to 50 percent according to some estimates. Drug threats continuously shift and evolve, and international cooperation to counter these challenges must involve similar adaptability.

One of the most unwelcome recent developments has been the resurgence of heroin use within the United States. Long overshadowed by cocaine as a threat, this heavily addictive drug is staging a comeback in the United States among a new generation of users who have been introduced to opiates through prescription opioids. Unlike coca, which grows in only three Andean countries, opium poppy grows in nearly every region of the world. Because it is an annual crop with multiple harvests per year, it is much harder to eliminate, and once harvested, opium gum remains viable as a narcotic for up to several years, allowing traffickers to stockpile it. The vast majority of the world's opium originates in Asia, particularly in Afghanistan and to a lesser extent Burma, but most of the heroin available within the United States originates within the Western Hemisphere. The United States and the governments of countries in our hemisphere where opium poppy is cultivated – Mexico, Colombia and Guatemala – work closely together to reduce the availability of this old scourge, and these governments continued to implement robust programs to eradicate poppy cultivation in 2014, destroying over 21,000 hectares of opium poppy. The United States will continue working with these governments to reduce heroin supplies, promote demand reduction and target the various steps in the supply-chain used by trafficking networks.

Other drug threats besides heroin continue to evolve, impacting various countries and regions differently. Cocaine consumption continues to grow in many countries and regions where it was uncommon only a decade or so ago, threatening public health and safety in these countries and undermining the progress that governments in the Andean region have made in reducing production and encouraging alternative livelihoods. Most regions of the world are threatened by the ongoing spread of synthetic drugs, including new psychoactive substances (NPS) that are produced and introduced faster than they can be banned. The United States will work with the UN Commission on Narcotic Drugs and other international partners to consider more flexible, innovative, and forward-looking approaches to control NPS, including the use of provisional scheduling in cases where a quick, coordinated international response can help protect the public. We will also seek to promote greater cooperation between governments and the private sector to prevent the diversion of chemicals needed to produce illegal drugs from legitimate industry, working in close cooperation with the International Narcotics Control Board and other like-minded partners.

For all manner of dangerous drugs, the United States will continue to share examples of effective practices with international partners that face similar challenges in reducing demand for these substances, and we will support capacity-building and training activities for service providers in drug prevention, intervention, treatment, and recovery. Drug threats can metastasize quickly across national borders, and sharing these hard-learned lessons is essential in order to keep up with shifting drug markets. The United States looks forward to using the 2016 UN General Assembly Special Session on Drugs as an opportunity to further identify what has worked and what challenges remain.

It took many decades for illicit drugs to develop into the global threat now recognized by all governments. It will take similar long-term perseverance to reduce illegal drug use and the criminal enterprises that promote it, to the point where it no longer threatens the sovereignty of governments or endangers generations of users. Ultimately, success will require the cumulative impact of multiple, incremental steps taken by committed international partners. The United States will continue to provide leadership and assistance to its partners in this ongoing challenge.

Demand Reduction

Drug demand reduction is a key foreign policy tool for addressing the interconnected threats of drugs, crime, and violence. It is also a critical component in efforts to stop the spread of HIV/AIDS in countries with high numbers of intravenous drug users. Consequently, the goal of demand reduction strategies calls for a comprehensive, balanced approach to the drug-problem that targets prevention, treatment, recovery, research, and international cooperation.

Recognizing that drug addiction is a major public health threat, and that drug addiction is a preventable and treatable disease, many countries are requesting INL-sponsored technical assistance to improve development of effective policy and programs. INL works closely with international partners to coordinate and place into practice capacity building and training activities for service providers in drug prevention, treatment, and recovery. In addition, INL promotes the sharing of critical information and evidence-based studies, in order to promote and preserve the stability of societies that are threatened by the narcotics trade.

The program has three major objectives: (1) significantly reduce drug use, related crime, and violence in targeted country populations, (2) significantly delay onset of first use in the targeted country population and (3) improve treatment delivery. In achieving these objectives, INL supports the following:

- Capacity building and training aimed to educate governments and public organizations on science-based and best practices in drug prevention, treatment and recovery;
- Development of drug-free community coalitions internationally, involving law enforcement and public/private social institutions;
- Research, development, and evaluation efforts to determine the effectiveness of drug prevention and treatment programs; and
- Dissemination of science-based information and knowledge transfer through multilateral and regional organizations.

Recognizing that there are gender differences in the development and pattern of substance use disorders, INL is also supporting technical assistance addressing gender-related drug abuse and related violence.

Significant completed and ongoing INL-funded demand reduction projects for Fiscal Year (FY) 2014 include:

Universal Prevention Curriculum: INL's Universal Prevention Curriculum (UPC) is an eight-course training program for prevention coordinators based on UNODC's Standards for Drug Use Prevention, offering specialists and policymakers a framework for how to approach prevention in a variety of settings such as family, school, workplace, and the community. Seven of the curricula were pilot tested in FY2014 with the eighth occurring at the beginning of FY 2015.

Child Addiction Initiative: INL is supporting the development of evidence-based training to establish effective and appropriate drug treatment to addicted children aged 12 and under. This

initiative is in response to increasing reports of acute and growing substance use among children in Asia, Africa and South America, where age-appropriate treatment may be unavailable or not scientifically sound. Working with a panel of global child drug addiction experts, INL developed six child-focused psychosocial and pharmacological treatment training courses to serve as a tool to help strengthen international capacities in this field.

Global Treatment Mapping: INL is partnering with five international organizations to map the treatment capacity in Asia, Africa, and Latin America. The mapping will form a living registry of all substance abuse treatment services and indicate the type of services offered, targeted groups, and capacity, among other items. The mapping will help identify the characteristics of national treatment systems and areas requiring assistance.

Women Drug Treatment Initiatives: INL is supporting research-based prevention, treatment, and recovery programs in high-risk countries to improve services for addicted women and their children, a chronically under-served and stigmatized population. INL also supports the development of a training curriculum that addresses the unique needs of female addicts worldwide and is currently in the process of translating the entire curriculum into Spanish.

Pregnant and Addicted Women: INL collaborated with the UN Office on Drugs and Crime (UNODC), the World Health Organization and Johns Hopkins University to update the first universal protocols for pharmacological detoxification and psycho-social interventions for the treatment of pregnant and addicted women. The guidelines for the treatment of substance use disorders during pregnancy will provide guidance and support for front-line service providers around the world in developing treatment and prevention interventions for pregnant women.

UNODC: INL continues to support UNODC global programs that provide comprehensive treatment provider training and technical assistance to improve treatment delivery systems in Asia, Africa and Latin America. The primary emphasis of these initiatives is to share drug treatment best practices with the aim to improve the quality of services and to guide policy makers in programming. INL is also embarking on collaboration with UNODC to develop the world's first international standards on substance treatment.

Colombo Plan and Organization of American States: INL supports the work of the Colombo Plan, UNODC, and the Organization of American States to establish a national-level training and certification system for drug addiction counselors, aimed at improving the delivery of drug treatment services and management skills in select countries of Asia, Africa, and Latin America. This professionalization of treatment leads to higher quality interventions, improved treatment outcomes, lower relapse rates, and overall greater confidence in the treatment system. The basic level of the Universal Treatment Curriculum is currently being utilized in over 30 countries. Intermediate and advanced courses are underway.

Drug-Free Communities: INL supports the drug-free communities program which assists community groups in forming and sustaining effective community anti-drug coalitions that fight illegal drugs. The goal of the coalitions is to bring citizens together to prevent and reduce drug use among youth. INL support has resulted in the establishment of approximately 120 active coalitions in several communities in 17 countries around the world.

Afghanistan: INL currently supports 97 residential and outpatient treatment centers in Afghanistan serving nearly 30,000 people per year. The centers provide treatment for adult males and females, adolescent males, adolescent females, and children. INL also supports prevention programs throughout Afghanistan, including the delivery of preventive drug education in the school curricula, mobile exhibit and street theater programs, and engagement of religious leaders in supporting drug prevention activities.

Methodology for U.S. Government Estimates of Illegal Drug Production

Introduction

Illegal narcotics are grown, refined, trafficked, and sold on the street by criminal enterprises that attempt to conceal every step of the process. Accurate estimates of such criminal activity are difficult to produce. The estimates on illicit drug production presented in the INCSR represent the United States government's best effort to sketch the current dimensions of the international drug problem. They are based on agricultural surveys conducted with satellite imagery and scientific studies of crop yields and the likely efficiency of typical illicit refining labs. As we do every year, we publish these estimates with an important caveat: they are *estimates*. While we must express our estimates as numbers, these numbers should not be seen as precise figures. Rather, they represent the midpoint of a band of statistical probability that gets wider as additional variables are introduced and as we move from cultivation to harvest to final refined drug. Although these estimates can be useful for determining trends, even the best U.S. government estimates are ultimately only approximations.

As needed, we revise our estimate process-and occasionally the estimates themselves-in the light of field research. The clandestine, violent nature of the illegal drug trade makes such field research difficult. Geography is also an impediment, as the harsh terrain on which many drugs are cultivated is not always easily accessible. This is particularly relevant given the tremendous geographic areas that must be covered, and the difficulty of collecting reliable information over diverse and treacherous terrain. Weather also impacts our ability to gather data, particularly in the Andes, where cloud-cover can be a major problem.

Improved technologies and analysis techniques may also produce revisions to United States government estimates of potential drug production. This is typical of annualized figures for most other areas of statistical tracking that must be revised year to year, whether the subject of analysis is the size of the U.S. wheat crop, population figures, or the reports of the unemployment rate. When possible, we apply these new techniques to previous years' data and adjust appropriately, but often, especially in the case of new technologies, we can only apply them prospectively. For the present, these illicit drug statistics represent the state of the art. As new information becomes available and as the art and science improve, so will the accuracy of the estimates.

Cultivation Estimates

With limited personnel and technical resources, we cannot look at an entire country for any hint of illicit cultivation. Analysts must, therefore concentrate their efforts on those areas that are most *likely* to have cultivation. Each year they review eradication data, seizure data, law enforcement investigations information, the previous year's imagery, and other information to determine the areas likely to have cultivation, and revise and update the search area if possible. They then estimate cultivation in the new survey area using proven statistical techniques.

The resultant estimates meet the U.S. government's need for an annual estimate of cultivation for each country. They also help with eradication, interdiction and other law enforcement operations. As part of the effort to provide a better and more comprehensive assessment, the areas surveyed are often expanded and changed, so direct comparison with previous year estimates may not be possible.

Production Estimates

Illicit crop productivity depends upon a number of factors. Changes in weather, farming techniques, soil fertility, and disease prevalence can produce widely varying results from year to year and place to place. Although most illicit drug crop areas are not easily accessible to the United States government, making scientific information difficult to obtain, we continually strive to improve our production estimates. The relative productivity of poppy crops can be estimated using imagery, and our confidence in coca leaf yield estimates continues to improve in the past few years as a result of field studies conducted in Latin America. Such studies led to a reduction in our estimates of average productivity for fields that had been sprayed with herbicide, but not completely destroyed. In such fields, some, but not all of the coca bushes survive. The farmers of the illicit crop either plant new bushes among the surviving plants or let what is left grow until harvest. In either case, the average yield of such plots is considerably less than if it had not been sprayed. Multiple studies in the same growing area over several years have helped us understand and measure the effects of eradication and other factors average yield.

Coca fields which are less than a year old ("new fields") produce much less leaf than mature fields. In Colombia, for example, fields might get their first small harvest at six months of age; in Bolivia fields are usually not harvested in their first year. The U.S. government estimates include the proportion of new fields detected each year and adjust leaf production accordingly.

Processing Estimates

The wide variation in processing efficiency achieved by traffickers complicates the task of estimating the quantity of cocaine or heroin that could be refined from a crop. Differences in the origin and quality of the raw material used, the technical processing method employed, the size and sophistication of laboratories, the skill and experience of local workers and chemists, and decisions made in response to enforcement pressures all affect production.

The U.S. government estimates for coca leaf, cocaine, marijuana, opium, and heroin production are *potential* estimates; that is, it is assumed that all of the coca, marijuana, and poppy grown is harvested and processed into illicit drugs. This is a reasonable assumption for coca leaf in Colombia. In Bolivia and Peru, however, the U.S. government potential cocaine production estimates are overestimated to some unknown extent since significant amounts of coca leaf are locally chewed and used in products such as coca tea. In Southwest and Southeast Asia, it is not unrealistic to assume that virtually all poppy is harvested for opium gum, but substantial amounts of the opium are consumed as opium rather than being processed into heroin. (The proportion of opium ultimately processed into heroin is unknown.)

Other International Estimates

The United States helps fund estimates done by the United Nations in some countries. These estimates use slightly different methodologies, but also use a mix of imagery and ground-based observations. The UN estimates are often used to help determine the response of the international donor community to specific countries or regions.

There have been some efforts, for Colombia in particular, for the United States and the UN to understand each other's methodologies in the hope of improving both sets of estimates. These efforts are ongoing.

This report also includes data on drug production, trafficking, seizures, and consumption that come from host governments or NGOs. Such data is attributed to the source organization, especially when we cannot independently verify it.

Worldwide Potential Illicit Drug Production 2006-2014

(all figures in metric tons)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Opium									
Afghanistan	5,644	8,000	5,500	5,300	3,200	4,400	4,300	5,500	6,300
Burma	230	270	340	305	530	450		795	<i>in process</i>
Colombia	37	15		17					13
Guatemala						4	6	<i>in process</i>	14
Laos	8.5	6	17	12	23	57			
Mexico	108	150	325	425	300	250	219	<i>in process</i>	<i>in process</i>
Pakistan	36		26	26				<i>in process</i>	<i>in process</i>
Total Opium	6,064	8,441	6,208	6,085	4,053	5,161	4,525		
Coca Leaf									
Bolivia	37,000	38,500	36,500	35,500	34,000	39,500	32,500	<i>in process</i>	<i>in process</i>
Colombia	147,000	134,000	82,500	77,500	69,500	52,500	48,000	<i>in process</i>	<i>in process</i>
Peru	54,500	43,500	44,000	46,000	66,500	62,500	58,500	<i>in process</i>	<i>in process</i>
Total Coca Leaf*	238,500	216,000	163,000	159,000	170,000	154,500	139,000	<i>in process</i>	
Potential Pure Cocaine									
Bolivia	115	130	150	150	160	175	145	<i>in process</i>	<i>in process</i>
Colombia	510	450	265	260	240	180	165	185	<i>in process</i>
Peru	265	185	185	195	280	260	250	265	<i>in process</i>
Total Potential Pure Cocaine	890	765	600	605	680	615	560		
Potential Export Quality Cocaine									
Bolivia	130	140	180	185	180	215	180	<i>in process</i>	<i>in process</i>
Colombia	600	570	350	370	345	255	225	<i>in process</i>	<i>in process</i>
Peru	295	240	245	260	375	365	365	390	<i>in process</i>
Total Potential Pure Cocaine	1,025	950	775	815	900	835	770		
Cannabis									
Mexico (marijuana)	15,500	15,800	21,500						
Total Cannabis	15,500	15,800	21,500						

Note on Mexico marijuana production:

No production estimates for 2009-2013 due to lack of reliable yield data

Worldwide Illicit Drug Crop Cultivation 2006-2014

(all figures in hectares)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Poppy									
Afghanistan	172,600	202,000	157,000	131,000	119,000	115,000	180,000	198,000	211,000
Burma	21,000	21,700	22,500	19,000	45,500	36,500		51,000	In process
Colombia	2,300	1,000		1,100					800
Guatemala						220	310	650	640
Laos	1,700	1,100	1,900	940	1,800	4,400			
Mexico	5,100	6,900	15,000	19,500	14,000	12,000	10,500	11,000	in process
Pakistan	980		700	705			755	4,300	in process
Total Poppy	203,680	232,700	197,100	172,245	180,300	168,120	191,565	264,950	
Coca									
Bolivia	21,500	24,000	26,500	29,000	29,000	25,500	25,000	in process	in process
Colombia	157,000	167,000	119,000	116,000	100,000	83,000	78,000	80,500	in process
Peru	42,000	36,000	41,000	40,000	53,000	49,500	50,500	59,500	In process
Total Coca	220,500	227,000	186,500	185,000	182,000	158,000	153,500	140,000	
Cannabis									
Mexico	8,600	8,800	12,000	17,500	16,500	12,000	11,500	13,000	in process
Total Cannabis	8,600	8,800	12,000	17,500	16,500	12,000	11,500	13,000	

Note on Colombia poppy cultivation:

No estimates in 2005, 2008, and 2010-2013 due to cloud cover.

Note on Guatemala poppy cultivation:

2011 survey limited to fall season in San Marcos and Huehuetenango only.

Note on Laos poppy cultivation:

Estimates for 2009-2010 are for Phongsali only. Survey area for 2011 was significantly expanded to include parts of Louang Namtha.

Note on Mexico poppy cultivation:

2011 and later surveys incorporate a major methodological change; 2005-2010 estimates are indicative of trends only and overstate actual cultivation.

Note on Pakistan poppy cultivation:

2005, 2006, and 2008 estimates are for Bara River Valley in Khyber Agency only. 2009 estimate is for Khyber, Mohmand, and Bajaur Agencies only.

Parties to UN Conventions (with dates ratified/acceded)

As of 31 December, 2014

Country	Convention Against Transnational Organized Crime	1988 UN Drug Convention	Convention Against Corruption
1. Afghanistan	24 September 2003	14 February 1992	25 August 2008
2. Albania	21 August 2002	27 June 2001	25 May 2006
3. Algeria	7 October 2002	9 May 1995	25 August 2004
4. Andorra	22 September 2011	23 July 1999	
5. Angola	1 April 2013	26 October 2005	29 August 2006
6. Antigua and Barbuda	24 July 2002	5 April 1993	21 June 2006
7. Argentina	19 November 2002	28 June 1993	28 August 2006
8. Armenia	1 July 2003	13 September 1993	8 March 2007
9. Australia	27 May 2004	16 November 1992	7 December 2005
10. Austria	23 September 2004	11 July 1997	11 January 2006
11. Azerbaijan	30 October 2003	22 September 1993	1 November 2005
12. Bahamas	26 September 2008	30 January 1989	10 January 2008
13. Bahrain	7 June 2004	7 February 1990	5 October 2010
14. Bangladesh	13 July 2011	11 October 1990	27 February 2007
15. Barbados	11 November 2014	15 October 1992	
16. Belarus	25 June 2003	15 October 1990	17 February 2005
17. Belgium	11 August 2004	25 October 1995	25 September 2008
18. Belize	26 September 2003	24 July 1996	
19. Benin	30 August 2004	23 May 1997	14 October 2004
20. Bhutan		27 August 1990	
21. Bolivia	10 October 2005	20 August 1990	5 December 2005
22. Bosnia and Herzegovina	24 April 2002	1 September 1993	26 October 2006
23. Botswana	29 August 2002	13 August 1996	27 June 2011
24. Brazil	29 January 2004	17 July 1991	15 June 2005
25. Brunei Darussalam	25 March 2008	12 November 1993	2 December 2008
26. Bulgaria	5 December 2001	24 September 1992	20 September 2006
27. Burkina Faso	15 May 2002	2 June 1992	10 October 2006
28. Burundi	24 May 2012	18 February 1993	10 March 2006

29. Cambodia	12 December 2005	7 July 2005	5 September 2007
30. Cameroon	6 February 2006	28 October 1991	6 February 2006
31. Canada	13 May 2002	05 July 1990	2 October 2007
32. Cape Verde	15 July 2004	8 May 1995	23 April 2008
33. Central African Republic	14 September 2004	15 October 2001	6 October 2006
34. Chad	18 August 2009	9 June 1995	
35. Chile	29 November 2004	13 March 1990	13 September 2006
36. China	23 September 2003	25 October 1989	13 January 2006
37. Colombia	4 August 2004	10 June 1994	27 October 2006
38. Comoros	25 September 2003	1 March 2000	11 October 2012
39. Congo		3 March 2004	13 July 2006
40. Cook Islands	4 March 2004	22 February 2005	17 October 2011
41. Costa Rica	24 July 2003	8 February 1991	21 March 2007
42. Cote d'Ivoire	25 October 2012	25 November 1991	25 October 2012
43. Croatia	24 January 2003	26 July 1993	24 April 2005
44. Cuba	9 February 2007	12 June 1996	9 February 2007
45. Cyprus	22 April 2003	25 May 1990	23 February 2009
46. Czech Republic	24 September 2013	30 December 1993	29 November 2013
47. Democratic People's Republic of Korea		19 March 2007	
48. Democratic Republic of the Congo	28 October 2005	28 October 2005	23 September 2010
49. Denmark	30 September 2003	19 December 1991	26 December 2006
50. Djibouti	20 April 2005	22 February 2001	20 April 2005
51. Dominica	17 May 2013	30 June 1993	28 May 2010
52. Dominican Republic	26 October 2006	21 September 1993	26 October 2006
53. Ecuador	17 September 2002	23 March 1990	15 September 2005
54. Egypt	5 March 2004	15 March 1991	25 February 2005
55. El Salvador	18 March 2004	21 May 1993	1 July 2004
56. Equatorial Guinea	7 February 2003		
57. Eritrea	25 September 2014	30 January 2002	
58. Estonia	10 February 2003	12 July 2000	12 April 2010
59. Ethiopia	23 July 2007	11 October 1994	26 November 2007
60. European Union	21 May 2004	31 December 1990	12 November 2008
61. Fiji		25 March 1993	14 May 2008
62. Finland	10 February 2004	15 February 1994	20 June 2006
63. France	29 October 2002	31 December 1990	11 July 2005

64. Gabon	15 December 2004	10 July 2006	1 October 2007
65. Gambia	5 May 2003	23 April 1996	
66. Georgia	5 September 2006	8 January 1998	4 November 2008
67. Germany	14 June 2006	30 November 1993	
68. Ghana	21 August 2012	10 April 1990	27 June 2007
69. Greece	11 January 2011	28 January 1992	17 September 2008
70. Grenada	21 May 2004	10 December 1990	
71. Guatemala	25 September 2003	28 February 1991	3 November 2006
72. Guinea	9 November 2004	27 December 1990	29 May 2013
73. Guinea-Bissau	10 September 2007	27 October 1995	10 September 2007
74. Guyana	14 September 2004	19 March 1993	16 April 2008
75. Haiti	19 April 2011	18 September 1995	14 September 2009
76. Holy See	25 January 2012	25 January 2012	
77. Honduras	2 December 2003	11 December 1991	23 May 2005
78. Hungary	22 December 2006	15 November 1996	19 April 2005
79. Iceland	13 May 2010	2 September 1997	1 March 2011
80. India	5 May 2011	27 March 1990	9 May 2011
81. Indonesia	20 April 2009	23 February 1999	19 September 2006
82. Iran		7 December 1992	20 April 2009
83. Iraq	17 March 2008	22 July 1998	17 March 2008
84. Ireland	17 June 2010	3 September 1996	9 November 2011
85. Israel	27 December 2006	20 May 2002	4 February 2009
86. Italy	2 August 2006	31 December 1990	5 October 2009
87. Jamaica	29 September 2003	29 December 1995	5 March 2008
88. Japan		12 June 1992	
89. Jordan	22 May 2009	16 April 1990	24 February 2005
90. Kazakhstan	31 July 2008	29 April 1997	18 June 2008
91. Kenya	16 June 2004	19 October 1992	9 December 2003
92. Korea, Republic of		28 December 1998	27 March 2008
93. Kiribati	15 September 2005		27 September 2013
94. Kuwait	12 May 2006	3 November 2000	16 February 2007
95. Kyrgyz Republic	2 October 2003	7 October 1994	16 September 2005
96. Lao Peoples Democratic Republic	26 September 2003	1 October 2004	25 September 2009
97. Latvia	7 December 2001	24 February 1994	4 January 2006
98. Lebanon	5 October 2005	11 March 1996	22 April 2009
99. Lesotho	24 September 2003	28 March 1995	16 September 2005

100.Liberia	22 September 2004	16 September 2005	16 September 2005
101.Libya	18 June 2004	22 July 1996	7 June 2005
102.Liechtenstein	20 February 2008	9 March 2007	8 July 2010
103.Lithuania	9 May 2002	8 June 1998	21 December 2006
104.Luxembourg	12 May 2008	29 April 1992	6 November 2007
105.Macedonia, Former Yugoslav Rep.	12 January 2005	13 October 1993	13 April 2007
106.Madagascar	15 September 2005	12 March 1991	22 September 2004
107.Malawi	17 March 2005	12 October 1995	4 December 2007
108.Malaysia	24 September 2004	11 May 1993	24 September 2008
109.Maldives	4 February 2013	7 September 2000	22 March 2007
110.Mali	12 April 2002	31 October 1995	18 April 2008
111.Malta	24 September 2003	28 February 1996	11 April 2008
112. Marshall Islands	15 June 2011	5 November 2010	17 November 2011
113.Mauritania	22 July 2005	1 July 1993	25 October 2006
114.Mauritius	21 April 2003	6 March 2001	15 December 2004
115. Mexico	4 March 2003	11 April 1990	20 July 2004
116.Micronesia, Federal States of	24 May 2004	6 July 2004	21 March 2012
117. Moldova	16 September 2005	15 February 1995	1 October 2007
118. Monaco	5 June 2001	23 April 1991	
119.Mongolia	27 June 2008	25 June 2003	11 January 2006
120.Montenegro	23 October 2006	23 October 2006	23 October 2006
121. Morocco	19 September 2002	28 October 1992	9 May 2007
122. Mozambique	20 September 2006	8 June 1998	9 April 2008
123. Myanmar (Burma)	30 March 2004	11 June 1991	20 December 2012
124. Namibia	16 August 2002	6 March 2009	3 August 2004
125. Nauru	12 July 2012	12 July 2012	12 July 2012
126. Nepal	23 December 2011	24 July 1991	31 March 2011
127. Netherlands	26 May 2004	8 September 1993	31 October 2006
128. New Zealand	19 July 2002	16 December 1998	
129. Nicaragua	9 September 2002	4 May 1990	15 February 2006
130. Niger	30 September 2004	10 November 1992	11 August 2008
131. Nigeria	28 June 2001	1 November 1989	14 December 2004
132. Niue	16 July 2012	16 July 2012	
133. Norway	23 September 2003	14 November 1994	29 June 2006
134. Oman	13 May 2005	15 March 1991	9 January 2014

135. Pakistan	13 January 2010	25 October 1991	31 August 2007
136. Palau			24 March 2009
137. Panama	18 August 2004	13 January 1994	23 September 2005
138. Papua New Guinea			16 July 2007
139. Paraguay	22 September 2004	23 August 1990	1 June 2005
140. Peru	23 January 2002	16 January 1992	16 November 2004
141. Philippines	28 May 2002	7 June 1996	8 November 2006
142. Poland	12 November 2001	26 May 1994	15 September 2006
143. Portugal	10 May 2004	3 December 1991	28 September 2007
144. Qatar	10 March 2008	4 May 1990	30 January 2007
145. Romania	4 December 2002	21 January 1993	2 November 2004
146. Russia	26 May 2004	17 December 1990	9 May 2006
147. Rwanda	26 September 2003	13 May 2002	4 October 2006
148. St. Kitts and Nevis	21 May 2004	19 April 1995	
149. St. Lucia	16 July 2013	21 August 1995	25 November 2011
150. St. Vincent and the Grenadines	29 October 2010	17 May 1994	
151. Samoa		19 August 2005	
152. San Marino	20 July 2010	10 October 2000	
153. Sao Tome and Principe	12 April 2006	20 June 1996	12 April 2006
154. Saudi Arabia	18 January 2005	9 January 1992	29 April 2013
155. Senegal	27 September 2003	27 November 1989	16 November 2005
156. Serbia	6 September 2001	12 March 2001	20 December 2005
157. Seychelles	22 April 2003	27 February 1992	16 March 2006
158. Sierra Leone		6 June 1994	30 September 2004
159. Singapore	28 August 2007	23 October 1997	6 November 2009
160. Slovakia	3 December 2003	28 May 1993	1 June 2006
161. Slovenia	21 May 2004	6 July 1992	1 April 2008
162. Solomon Islands			6 January 2012
163. South Africa	20 February 2004	14 December 1998	22 November 2004
164. Spain	1 March 2002	13 August 1990	19 June 2006
165. Sri Lanka	22 September 2006	6 June 1991	31 March 2004
166. Sudan	10 December 2004	19 November 1993	5 September 2014
167. Suriname	25 May 2007	28 October 1992	
168. Swaziland	24 September 2012	3 October 1995	24 September 2012
169. Sweden	30 April 2004	22 July 1991	25 September 2007
170. Switzerland	27 October 2006	14 September 2005	24 September 2009

171. Syria	8 April 2009	3 September 1991	
172. Tajikistan	8 July 2002	6 May 1996	25 September 2006
173. Thailand	17 October 2013	3 May 2002	1 March 2011
174. Tanzania	24 May 2006	17 April 1996	25 May 2005
175. Timor-Leste	9 November 2009	3 June 2014	27 March 2009
176. Togo	2 July 2004	1 August 1990	6 July 2005
177. Tonga	3 October 2014	29 April 1996	
178. Trinidad and Tobago	6 November 2007	17 February 1995	31 May 2006
179. Tunisia	19 July 2003	20 September 1990	23 September 2008
180. Turkey	25 March 2003	2 April 1996	9 November 2006
181. Turkmenistan	28 March 2005	21 February 1996	28 March 2005
182. UAE	7 May 2007	12 April 1990	22 February 2006
183. Uganda	9 March 2005	20 August 1990	9 September 2004
184. Ukraine	21 May 2004	28 August 1991	2 December 2009
185. United Kingdom	9 February 2006	28 June 1991	9 February 2006
186. United States	3 November 2005	20 February 1990	30 October 2006
187. Uruguay	4 March 2005	10 March 1995	10 January 2007
188. Uzbekistan	9 December 2003	24 August 1995	29 July 2008
189. Vanuatu	4 January 2006	26 January 2006	12 July 2011
190. Venezuela	13 May 2002	16 July 1991	2 February 2009
191. Vietnam	8 June 2012	4 November 1997	19 August 2009
192. Yemen	8 February 2010	25 March 1996	7 November 2005
193. Zambia	24 April 2005	28 May 1993	7 December 2007
194. Zimbabwe	12 December 2007	30 July 1993	8 March 2007

USG ASSISTANCE

U.S. Department of State FY 2014-2015 Budget

Counter-Narcotics Program Area

<i>\$ in thousands for all items</i>	FY 2014 Initial Actual	FY 2015 Request *
TOTAL	547,558	555,328
Africa	540	330
Liberia	540	330
International Narcotics Control and Law Enforcement	540	330
East Asia and Pacific	2,675	2,625
Burma	-	800
International Narcotics Control and Law Enforcement	-	800
Indonesia	475	475
International Narcotics Control and Law Enforcement	475	475
Laos	200	250
International Narcotics Control and Law Enforcement	200	250
Timor-Leste	-	100
International Narcotics Control and Law Enforcement	-	100
State East Asia and Pacific Regional	2,000	1,000
International Narcotics Control and Law Enforcement	2,000	1,000
Europe and Eurasia	791	150
Ukraine	121	150
International Narcotics Control and Law Enforcement	121	150
Europe and Eurasia Regional	670	-
Economic Support Fund	670	-
South and Central Asia	147,267	186,424
Afghanistan	128,328	170,250
Economic Support Fund	20,000	20,000
International Narcotics Control and Law Enforcement	108,328	150,250
Kazakhstan	385	244
International Narcotics Control and Law Enforcement	385	244
Kyrgyz Republic	714	-
International Narcotics Control and Law	714	-

Enforcement		
Pakistan	10,500	11,500
International Narcotics Control and Law Enforcement	10,500	11,500
Tajikistan	80	170
International Narcotics Control and Law Enforcement	80	170
Turkmenistan	260	260
International Narcotics Control and Law Enforcement	260	260
Central Asia Regional	7,000	4,000
International Narcotics Control and Law Enforcement	7,000	4,000
Western Hemisphere	324,744	300,069
Colombia	175,683	165,221
Economic Support Fund	55,133	65,871
International Narcotics Control and Law Enforcement	120,550	99,350
Haiti	1,000	-
International Narcotics Control and Law Enforcement	1,000	-
Mexico	50,074	33,938
International Narcotics Control and Law Enforcement	50,074	33,938
Peru	54,082	72,600
Development Assistance	12,029	37,000
Economic Support Fund	10,103	-
International Narcotics Control and Law Enforcement	31,950	35,600
State Western Hemisphere Regional (WHA)	43,905	28,310
International Narcotics Control and Law Enforcement	43,905	28,310
INL - International Narcotics and Law Enforcement Affairs	71,541	65,730
INL - CFSP, Critical Flight Safety Program	7,585	6,000
International Narcotics Control and Law Enforcement	7,585	6,000
INL - Demand Reduction	12,500	12,500
International Narcotics Control and Law Enforcement	12,500	12,500
INL - Inter-regional Aviation Support	35,195	34,886
International Narcotics Control and Law Enforcement	35,195	34,886

INL - International Organizations	3,369	3,400
International Narcotics Control and Law Enforcement	3,369	3,400
INL - Program Development and Support	12,892	8,944
International Narcotics Control and Law Enforcement	12,892	8,944
*FY 2015 653(a) levels are still being determined		

International Training

International counternarcotics training is managed and funded by the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL), and implemented by various U.S. law enforcement organizations including the Drug Enforcement Administration (DEA), the Federal Bureau of Investigation (FBI), Immigration and Customs Enforcement (ICE), U.S. Customs and Border Patrol (CBP), and U.S. Coast Guard. Major objectives are:

- Contributing to enhanced professionalism of the basic rule of law infrastructure for carrying out counternarcotics law enforcement activities in countries which cooperate with and are considered significant to U.S. narcotics control efforts;
- Improving technical skills of drug law enforcement personnel in these countries; and
- Increasing cooperation between U.S. and foreign law enforcement officials.

INL-funded training supports U.S. counternarcotics priorities worldwide, and focuses on encouraging foreign law enforcement agency self-sufficiency. The overarching goal of U.S. counternarcotics training is to support the development of effective host country enforcement institutions, capable of removing drugs from circulation before they can reach the United States. U.S. training can take two forms: as part of a planned bilateral assistance program in target partner countries; and as regional training with international participants from multiple countries. The regional training provided at International Law Enforcement Academies (ILEAs) consists of both general law enforcement training as well as specialized training for mid-level managers in police and other law enforcement agencies.

U.S. bilateral training assistance program works closely with international organizations including the UN Office on Drugs and Crime (UNODC) and the Organization of American States. The U.S. coordinates assistance planning with other donors through mechanisms such as the Dublin Group (an informal body of countries and organizations that provide law enforcement training), and the Paris Pact (an informal network of states dedicated to stopping the spread of Afghan opiates). The U.S. continuously works to promote burden-sharing with our allies in the provision of training, as well as ensuring that our respective efforts are complementary and directed towards common goals.

International Law Enforcement Academies (ILEAs)

The mission of the regional International Law Enforcement Academies (ILEAs) is to support emerging democracies, help protect U.S. interests through international cooperation, and promote social, political and economic stability by combating crime. To achieve these goals, the ILEA program provides high-quality training and technical assistance, supports institution building and enforcement capability development, and fosters relationships between American law enforcement agencies and their counterparts around the world.

Since the first ILEA opened in Budapest in 1995, the program has grown to five academies worldwide, and has provided training to approximately 50,000 students in from countries in Africa, Europe, Asia, and across Latin America. ILEAs offer three different types of programs to address global threats: a core program; specialized courses; and seminars and workshops. The

core program is a six-week intensive professional development program – the Law Enforcement Leadership Development (LELD) – designed for mid-level law enforcement practitioners, and is tailored to region-specific needs and emerging global threats. The core program typically includes 40 to 50 participants, normally from three or more countries. The specialized courses, comprised of about 30 participants, are one or two-week courses for law enforcement or criminal justice officials on a specific topic. Lastly, regional seminars or workshops present various emerging law enforcement topics such as transnational crimes, financial crimes, and counterterrorism.

The ILEAs help to develop an extensive network of alumni who exchange information with their regional and U.S. counterparts and assist in transnational investigations. Many ILEA graduates become the leaders and decision-makers in their respective law enforcement organizations. The Department of State coordinates with the Departments of Justice, Homeland Security and Treasury, and with foreign government counterparts to implement the ILEA program.

Africa. ILEA Gaborone (Botswana) opened in 2001. ILEA Gaborone delivers four core programs annually and also offers specialized courses for police and other criminal justice officials to boost their capacity to work with U.S. and regional counterparts. These courses concentrate on specific methods and techniques in a variety of subjects, such as anti-corruption, financial crimes, border security, crime scene investigations, drug enforcement, firearms, explosives, wildlife investigation, gender-based violence and many others. ILEA Gaborone provided training to approximately 684 students in 2014.

Asia. ILEA Bangkok (Thailand) opened in 1999, and focuses on enhancing regional cooperation against transnational crime threats in Southeast Asia. Courses focus on combating illicit drug trafficking, terrorist financing and financial crimes, illicit wildlife trafficking environmental crimes, and human trafficking. ILEA Bangkok provides one core program and also provides specialized courses on a variety of criminal justice topics each year. ILEA Bangkok trained approximately 1129 students in 2014.

Europe. ILEA Budapest (Hungary) was the first ILEA and was established in 1995. ILEA Budapest delivers four core programs annually and also offers specialized courses on regional threats such as organized crime, environmental and cyber-crime, terrorist financing and financial crimes, women in law enforcement, gender-based violence and many others. ILEA Budapest trained approximately 1446 students in 2014.

Global. ILEA Roswell (New Mexico) opened in September 2001. ILEA Roswell provides the tools necessary to enable partner countries to formulate and execute effective and responsible criminal justice public policy. Unlike other ILEAs, ILEA Roswell draws its recruits from graduates of regional Academies in Budapest, Bangkok, Gaborone, and San Salvador. ILEA Roswell trained approximately 339 students in 2014.

Latin America. ILEA San Salvador (El Salvador) opened in 2005. ILEA San Salvador delivers four core programs annually and also offers specialized courses on regional threats as well as specialized courses for police, prosecutors, and judicial officials. ILEA San Salvador courses concentrate on anti-gangs, human rights, illegal trafficking in drugs, alien smuggling, terrorist

financing and financial crimes. ILEA San Salvador also supports an associate Regional Training Center (RTC) located in Lima, Peru. The RTC augments the delivery of region specific training for countries in the Southern Cone and Andean Regions. ILEA San Salvador trained approximately 1533 students in 2014.

Drug Enforcement Administration (DEA)

The majority of illicit drugs distributed and consumed in America originate in foreign countries. DEA's mission is to enforce the controlled substances laws and regulations of the United States. In furtherance of this mission, DEA targets the cultivation, production, transportation, distribution and financial operations of Drug Trafficking Organizations (DTOs) based in foreign nations and at home. In order to dismantle and disrupt DTOs, DEA and other U.S. agencies work hand in hand with our foreign law enforcement counterparts.

DEA establishes and maintains working relationships with host nations by staffing 86 DEA offices located in 67 countries. DEA's foreign offices act as conduits of information to DEA components in the United States and vice versa. In this manner, investigators are able to target DTOs from the source to the end user. DEA's foreign offices are tasked with the following objectives:

- Conduct bilateral investigations with foreign law enforcement;
- Coordinate counternarcotic intelligence gathering with host governments;
- Conduct training programs for host country police agencies;
- Assist in the development of host country drug law enforcement institutions and develop mutually beneficial law enforcement relationships with foreign law enforcement agencies.

The emphasis placed on each objective is determined by the host nation's unique conditions and circumstances as it relates to their infrastructure and law enforcement capabilities. DEA works side by side with host nation counterparts to develop relevant training, promote intelligence sharing, and support joint operations. The following information highlights the assistance and joint enforcement efforts undertaken by DEA and host nation counterparts in 2014.

Drug Flow Attack Strategy: A key element in combating international drug trafficking is the concerted and coordinated efforts of the inter-agency community to jointly identify chokepoints vulnerable to enforcement efforts and simultaneously direct assets to vigorously target the identified chokepoints on a coordinated and sustained basis. To this end, DEA developed an International Drug Flow Attack Strategy which has the primary objective to cause major disruption to the flow of drugs, money, and chemicals between the source zones and the United States. The strategy includes an integrated intelligence-enforcement process that rests on multiple pillars: intelligence-driven enforcement, sequential operations, and predictive intelligence. To stem the flow of drugs into the United States, DEA will continue to implement this successful Drug Flow Attack Strategy by expanding enforcement initiatives with our global law enforcement partners

International Drug Enforcement Conference (IDEC) in Support of Strengthening International Relations: IDEC was established by DEA in 1983 with the objective of creating a forum for the international community to share drug-related intelligence and to develop operational strategies that can be used to combat transnational, organized criminal organizations involved in the illicit drug trade. Representatives from over 100 countries are participating members of IDEC, and the conference is co-sponsored by the United States and one of the

international participating members each year. It is an operational conference where critical and sensitive issues in international drug enforcement, money laundering, and narco-terrorism are discussed, and operational targets are selected. Recent IDEC meetings have included sessions on the use of the internet by drug traffickers, narco-terrorism, cocaine smuggling to Europe through Africa, precursor chemical control, the drug flow attack strategy, and money laundering. The 2014 conference was co-hosted by the Government of Italy. Regional working groups were held to identify collective targets and goals. Members provided briefings on current investigations related to their collective targets and assessed their progress and evaluated their intelligence on existing and new targets planned for the year ahead. The 2014 IDEC was attended by 222 foreign delegates from 115 countries.

International Training: DEA has been conducting international counter-narcotics training since 1969. DEA is recognized as the world pioneer in international training and serves as the model for a variety of international law enforcement training efforts. DEA's role has grown to include that of international consultant to law enforcement agencies, as well as foreign governments seeking to develop quality narcotics law enforcement programs, organizational infrastructures, and judicial reforms. The specific courses offered by DEA are continually changing as new curricula are developed and instituted in response to experiences, changes in law enforcement emphasis, current international narcotics trafficking situations, new technologies, and specific requests of the host governments. All DEA international training programs have as a major objective the building of regional working relationships between countries. In 2014, DEA conducted bilateral training seminars for approximately 8,995 participants from 88 countries.

The Special Testing and Research Laboratory's Programs: The Heroin and Cocaine Signature Programs (HSP/CSP) at the DEA's Special Testing and Research Laboratory are intelligence gathering, science-based initiatives which determine the geographic origins of heroin and cocaine exhibits. In addition, the laboratory maintains a Methamphetamine Profiling Program (MPP) that determines the synthetic routes and precursors employed in producing methamphetamine. The classification schemes for these programs were developed using authentic exhibits collected from world-wide drug processing laboratories. By collaborating with the host nations, numerous such authenticics are submitted annually to the laboratory from the DEA foreign country offices. Currently, the laboratory classifies several thousand U.S.-seized and foreign drug exhibits every year. The Signature and Profiling Programs provide the counterdrug intelligence community with science-based heroin and cocaine source data and intelligence information regarding methamphetamine synthesis. The HSP, CSP, and the MPP are viewed as crucial tools to investigate and support strategic intelligence regarding illicit production, trafficking, and availability of these three high profile drugs within the United States and foreign countries. Over the past several years the laboratory has established a robust Emerging Trends Program to analyze new (or novel) psychoactive substances for enforcement and intelligence purposes. This group has identified over 300 new synthetic cannabinoids, substituted cathinones, and powerful hallucinogenic compounds that have come into the drug market.

United States Coast Guard (USCG)

The USCG plays a crucial role in efforts to keep dangerous narcotic drugs moving by sea from reaching the United States. Working within the Department of Homeland Security (DHS) in carrying out its responsibilities within the National Drug Control Strategy, the USCG maintains a multi-faceted, layered approach to combat Transnational Organized Crime (TOC) networks and their transport of illicit contraband from South America toward the United States via the Caribbean Sea, the Eastern Pacific Ocean, and through Central America and Mexico. The overarching strategy is to increase maritime border security through a layered system that extends beyond our land borders. This system begins overseas, spans the offshore regions, and continues into our territorial seas and our ports. The Coast Guard's mix of cutters, aircraft, boats, and deployable specialized forces, as well as international and domestic partnerships, allow the Coast Guard to leverage its unique maritime security authorities and competencies to address threats and to improve security throughout the maritime domain. Coast Guard efforts focus on removing illegal drugs as close to their origins in South America and as far from U.S. shores as possible, where drug shipments are in their most concentrated bulk form. Moreover, these illicit cargoes are most vulnerable when they are being moved at sea through international waters. This is where the interdiction community has the highest visibility of, and best opportunity to interdict drug movements.

Counternarcotics Operations: Detection of narcotics trafficking vessels occurs principally through the collection, analysis, and dissemination of tactical information and strategic intelligence combined with effective sensors operating from land, air and surface assets. The six million square mile transit zone is far too expansive to randomly patrol; targeting information is necessary to focus efforts. Upon detection, U.S. and partner nation law enforcement agencies provide monitoring, relaying data, imagery and position information until an appropriate interdiction asset arrives on scene. The USCG is the lead U.S. federal agency for drug interdiction on the high seas, and takes tactical control of U.S. and Allied assets for the interdiction and apprehension operational phase. Interdiction success causes TOC networks to incur greater costs and decreases their efficiency in moving illicit products to market. A crucial element in USCG success for drug interdiction is the system of maritime counterdrug bilateral agreements with many countries around the world, which prevent smugglers from using another nation's territorial seas as a haven from USCG law enforcement efforts; permit USCG law enforcement officers to stop, board, and search vessels suspected of transporting narcotics; and facilitate law enforcement operational coordination with partner nations.

International Cooperative Efforts: In 2014, the USCG had 52 personnel deployed abroad to facilitate maritime counterdrug activities including security assistance, intelligence collection and dissemination, and liaison internally and externally. There are 47 maritime counterdrug bilateral agreements or operational procedures in place between the United States and partner nations. These agreements greatly increase the operational reach of U.S. assets, and help partner nations protect their sovereignty. The Coast Guard sponsors two separate Multilateral Maritime Counterdrug Summits with senior maritime operational and legal officials; one with Caribbean Basin partner nations, and another with Central and South American partner nations. These Summits provide the opportunity and means for participants to exchange and improve best practices, and to think creatively about employing new tactics, techniques, and procedures to

counter drug trafficking organizations. To counter trans-Atlantic drug flows, the USCG continues to work with U.S. Africa Command (AFRICOM) to expand maritime training and operations for West African countries through the African Maritime Law Enforcement Partnership (AMLEP).

International Training and Technical Assistance: The USCG provides international training and technical assistance to enhance the interdiction capacities of international partners. The Technical Assistance Field Team (TAFT), a joint initiative between USCG and the U.S. Southern Command (SOUTHCOM), is a team of eight USCG engineers and logisticians whose purpose is to professionalize and improve the operational readiness of 13 Caribbean maritime forces through technical assistance visits. The USCG's Security Assistance Program offers both resident training programs and mobile training teams (MTTs) to partner nation maritime services around the world to advance the capability of their naval and coast guard forces. In 2014, the USCG deployed 64 MTTs to 25 countries, and partner nation students attended 239 resident courses at USCG training installations.

Operational Highlights: In 2014, the USCG expended over 1,400 cutter days, 1,200 Airborne Use of Force capable helicopters days, and 3,500 surveillance aircraft hours on counterdrug patrols. USCG also conducted 35 Law Enforcement Detachment (LEDET) deployments aboard U.S. Navy, British, Dutch and Canadian warships. As a result, the USCG disrupted 164 drug smuggling attempts, which included the seizure of 93 vessels, detention of 344 suspected smugglers, and removal of 90 metric tons (MT) of cocaine and 49 MT of marijuana.

U.S. Customs and Border Protection (CBP)

CBP processes all goods, vehicles, and people entering and exiting the 328 Distinct Ports of Entry (POE) within 20 field offices of the United States. CBP has also been charged with the border regulatory functions of passport control and agriculture inspections in order to provide comprehensive control services. CBP is the nation's first line of defense against the introduction of narcotics and dangerous contraband items from foreign sources.

In FY14, CBP officers and agriculture specialists inspected almost 374.6 million travelers and almost 113.6 million cars, trucks, buses, train, vessels and aircraft. They also performed more than 24.5 million agricultural inspections and made 1.6 million interceptions (prohibited meats, plants and insect pests). CBP officers seized almost 682 thousand pounds of drugs, arrested more than 21,000 suspected criminals and encountered almost 224,000 inadmissible aliens. CBP officers seize an average of \$223 thousand in illicit currency at the borders on a daily basis.

CBP deploys approximately 46,346 law enforcement officers daily in 26,000 tactical vehicles, 267 aircraft, 283 watercraft, 367 horse patrols and 1,580 canine teams to keep our border secure.

Security Beyond the Borders: As part of its efforts to extend the nation's zone of security beyond U.S. ports of entry, the Office of International Affairs (INA) works with other U.S. government and foreign government components to provide a wide array of short-term and long-term technical training and assistance to countries throughout the world. These programs are designed to standardize and build the capacity of foreign organizations to implement more effective customs trade operations, border policing, and immigration inspection. This training and assistance is performed via U.S. initiatives like the Merida Initiative or in partnership with the World Customs Organization's capacity building efforts.

CBP also assists partner countries with preventing, detecting, and investigating Customs crimes, including the smuggling of controlled substances. CBP accomplishes via international information sharing and mutual assistance agreements and subsequent implementing arrangements, both via one-time exchanges, embedded personnel, and long-term coordination.

The Office of Air and Marine (OAM) engages in air and marine interdiction, law enforcement, and air domain security. It targets the conveyances that illegally transport narcotics, arms, and aliens across U.S. borders and in the Source, Transit and Arrival Zones. OAM National Air Security Operations (NASO) P-3 Orion's and more recently the MQ-9 Guardian Unmanned Aircraft Systems (UAS) have been an integral part of the successful counter-narcotic missions operating in coordination with the Joint Interagency Task Force – South (JIATFS).

OAM assets patrol a 42 million-square mile area of the Caribbean and Eastern Pacific, known as the Source and Transit Zone, in search of drugs that are in transit towards U.S. shores. In FY 2014, OAM P-3s flew over 6,128 hours, 85 percent of all OAM P-3 hours. These hours were in support of Joint Interagency Task Force-South in the Source and Transit Zones. OAM P-3's participated in the interdiction of 110,699 pounds of cocaine, which has an estimated street value

of over \$8.2 billion dollars. This equates 18 lbs. of cocaine for every counternarcotic hour flown.

The OAM Air and Marine Operations Center (AMOC) provides detection, monitoring, sorting, tracking, and coordination of law enforcement response to suspect airborne and maritime activity at, beyond, and internal to our nation's borders. AMOC currently has agreements with Mexico, Canada, and the Bahamas to collect and share information and sensor data, intelligence, resources, and capabilities needed to effectively support CBP's international missions.

CBP has deployed a multi-layered, risk-based approach to enhance the security of our borders while facilitating lawful travel and trade. This layered approach to security reduces our reliance on any single point or program that could be compromised. It also extends our zone of security outward, ensuring that our physical border is not the first or last line of defense, but one of many.

International Engagement Programs: CBP has a growing network of Attachés, Representatives and Advisors who serve abroad in U.S. Embassies along with the Combatant Commands from the Department of Defense. These personnel work closely with CBP's foreign counterparts in the ongoing effort to counter drug-smuggling.

Technical Assistance Programs: INA coordinates and presents over 257 technical assistance programs to thousands of foreign participants each year. The majority of these programs take place outside the United States, although CBP also hosts training events at specific U.S. ports of entry.

Capacity Building Programs: In 2014, INA provided technical training and assistance in support of the ILEA-International Law Enforcement Academy programs currently operating in Bangkok, Budapest, Gaborone, San Salvador, and Ghana. INA provided 176 capacity building sessions in 58 countries for foreign partners, including 23 courses at the ILEAs.

Additionally, the U.S. Border Patrol (USBP) strategy in Central America contributes to comprehensive border security efforts by providing training and advisory assistance, ultimately leveraging resources in the region by expanding relationships within the Western Hemisphere.

The Central America Advisory Support and Training (CAAST) initiative is a USBP-led effort aimed at capacity building in Central America via training, advisory assistance, improved information exchange, shared best practices and long-term sustainment to combat threats such as Transnational Criminal Organizations as well as to augment border security efforts in the United States. Host nation border security capability is also enhanced and serves as a force multiplier effect in the region.

Since its inception, the CAAST initiative has provided assistance in Belize, Costa Rica, Guatemala, Honduras and Panama. In an effort to expand our CBP/BP footprint, and in the interest of encouraging long term sustainability, the goal of the CAAST is to transition to permanent advisors in the region. The majority of USBP engagement in Central America is funded (via CBP/INA) through the Department of State's Bureau of International Narcotics and Law Enforcement (INL) Affairs.

International Visitors Programs: The International Visitors Program (IVP) provides an opportunity for foreign customs officials and other foreign officials working on contraband enforcement issues to consult with their U.S. counterparts and appropriate high level managers in CBP Headquarters. During FY 2014, 88 countries participated in 400 visits, hosting over 2,300 participants.

Bulk Currency Smuggling Training: Bulk Currency Smuggling training assists foreign government enforcement personnel in identifying techniques used by bulk currency smugglers. Further, it helps them to design and implement programs to counter that threat, resulting in seizures of millions of dollars in the proceeds of crime.

Tactical Response Training: At the request of the Department of State's INL, the Border Patrol conducts basic and advanced border security training in Latin America. The Border Patrol Special Operations Group (SOG) is comprised of both Border Patrol Tactical Operations (BORTAC) unit and Border Patrol Search, Trauma & Rescue (BORSTAR) personnel/specialties and provides the majority, but not all the USBP instructors and operators. In FY 2014, the Border Patrol provided border security and law enforcement training to foreign nationals in several countries within Latin America. The number of personnel trained in each country is approximately as follows: 100 in Honduras, 20 in Belize, 450 in Guatemala, 44 in Panama and 80 in Costa Rica.

World Customs Organization Cargo Targeting System: CBP collaborated with the World Customs Organization (WCO) to develop the WCO Cargo Targeting System (CTS), a stand-alone, web-based application that allows Customs administrations to collect, analyze, and perform risk assessments of electronic import, export, and transshipment manifest data to target high risk cargo containers. The software was developed in alignment with the WCO Data model and risk management principles embodied in the SAFE Framework of Standards to Secure and Facilitate Global Trade. CBP also provides WCO CTS training and follow-up targeting guidance to Customs Administrations that implement CTS. As of September 2014, CTS is fully deployed in three (3) countries, pending deployment in three (3) countries, and had funding approved for three (3) additional countries. CBP is working with the WCO to develop an Air Cargo version of WCO CTS for implementation, pilot testing, and deployment in 2015.

Promotion of International Standards and Technical Assistance: CBP works multilaterally through organizations such as the World Customs Organization (WCO) to promote international standards and best practices that enable foreign, counterpart customs administrations to identify and interdict illicit narcotics. In particular, CBP has assisted the WCO to develop a Risk Management Compendium that specifies risk factors that customs officials can apply to identify high-risk travelers or cargo shipments. CBP also provides technical assistance on a bilateral basis to numerous customs administrations regarding risk assessment and targeting methodologies and IT solutions to implement these standards.

CHEMICAL CONTROLS

Chemicals play two critical roles in the production of illegal drugs: as compounds required in the synthetic or extraction processes of drug production or as refining agents and solvents for processing plant-based materials such as coca into cocaine and opium poppy into heroin. Chemicals used in synthetic drug production are known as “precursor” chemicals because they are incorporated into the drug product and are less likely to be substituted by other chemicals. Chemicals used to refine and process plant-based drugs are referred to as “essential” or “precursor” chemicals and can be readily replaced by other chemicals with similar properties.

International efforts have long targeted the illicit diversion of the most common precursors for cocaine and heroin, potassium permanganate and acetic anhydride, respectively. The large licit market for these chemicals makes this a difficult task. Diversion of less than one percent of worldwide licit commercial use of these chemicals is required to produce the world’s supply of cocaine and heroin.

The International Framework

The 1988 UN Convention against Illicit Traffic in Narcotics Drugs and Psychotropic Substances is one of the three main international treaties intended to promote international cooperation to counter the harms caused by drugs. Preventing diversion of precursor chemicals from legitimate trade is one key goal of the 1988 UN Convention. Specifically, state parties are required under article 12 to monitor international trade in chemicals listed under Tables I and II of the Convention. These tables are updated to account for changes in the manufacture of illicit drugs, and state parties are required to share information with one another and with the International Narcotics Control Board (INCB) on international transactions involving these chemicals. The Convention further encourages state parties to license all persons and enterprises involved in the manufacture and distribution of listed chemicals.

Resolutions from the UN Commission on Narcotic Drugs (CND) – the UN’s primary narcotic drug policy-making body – have provided additional guidance to states on how to implement these obligations according to specific best practices and to establish an International Special Surveillance List (ISSL), a mechanism for monitoring chemicals that are not regulated by the Convention but for which substantial evidence exists of their use in illicit drug manufacture.

The INCB is an independent, quasi-judicial monitoring body for the implementation of the three UN international drug control conventions. The INCB encourages compliance with the drug control treaties and proposes appropriate remedial measures to governments that are not fully applying the provisions of the treaties or are encountering difficulties in applying them and, where necessary, to assist governments in overcoming difficulties.

The INCB has developed a number of instruments to address the challenges of precursor chemicals:

- The Pre-Export Notification (PEN) is an online database used by the Member States exporting precursor chemicals to alert the authorities in the importing country with the details of the export transaction. The PEN Online system enables easy on-line exchange

of information between Member States on shipments (export and import) of the chemicals required for the manufacture of illegal addictive drugs such as heroin, cocaine and amphetamines and to provide the ability to raise alerts to stop suspect shipments before they reach illicit drug manufactures. The system facilitates full electronic reply to acknowledge receipt and notify the exporting country of clearance to export. This system is now used by 150 UN Member States and territories and more than 2,000 pre-export notifications are provided to the INCB each month.

- The Precursors Incident Communication System (PICS) is another INCB tool that provides real-time on-line communication platform designed to share intelligence and facilitate direct contact between national authorities in order to launch bilateral and regional investigations into chemical trafficking. PICS helps to fill information gaps by facilitating communication among governments and enhances real-time intelligence exchange between various agencies within a Government. PICS has shared intelligence on more than 800 chemical trafficking interdictions to various registered law enforcement and regulatory agencies around the world. The United States encourages all governments to register a focal point in their law enforcement and regulatory agencies and share information via PICS. As of November 2014, there were 400 registered PICS' users from 90 governments and eight international and regional organizations.

Regional Bodies. The regulatory framework codified by the United Nations does not exist in isolation. Regional bodies, such as the European Union (EU) and the Organization of American States (OAS), actively work in partnership with the United States on multilateral chemical control initiatives, including CND resolutions.

Chemical Control Activities and New Trends

Methamphetamine. Methamphetamine is produced using the following precursor chemicals: pseudoephedrine, ephedrine, pharmaceutical products containing these chemicals, phenyl-2-propanone (P-2-P), and phenylacetic acid. As these precursor chemicals have become more difficult to obtain, traffickers have started using non-controlled pre-precursor chemicals such as APAAN, or alpha-phenylacetoacetonitrile as well as esters and derivatives of phenylacetic acid to produce the precursor chemicals necessary for methamphetamine production.

Methamphetamine production continues to rise worldwide. Production has reportedly expanded in Europe, Asia, Africa, and the Americas. As with other synthetic drugs, traffickers substitute chemicals for production based on availability and price. Most manufacturers in Mexico now use a production process known as P-2-P (from the precursor chemical phenyl-2-propanone). This alternative process does not require pseudoephedrine to produce the chemical base of the drug, allowing drug traffickers to circumvent existing chemical control efforts and continue production.

In Europe, APAAN is now the precursor of choice for illicit amphetamine and methamphetamine manufacture as evidenced by an alarming increase in seizures. In 2012, six European countries reported seizures totaling 17.5 tons, with the largest occurring in Belgium, the Netherlands and

Hungary. However, the diversion of APAAN is not just a European problem. In the same year, Canada reported the seizure of two shipments of APAAN totaling 6.7 tons.

In March 2014, the CND included APAAN and its optical isomers in Table I of the 1988 Convention. The new code will enter into force on January 1, 2017, as part of the next edition of the World Customs Organization's harmonized system nomenclature ("HS Nomenclature 2017 Edition").

Heroin. The main precursor chemical used to produce heroin is acetic anhydride, a substance that is also widely used in legitimate industry. With increased heroin consumption in and trafficking to the United States as well as continuing production in Afghanistan, the United States has expanded its cooperative efforts to target acetic anhydride diversion.

The Government of Afghanistan has reiterated there is no legitimate use for acetic anhydride in Afghanistan and, since last year, is taking measures to block all imports of the substance. Afghan authorities believe that acetic anhydride is diverted primarily from neighboring countries to Afghanistan for heroin production. The United States, Afghanistan's neighbors and other international partners continue to work with Afghanistan to address this issue.

Mexico, which is the world's third largest cultivator of opium poppy, also legitimately produces, imports, and exports acetic anhydride. As illicit heroin production has grown, there has been a 35-fold increase in seizures of illegitimate shipments of acetic anhydride since 2012. Acetic anhydride may also be used as a reagent in the production of methamphetamine.

The United States is also working with 40 participant countries of the INCB Precursor Task Force of Project Prism and Project Cohesion. The INCB Task Force is currently focusing on legitimate of domestic trade and end use of acetic anhydride. The United States also supports increased use of the INCB's PEN Online and the new PICS systems to control the diversion of acetic anhydride.

Elsewhere, other countries and regional organizations are stepping up efforts to target acetic anhydride. For instance, on November 2013, the European Commission adopted regulations that strengthened controls over acetic anhydride.

Cocaine. Potassium permanganate, an oxidizer, is the primary chemical used to remove the impurities from cocaine base. It has many legitimate industrial uses, including waste water treatment, disinfectant, and deodorizer. Potassium permanganate also can be combined with pseudoephedrine to produce methcathinone, a synthetic stimulant that is a controlled substance.

In South America, the only region of the world where coca is cultivated, the INCB's Project Cohesion focuses on monitoring the imports of potassium permanganate to cocaine processing areas. Developing an effective multilateral effort focused on potassium permanganate has been difficult because of the vast licit uses of this chemical. Moreover, investigations from 2013 through 2014, and increased reporting of licit shipments through PEN Online reveal that traffickers continue to exploit domestic sources for chemicals. A growing trend cited by law enforcement officials is the recycling of chemicals used in cocaine production. This allows

clandestine laboratory operators to reuse the chemicals up to four times before they need to be replaced. Alternative precursor chemicals used in cocaine manufacturing have also been detected. Additionally, traffickers are recycling the chemical containers, making it difficult to trace their origin. The United States, the INCB and others are encouraging countries in South America to continue obtaining and sharing information on these new trends.

New Trends. Over the past two decades, traffickers obtained bulk chemical shipments from licit markets and in response international cooperation focused on chemical control to prevent such diversion.

Illicit drug producers are adapting. Domestic chemical diversion is the biggest challenge in countries where drugs are already produced or the development of uncontrolled designer chemicals. In the coming years, it will be important to adapt policies and law enforcement efforts to overcome these challenges.

Increasingly, drug manufacturers use chemicals that are not listed under the conventions – or for that matter the national laws of the source or importing country – and exploiting countries that have limited enforcement and regulatory systems. International cooperation has also pushed trafficking groups to exploit domestic industry in a significant way. Traffickers are now obtaining, diverting, or manufacturing chemicals in the country where illicit drugs are produced, thereby escaping international monitoring, surveillance, and interdiction efforts.

Moreover, the internet has facilitated legal distribution of chemical compositions containing controlled substances as well as uncontrolled substances. Purportedly legitimate internet sales frequently disguise trafficking in controlled substances.

The methodologies of synthetic drug producers, aided by experienced chemists, are changing and becoming a major concern for authorities. In Belgium, for example, after years of decline, the production of synthetic drugs is on the rise again. The 2013 discovery of several high-capacity illegal synthetic drug laboratories and the manufacturing of MDMA (ecstasy) precursor chemicals in specialized conversion laboratories are strong indicators of a significant increase in MDMA production. In Colombia, chemical traffickers and clandestine laboratories use non-controlled chemicals such as n-propyl acetate to replace controlled chemicals that are difficult to obtain.

The Road Ahead

To counter the shifts in diversion, trafficking and production of chemicals, the United States is expanding its efforts to work with international partners, to implement the provisions of the 1988 UN Convention, monitor those substances on the ISSL, and to identify and stop shipments and/or smuggling of new substitute chemicals that can be used for illicit drug production.

Development and reliable implementation of effective chemical control regimes and legislation are critical. Additionally, it is important to develop and utilize the administrative, investigative, and prosecutorial tools to successfully identify suspicious transactions and bring chemical traffickers to justice, as well as to make better use of watch lists and voluntary control

mechanisms to target listed chemicals and substitute chemicals and identify the latest production and trafficking methods.

Increased cooperation with domestic industry, including chemical and shipping companies and other public-private partnerships is critical to targeting these efforts. International guidelines and best practices have much to offer in this regard, as the INCB Voluntary Code of Conduct for Industry sets out a model for domestic cooperation. The United States will seek to work with other countries to encourage the application of domestic control measures similar to those applied to international trade in these chemicals.

Against this backdrop, the United States will continue to promote efforts through the INCB and engage the CND. In the Western Hemisphere, the United States works through the Inter-American Drug Abuse Control Commission (CICAD) of the OAS to advance cooperation on precursor chemical controls. CICAD carries out a variety of initiatives in this important field, and is supported by its Experts Groups on Chemical Control and Pharmaceutical Products, which meets annually.

Moreover, the United States is supporting partner nation efforts in various geographical regions of the world to develop and strengthen precursor laws and regulations to ensure compliance with international drug control treaties, including further steps to enhance and foster communication between competent national authorities, promote increased communication and follow-up on exports and imports of controlled chemicals through the INCB task forces, and expand diplomatic engagement on precursor initiatives bilaterally and through multilateral and regional institutions. The United States also provides training to international entities to improve the monitoring and control of chemical commercialization through the internet.

Major Chemical Source Countries and Territories

This section focuses on individual countries with large chemical manufacturing or trading industries that have significant trade with drug-producing regions and those with significant chemical commerce susceptible to diversion domestically for smuggling into neighboring drug-producing countries. Designation as a major chemical source country does not indicate a lack of adequate chemical control legislation or the ability to enforce it. Rather, it recognizes that the volume of chemical trade with drug-producing regions, or proximity to them, makes these countries the sources of the greatest quantities of chemicals liable to diversion. The United States, with its large chemical industry and extensive trade with drug-producing regions, is included on the list.

Many other countries manufacture and trade in chemicals, but not on the same scale, or with the broad range of precursor chemicals, as the countries in this section. These two sections are broken down by region.

Africa

Nigeria

The Federal Republic of Nigeria is party to the 1988 UN Drug Convention and, in accordance with Article 12, has implemented a chemical control regime to prevent diversion. Nigerian laws regulate the importation, exportation, distribution and use of the 23 chemicals listed in the Convention and the Federal Republic of Nigeria annually submits information required by the Convention. The National Agency for the Food Drug Administration and Control (NAFDAC) regulates and controls the importation, exportation, distribution and use of narcotic drugs, psychotropic substances and chemicals and other controlled substances. The entity also shares law enforcement responsibilities against the diversion of precursor chemicals with the National Drug Law Enforcement Agency (NDLEA).

The Narcotics Control Division of the NAFDAC issues authorizations/permits to import and clear narcotics, psychotropic substances, precursor chemicals and other nationally controlled substances for scientific and medical purposes while preventing the diversion for illicit purposes. The division also grants authorizations for the importation of bulk narcotics and purchase of finished narcotics from Federal Medical Stores.

The Federal Republic of Nigeria does not have a large petrochemical industry. Chemicals for industrial and illicit production of drugs are imported from China and India. The largest precursor chemical import is ephedrine for the production of cold medication. However, ephedrine is also diverted for the manufacturing of methamphetamine.

The NDLEA reported seizures of 228 kg of ephedrine in 2014. Five kilograms of the seized ephedrine were destined for South Africa. The remaining 223 kg were destined for a clandestine methamphetamine laboratory in Nigeria. All of the ephedrine and pseudoephedrine imported into Nigeria was imported from India. The subsequent arrest of thirty-two individuals and a total seizure of 325.725 kg of methamphetamine took place at Lagos International Airport between 2013 and 2014. Most of the methamphetamine seized was destined for Malaysia, South Africa, Mozambique, Rwanda, Germany, India, and Dubai. Other precursors (such as P-2-P, APAAN) are not yet popular in Nigeria due to availability of ephedrine and pseudoephedrine; which results in better yields and quality of methamphetamine. There were no reports of Nigerian imports or exports of chemicals to or from the United States in 2014.

South Africa

South Africa is a leading regional importer of chemicals used in the production of illegal drugs, particularly synthetic drugs. South Africa Pharmaceutical products were listed in the top 10 imported commodities published annually by the South African Revenue Service (SARS). Although trade statistics were not separately available for the precursor chemicals for cocaine, heroin, methamphetamine, and methcathinone, the SARS website tracks monthly seizures handled by SARS Customs and Enforcement teams of illicit drugs and substances scheduled as precursors, and also provides analysis of trends in imports and exports.

Methamphetamine (known locally as “tik”) is produced in South Africa from mostly imported ephedrine and pseudoephedrine from India, with lesser volumes reportedly imported from Nigeria. Another synthetic stimulant, methcathinone, is also produced locally using potassium permanganate. Methaqualone (“mandrax”) is also produced in the country for mostly local

consumption. In 2014, SARS reported multi-kilogram seizures of ephedrine during attempted import. Local criminals trade precursor chemicals and illicit drugs for illegally poached abalone and rhino horn.

It is difficult to gather trade information to assess illicit use of ephedrine and pseudoephedrine in South Africa. Although South Africa is party to the 1988 UN Drug Convention, it has submitted only partial statistics to the INCB's reporting requirements.

According to the latest information, dating from 2012, South Africa is not registered with the INCB's PICS. South African legislation from 1965 (Department of Health Medicines and Related Substances Act) and 1992 (Drugs and Drug Trafficking Act No. 140) place legal controls on scheduled chemicals. The South Africa National Drug Policy (NDP) mandates the establishment of computerized inventory control systems for scheduled chemicals; however, the regulation and monitoring of the purchase of medicines containing precursors via a registry system has not yet begun.

The Americas

Argentina

Argentina is one of South America's largest producers of precursor chemicals. The anti-drug agency SEDRONAR is the country's lead agency for registering and tracking precursor chemicals. Argentina has a legislative and regulatory framework for the registration and monitoring of precursor chemicals, covering local production as well as imports and exports. Additionally, Argentina has taken measures to prepare a voluntary code of conduct for the chemical industry and implement a federal inspection plan for entities working with controlled substances, with emphasis on precursors used to produce cocaine. Argentina complies with UN CND Resolution 49/3 by submitting estimates for the size of Argentina's licit domestic market for ephedrine and related substances to the INCB, and reports shipments using the INCB's PEN Online system.

The Argentine government has not designated precursor control as a priority in its counternarcotics efforts. Precursors for the processing of coca leaf and cocaine are often diverted locally from Argentina's sizeable chemical industry.

Brazil

Brazil is a party to the 1988 United Nations Convention and is one of the world's ten largest chemical producers. Brazil licenses, controls, and inspects essential and precursor chemical products, including potassium permanganate and acetic anhydride. Controls allow both products to be commercialized without restriction for quantities of up to one kilogram for potassium permanganate and one liter of acetic anhydride.

The Brazilian Federal Police (DPF) Chemical Division controls and monitors 146 chemical products in conjunction with 27 DPF regional divisions and 97 resident offices. The Chemical Division is comprised of two units: the Chemical Control Division and the Criminal Diversion

Investigations unit. Both divisions routinely coordinate and share information when conducting administrative inspections and criminal investigations.

Regulatory guidelines require all chemical handlers to be registered and licensed for conducting activities such as manufacturing, importing, exporting, storing, transporting, commercializing and distributing chemicals. The DPF uses a National Computerized System of Chemical Control to monitor all chemical movements in the country, including imports/exports, and licensing. This on-line system requires all companies to register and report all activities mentioned above, including the submission of mandatory monthly reports of chemical related movements as well as existing chemical stocks in their inventories.

The Government of Brazil adheres to the UN CND Resolution 49/3 on strengthening systems for the control of precursor chemicals used in the manufacturing of synthetic drugs. Brazil reports its annual estimates of legitimate requirements for ephedrine and pseudoephedrine for quantities above 10 grams, and P-2-P in any amount. This is done through the UN automated PEN Online. The DPF routinely uses PEN Online in cases of international trade and in coordination with member states to alert importing countries with details of an export transaction.

Canada

Canada's "Controlled Drugs and Substances Act" (CDSA) prohibits any person from conducting activities with controlled substances unless authorized by regulation or exempted for medical or scientific purposes. Unauthorized activities with controlled substances or precursor chemicals are subject to criminal law penalties.

Under the Precursor Control Regulations (PCR) promulgated under CDSA in 2002, precursors are categorized as Class A precursors (23 in total including acetic anhydride, ephedrine, pseudoephedrine and potassium permanganate), and Class B precursors (six in total including acetone, hydrochloric acid and sulphate acid). Any person or business must be authorized under the PCR to produce, import, export, or sell precursors. In addition, the PCR outline requirements for record keeping, security and reporting on suspicious transactions and loss/theft, where applicable. The Canadian Health Department (Health Canada) is responsible for administering provisions of the PCR and verifying compliance by regulated parties. Health Canada is also proceeding through the stages of the federal regulatory process to add APAAN and its salts, isomers and salts of isomers as a scheduled substance under the PCR.

To address the problem of chemical diversion, the Royal Canadian Mounted Police (RCMP) instituted the National Chemical Precursor Diversion Program in 2001. Program coordinators liaise with Health Canada and the chemical industry, assist investigators who are conducting clandestine laboratory investigations, and provide training to the chemical industry in the identification, monitoring and prevention of suspicious transactions. Canada cooperates fully with the INCB in cases where shipments may pose a concern.

Chile

Chile has a large petrochemical industry engaged in the manufacturing, importation, and exportation of chemical products. Although it has been a source of ephedrine for methamphetamine processing in Mexico, no ephedrine has been seized by Chilean counterparts since 2009. Chile is also a potential source of precursor chemicals used in coca processing in Peru and Bolivia. The majority of chemical imports originate in India and China and the diversion of such chemicals is primarily directed to Bolivia, Peru, and Mexico. Chemicals destined for Peru and Bolivia are transported by land, while chemicals sent to Mexico are transported via air cargo and maritime shipments.

Chile complies with its international obligations to the 1988 UN Drug Convention and reports information on export and import shipments of precursor chemicals and pharmaceutical preparations through the INCB's PEN Online system.

The regulatory entity for chemical controls, the Special Register of Controlled Chemical Handlers (REUSQC), collects information on the production, manufacture, preparation, importation and exportation of chemical substances that could be used in the production of illicit drugs. Companies that import, export, or manufacture chemical precursors must register with REUSQC and maintain customer records, and are subject to inspections. Chilean law enforcement entities have specialized chemical diversion units and dedicated personnel assigned with the responsibility for investigating chemical and pharmaceutical diversion cases. Customs, which is not a traditional law enforcement agency, has a risk analysis unit which profiles suspicious imports and exports, which may include chemical precursors.

Chemical regulatory and investigative agencies are increasingly converting to automated data analysis systems and streamlining procedures in order to combat bureaucratic inefficiencies and technological deficiencies. In 2014, Chile conducted private sector inspections to ensure awareness of the requirements and overall compliance with controlled chemicals and to improve the implementation of the chemical control regime. Improvements in the active users' registration process were substantiated by an increase of 517 registered users in REUSQC, compared to 183 in 2011. Also in 2014, the increase in registered users and enhanced interagency communication resulted in the Customs Service reporting 28 instances of unregistered companies exporting controlled chemicals.

Mexico

Methamphetamine production and importations of precursor chemicals continue to pose problems in Mexico. Mexico controls all chemicals listed in the 1988 UN Convention. Mexican laws regulate the production and use of many of these substances, and the Mexican Office of the Attorney General (PGR) is responsible for enforcing chemical control laws. In 2008, Mexico outlawed imports of pseudoephedrine and ephedrine, except hospital use of liquid pseudoephedrine.

Mexico has enhanced regulatory laws on the importation of precursor chemicals, including regulations for imports of phenylacetic acid (including its salts, esters, and derivatives), methylamine, hydriodic acid, and red phosphorous. Imports of essential chemicals are limited by

law to 17 of 49 Mexican ports of entry. Of these 17, imports of precursor chemicals are permitted at only four ports of entry.

Mexico has several major chemical manufacturing and trade industries that produce, import, or export most of the chemicals required for illicit drug production, including potassium permanganate and acetic anhydride. Although Mexico-based transnational criminal organizations are major producers of methamphetamine, no pseudoephedrine or ephedrine is produced legally within the country. Mexico reported no new pseudoephedrine seizures between July 2013 and April 2014.

With respect to synthetic drugs, Mexican seizures of methamphetamine, which totaled 14.6 metric tons (MT) in 2013, decreased 56.1 percent when compared to the year before. In contrast, seizures of clandestine methamphetamine labs dropped slightly. Seventy-seven seizures occurred over the first seven months of 2014, a 12.5 percent decrease compared with the number of labs seized in during the same period in 2013.

Mexico participates in international efforts to control precursors and has a strong bilateral working relationship with the United States. Mexico participates in the National Methamphetamine and Pharmaceutical Initiative conference and signed a memorandum of cooperation with the United States in 2012 to address precursor chemicals and clandestine laboratories. The two governments also cooperate to share best practices with Central American countries affected by the trafficking of precursor chemicals. This cooperation includes a bi-monthly methamphetamine and precursor chemical meeting, with participants from the United States, Mexico, and other affected countries.

The United States

The United States manufactures and/or trades in all 23 chemicals listed in Tables I and II of the 1988 UN Convention to which it is a party; and it has laws and regulations implementing chemical control provisions.

The foundation of U.S. chemical control is the Chemical Diversion and Trafficking Act of 1988. This law and subsequent chemical control provisions of the U.S. drug law are interwoven into the Controlled Substances Act of 1970, rather than individual stand-alone legislation. The Drug Enforcement Administration (DEA) is responsible for administering and enforcing these laws. The Department of Justice, primarily through its U.S. Attorneys, handles criminal and civil prosecutions at the federal level. In addition to registration and recordkeeping requirements, the legislation requires importers and exporters to file import or export notifications at least 15 days before the transaction is to take place. The 15-day advanced notification permits DEA to evaluate the transaction. However, the legislation and regulations allow for a waiver of the 15-day advanced notification if a company has an established business relationship with its foreign customer and same day notification is permitted for future shipments. Diversion investigators and special agents communicate with exporting and importing government officials in this process. The legislation also gives the DEA the authority to suspend shipments.

U.S. legislation requires chemical handlers to report to DEA suspicious transactions such as those involving extraordinary quantities or unusual methods of payment. Criminal penalties for chemical diversion are strict; the penalties for some chemical trafficking offenses involving methamphetamine are tied to the quantities of drugs that could have been produced with the diverted chemicals. If the diversion of listed chemicals is detected, persons or companies may be prosecuted or the DEA registration may be revoked.

The Combat Methamphetamine Epidemic Act of 2005 (CMEA) mandated DEA to establish total annual requirements, import quotas, individual manufacturing quotas, and procurement quotas for three List 1 chemicals: pseudoephedrine, ephedrine and phenylpropanolamine. This affected those DEA-registered importers and manufacturers that wish to import or conduct manufacturing activities with these chemicals. The CMEA also restricted retail level transactions of nonprescription drug products that contain ephedrine, pseudoephedrine, or phenylpropanolamine, now known as “scheduled listed chemical products.” The CMEA and other chemical control legislation are aimed at preventing the illicit manufacture of illegal drugs domestically and internationally.

The United States has played a leading role in the design, promotion, and implementation of cooperative multilateral chemical control initiatives. The United States also actively works with other concerned nations, and with the UN Office on Drugs and Crime (UNODC) and the INCB to develop information sharing procedures to better control precursor chemicals, including pseudoephedrine and ephedrine. U.S. officials are members of a combined task force for both Project Cohesion and Project Prism. The initiative allows for sharing of information and helps to identify trends in diversion, trafficking, and distribution. The United States has also established close operational cooperation with counterparts in major chemical manufacturing and trading countries. This cooperation includes information sharing in support of chemical control programs and to prevent chemical diversion.

Central America and the Caribbean

Costa Rica

Costa Rica has a stringent licensing process for the importation and distribution of precursor chemicals. In 2010, the country adopted recommendations from the International Narcotics and Control Board, adding controls for Table I precursors as defined by the 1988 UN Drug Convention.

The administration’s National Plan on Drugs for 2013-2017 noted the international problem of production and trafficking of chemical precursors. Costa Rica has yet to seize large amounts of precursors compared to elsewhere in the region. The Costa Rican Drug Institute has a special unit with broad powers to monitor and respond to illegal activities, including the control and prosecution of precursor chemicals’ traffickers.

Dominican Republic

The Dominican Republic is party to the 1988 UN Drug Convention and, in accordance with Article 12, has implemented a chemical control regime to prevent diversion. Dominican laws regulate the production and use of the 23 chemicals listed in the Convention and the Dominican Republic annually submits information required by the Convention. The Dominican Republic has also ratified the Convention on Psychotropic Substances of 1971. The National Directorate for Drug Control (DNCD) is responsible for enforcing chemical control laws.

The Dominican Republic does not have a large petrochemical industry engaged in the manufacturing, importation, and exportation of chemical products. Chemicals for industrial production are imported from the United States. The two largest chemical imports are sodium carbonate and toluene, which the country uses them as an additive for gasoline and as a solvent for paint. Production of methamphetamine is not significant in the Dominican Republic.

The DNCD has reported no seizures of precursor chemicals since 2010. As of October 31, 2014, Dominican authorities had not seized methamphetamine.

The DNCD regulates and enforces the importation and use, receives pre-notifications, and issues certificates of importation for precursor chemicals. The DNCD also controls and regulates prescription drugs and issues annual permits to medical doctors, clinics, and hospitals, maintaining a register of the type of drug and amount each doctor prescribes each year, especially for drugs containing opiates. Clinics and hospitals are mandated to report prescriptions for certain drugs before dispensing them and the DNCD verifies that the prescription number and the doctor are valid before authorizing the sale. The DNCD is taking steps to automate its paper-based chemical control registration.

Guatemala

The manufacture of methamphetamine and other synthetic drugs, allied to the increased seizures of precursor chemicals continue to be a problem in Guatemala. Due to increased law enforcement efforts in Mexico, drug traffickers are now targeting Guatemala as a manufacturing base, presenting the Government of Guatemala with both law enforcement and chemical disposal challenges. The majority of chemicals enter and transit Guatemala via land borders.

Since 2005, the Government of Guatemala has been storing large quantities of seized precursor chemicals. In 2013, Guatemala accepted a U.S.-funded OAS proposal to improve the national capacity to manage and dispose of precursor chemicals, including training, equipment, and technical and administrative support in the management dispose of seized precursors and related hazardous materials. The OAS project is now in the process of diluting, neutralizing and burning the stockpiled chemicals.

Honduras

Honduras is part of the 1988 UN Drug Convention and has fulfilled its obligation under article 12 since 2011. However, precursor chemical trafficking continues to be a developing problem. In February 2014, the Honduran National Police (HNP) seized 12 barrels of acetic acid from a

commercial flight from Costa Rica. In March 2014 the HNP seized 240 barrels containing over 50,000 liters of hydrochloric acid from a cargo shipping vessel originating from Colombia.

The OAS, with U.S. funding, is working with Honduras and other Central American countries to destroy existing stockpiles of seized precursor chemicals. The OAS expects to begin in-country destruction of seized precursor chemicals in 2015.

Asia

Bangladesh

Bangladesh is a source country for methamphetamine precursors such as ephedrine and pseudoephedrine. Bangladeshi entities purchase bulk shipments of ephedrine and pseudoephedrine from India and then produce pharmaceutical preparations containing pseudoephedrine. Bangladeshi authorities continue to be challenged by drug traffickers that divert precursor-based preparations from the legitimate market and smuggle shipments out of the country. Bangladeshi law enforcement agencies work closely with the DEA to seize and disrupt illicit drugs and chemicals.

The Government of Bangladesh is committed to the implementation of the 1988 UN Convention and regional agreements regarding control of narcotic drugs, psychotropic substances and precursor chemicals. The government has included 22 precursor chemicals in the “Schedule of Drugs” of the Narcotics Control Act to comply with the provisions of Article 12 of the 1988 UN Convention. The Narcotics Control Act also allows financial investigations and freezing of assets derived from trafficking in drugs and precursors. The Government of Bangladesh is developing a new national drug policy in response to the threat posed to the region by the abuse of and trafficking in pharmaceutical preparations and other drugs.

The Narcotics Control Rules regulate the control, monitoring and supervision of use of precursors for industrial, scientific and medical purposes through a licensing system. Department of Narcotics Control (DNC) issues licenses for the import, export, transport, ship, manufacture, sale, distribution, purchase, possession, storage, warehouse, or other use of controlled precursors

The Police, Customs, Rapid Action Battalion (RAB), Border Guards, and Coast Guard are also empowered to detect and intercept illegal operations regarding precursor chemicals. Bangladesh has established District Drug Control Committees (DDCC) to monitor and coordinate activities of all agencies responsible for interdicting drugs and precursors. The counterdrug unit of the Dhaka Metro Police has successfully assisted the DEA in conducting investigations targeting Dhaka based pseudoephedrine preparation traffickers. Despite government efforts, Bangladesh’s laws and resources are not adequate for effective control of precursors. The DNC lacks sufficient manpower and equipment to consistently detect and interdict precursors.

China

China is one of the world's largest producers and exporters of precursor chemicals, with approximately 400,000 precursor chemical suppliers and distributors nationwide. As an original signatory to the 1988 UN Convention, China controls all 23 precursor chemicals. In addition, China regulates chloroform and hydroxylamine; in 2014 the PRC added bromophenylethylketone and APAAN to its precursor control list.

The diversion of precursor chemicals originating from China for the illicit production of drugs in other countries remains a significant problem. China does not control, regulate, or monitor certain chemicals known as "pre-precursors" such as benzaldehyde and nitroethane. These pre-precursors are now the primary chemicals employed in the illicit manufacture of methamphetamine in Mexico and Central America, which is often smuggled into the United States for consumption.

Most pre-precursor and precursor chemicals seized in Mexico and Central America destined for illegal production of methamphetamine were legally exported from China and illicitly diverted en route, or exported via fraudulent labeling or false declarations. Fraudulent labeling and false declarations are not criminal violations in China.

China is a significant producer of pseudoephedrine. It ranked the fourth largest exporter of pseudoephedrine, with 90,650 kg exported in 2013. It was also the fifth largest exporter of ephedrine in 2013, with 2,506 kg exported globally. ContacNT originating from China is the most prevalent type of pseudoephedrine combination product found in Australia and New Zealand, which is often used for the manufacture of methamphetamine. Although legally manufactured for domestic consumption in China, ContacNT is frequently smuggled and seized in Australia and New Zealand. China is also a major source of potassium permanganate, acetic anhydride, methylamine, peroxyacetic acid (PAA), piperonylmethylketone, hydroxylamine and other related chemicals that can be used to produce illicit drugs.

Chinese-produced pre-precursor and precursor chemicals are in high demand by transnational criminal organizations from Mexico, Colombia, West African countries, Iran, and Pakistan. However, China is increasing its efforts and engagements with multilateral partners through organizations such as the UNODC and the INCB to prevent such chemicals from ending up in illicit drug manufacturing labs.

Hong Kong

Hong Kong, a Special Administrative Region of the People's Republic of China, is neither a drug manufacturing nor chemical producing economy. With well-developed logistics connectivity to China, Hong Kong's chemical trade is mostly in the form of imports for consolidation and subsequent re-export or transshipments; only small amounts are consumed locally. In 2013 – the most recent year for which data is available – controlled chemical imports totaled 10,686,598 kg, exports 3,266,918 kg, while 358,152 kg were transshipped. Hong Kong supports international efforts to prevent precursor chemical diversion through a combination of legislation and law enforcement, and collaboration with the INCB, foreign counterparts, and the business community.

Hong Kong's Control of Chemicals Ordinance regulates the possession, manufacture, transport, and distribution of designated controlled chemicals. The Ordinance currently covers 26 chemicals, including all those in the 1988 UN Drug Convention. The Ordinance established a licensing regime and applies to imports, exports, and transshipments. Permits for each shipment and government approval for all premises and containers used to store such chemicals are mandatory. The Control Chemicals Group (CCG) of the Hong Kong Customs and Excise Department's Drug Investigations Bureau administers and enforces the Ordinance.

CCG establishes the bona fides of a proposed shipment, including through coordination with foreign counterparts via PEN Online. CCG encourages traders, shipping companies, airlines, and cargo handling agents to report suspicious transactions. While Hong Kong does not control sales of over-the-counter (OTC) medicines containing ephedrine and Pseudoephedrine, the CCG investigates reports of possible diversion or parallel trading involving those substances.

Hong Kong actively supports international efforts to prevent illicit chemical diversion. CCG and the Hong Kong office of the DEA have collaborated since 2008 on Operation Zircon Pacific to monitor suspicious shipments through Hong Kong of acetic anhydride, acetyl chloride, piperidine, and potassium permanganate. CCG participated in INCB's Prism and Cohesion projects. In February 2013, CCG joined INCB's PICS. According to media reports, recent trends of illicit precursor trafficking, particularly of ethyl phenylacetate and ephedrine, involve smuggling operations between Hong Kong, Mainland China, and Latin America.

India

India is one of the world's largest manufacturers of precursor chemicals, including acetic anhydride, ephedrine and pseudoephedrine. India's large pharmaceutical industry manufactures narcotic drugs and psychotropic substances. India issues pre-export notifications for export of precursors using the INCB's PEN Online system, and has a licensing regime to control pharmaceutical products.

India controls 17 of the 23 controlled substance chemicals listed by the 1988 UN Convention. Out of the 17 controlled substances, the Narcotic Drugs and Psychotropic Substances (NDPS) Act designates a total of five as "Schedule A" substances (the highest classification for controls): acetic anhydride; ephedrine; pseudoephedrine; n-acetylanthranilic acid; and anthranilic acid. Domestic manufacture, transport, sale, possession, and international trade in designated precursor chemicals are also controlled under the NDPS Act.

In 2013, India was the second largest exporter of ephedrine with 58,829 kg in global exports; the largest exporter of pseudoephedrine with 440,132 kg in global exports; and the largest importer of ephedrine with 82,283 kg in global imports.

Criminal organizations continue to target India as a source of precursors for amphetamine-type stimulants, in particular ephedrine and pseudoephedrine. The diversion of ephedrine from legal production companies in India to illicit ephedrine brokers is a serious problem. The increased profitability from the manufacturing and distribution of methamphetamine has created a new

trafficking element that did not exist 10 years ago – transforming India into a significant source of precursor chemicals. Global methamphetamine demand is creating new precursor chemical entrepreneurs in India who are retooling commercial chemical factories to produce illicit quantities of ephedrine and methamphetamine. Increasing global prices and demand for high quality methamphetamine may influence the increase in illicit precursor chemical manufacturing and trafficking networks operating in India.

Legitimate factory owners and operators are transitioning into criminal drug production and trafficking due to the potential for enormous profits and low risk from Indian law enforcement. The Indian legal system is not adapting fast enough to keep up with this trend.

In 2014, the Indian Narcotics Control Bureau (NCB) worked with the United States to conduct several joint ephedrine-methamphetamine investigations targeting illicit ephedrine distributors and methamphetamine production laboratories. Recent joint NCB and DEA investigations have also targeted licit precursor chemical factory owners who have produced illicit amounts of ephedrine and methamphetamine.

Singapore

The Government of Singapore continues to be an effective partner with concerned countries in international chemical control initiatives to prevent the diversion of precursor chemicals. The country was ranked the third largest exporter (31,150 kg), and the fourth largest importer (11,512 kg) of ephedrine, and the third largest exporter (92,117 kg) and second largest importer (61,671 kg) of pseudoephedrine in 2013. Authorities indicate that the amounts not re-exported are used primarily by the domestic pharmaceutical industry and by the large number of regional pharmaceutical companies served by Singapore's port. Singapore is one of the largest distributors of acetic anhydride in Asia, which is used for film processing and the manufacture of plastics, pharmaceuticals, and industrial chemicals.

Precursor chemicals including ephedrine transit Singapore, one of the busiest transshipment ports in the world. Singapore does not screen containerized transshipments unless they involve vessels from select countries of international concern, or contain strategic or controlled items, including certain chemicals. Singapore authorities have assisted foreign law enforcement agencies, when they suspect precursor diversion.

Singapore controls precursor chemicals, including pseudoephedrine and ephedrine, in accordance with the 1988 UN Drug Convention. The Central Narcotics Bureau authorizes the import of controlled precursor chemicals only after reviewing documentation submitted by the importer as well as PEN Online records from the exporting country. Singapore sends pre-export notifications to foreign Competent Agencies for relevant substances as prescribed in Article 12 of the 1988 UN Convention. Singapore authorities also conduct site inspections on companies dealing with controlled chemicals to ensure awareness of the requirements and overall compliance.

The Republic of Korea

With one of the most developed commercial infrastructures in the region, the Republic of Korea is an attractive location for criminals to obtain precursor chemicals. Precursor chemicals used for the manufacture of illicit drugs, such as acetic anhydride, pseudoephedrine and ephedrine, are imported from the United States, Japan, India and China and either resold within South Korea or transshipped to other countries in the Middle East, Southeast Asia and Latin America. South Korea was the second largest importer of ephedrine (22,811 kg) in 2013, and the fourth largest importer of pseudoephedrine (41,951 kg) in global imports in the same year. As of 2014, 30 precursor chemicals were controlled by Korean authorities. Acetic anhydride remains the chemical of greatest concern.

Both the Korea Customs Service and the Ministry of Food and Drug Safety (MFDS) participate in INCB-coordinated taskforces including Projects Cohesion and Prism, which monitor imports of potassium permanganate and chemicals used to produce amphetamine-type stimulants, respectively. Korean law enforcement authorities also cooperate with Southeast Asian nations to verify documents and confirm the existence of importing businesses and send representatives to the region to investigate.

In April 2011, the National Assembly passed a law that requires manufacturers and exporters of precursor chemicals to register with the government, and also provided for education of Korean businesses to prevent them from unknowingly exporting such chemicals to fraudulent importers. However, there is no legislation in Korea defining precursor chemical transshipment activity as criminal, unless hard evidence shows the transshipment is related to the manufacture of illicit drugs.

In many cases, due to the structure of customs and chemical regulations, precursor chemical shipments can be legitimately shipped. Most chemicals are shipped by containerized cargo via ocean freighters. There is currently only a 1,000 kg reporting requirement threshold, therefore, the “smurfing” of acetic anhydride – a diversion method in which numerous small-quantity product purchases from multiple retail outlets are made – is nearly impossible to identify. Nevertheless, South Korean authorities work closely with U.S. counterparts to track suspect shipments.

Taiwan

The Ministry of Economic Affairs, Industrial Development Bureau plays a regulatory role in tracking chemicals such as acetic anhydride, piperonal, safrole, piperidine, hydrogen chloride, and potassium permanganate. While licensing is not required for the trade of these substances, any company importing, manufacturing, selling, storing, or otherwise utilizing these chemicals must report to the Industrial Development Bureau. The Bureau may inspect the company's records to ensure there is no diversion activity.

In 2013, Taiwan exported a total of 11,130 kg of acetic anhydride, including 10,080 kg to Iran, 1,050 kg to Indonesia. Taiwan also exported a total of 68,650 kg of potassium permanganate, including 60,000 kg to Mexico, 4,600 kg to Kingdom of Cambodia, 2,500 kg to Singapore, 1,050 kg to Vietnam, and 500 kg to South Korea. From January to September 2014, Taiwan exported a total of 35,100 kg of acetic anhydride, including 30,660 kg to Iran, and 4,440 kg to Indonesia.

Taiwan exported a total of 77,732 kg of potassium permanganate, including 60,000 kg to Mexico, 13,080 kg to Bangladesh, 2,000 kg to Hong Kong, 1,450 kg to Vietnam, 1,200 kg to Lesotho, and 2 kg to Malaysia.

Taiwan does not have control regulations for the trade of ephedrine/ pseudoephedrine combination over-the-counter pharmaceutical preparations; however, companies must register their transactions with the Ministry of Health and Welfare, which may elect to examine relevant shipping records. Additionally, the Taiwan Food and Drug Administration (TFDA) requires companies exporting cold medicine containing ephedrine from Taiwan to possess import permits from the importing countries prior to shipment. Moreover, Taiwan was the fifth largest exporter of pseudoephedrine in 2013, with 88,604 kg exported in global exports.

In 2012, Taiwan began enforcing a 2009 law that requires the Ministry of Health and Welfare to report unusual or excessive sales of cold medicine to the Ministry of Justice Investigations Bureau (MJIB), which has resulted in a reduction of cold medicine sales. Taiwan also restricts the sale of over the counter cold medicines to a maximum dosage of seven days per customer.

In the last few years, aggressive law enforcement operations targeting factories illegally producing amphetamines, closer scrutiny of companies legally producing ephedrine, and renewed emphasis on surveillance of drug smuggling routes have reduced the availability of precursor chemicals for amphetamine production.

Thailand

Precursor chemicals are not produced in Thailand, but the government imports chemicals in bulk for licit medical and industrial purposes. The Precursor Chemical Control Committee is responsible for formulating the national strategy on precursor controls. The Office of the Narcotics Control Board (ONCB) is the principal Thai law enforcement agency responsible for enforcing the laws against the illicit diversion of prohibited chemicals.

Acetic anhydride and ephedrine transit Thailand en route to clandestine laboratories in Burma. Acetic anhydride is produced in Indonesia, while other chemicals are brokered through Indonesian chemical houses and transported through Malaysia into Thailand. Pseudoephedrine and ephedrine enter Thailand by couriers or by air, or containerized maritime cargo before being transshipped overland from northern or northeastern Thailand provinces to methamphetamine production centers in Burma, Laos, and/or Cambodia.

Increase in pseudoephedrine seizures led to a ban on the sale of pseudoephedrine tablets at local pharmacies. In 2013, due to the determination of an imminent threat to the public safety, the Thai Ministry of Public Health signed into law the control of mephedrone, methylenedioxypyrovalerone (MPDV), and methylone. These substances have been designated narcotics in schedule I under the Narcotic Drugs Act B.E. 2522 (1979) and their importation, exportation, and possession are strictly prohibited.

Thailand does provide pre-export notifications via PEN Online as a mean of discouraging diversion of precursors and essential chemicals in the illicit manufacture of narcotic drugs and psychotropic substances.

Europe

Chemical diversion control within the EU is regulated by EU regulations binding on all 28 Member States. EU regulations meet the chemical control provisions of the 1988 UN Convention, including provisions for record-keeping on transactions in controlled chemicals, a system of permits or declarations for exports and imports of regulated chemicals, and authority for governments to suspend chemical shipments. EU regulations are updated regularly and directly applicable in all Member States.

EU regulations govern the regulatory aspects of chemical diversion control and set up common risk management rules to counter diversion at the EU's borders. Member States are responsible for investigating and prosecuting violators of national laws and creating regulations necessary for implementing EU regulations.

The U.S.-EU Chemical Control Agreement, signed May 28, 1997, is the formal basis for U.S. cooperation with the European Commission and EU Member States in chemical control through enhanced regulatory cooperation and mutual assistance. The agreement calls for annual meetings of a Joint Chemical Working Group to review implementation of the agreement and to coordinate positions in other areas, such as national or joint positions on chemical control matters before larger multilateral fora, including the CND.

On November 2013, the Commission approved new legislation that strengthens customs controls on ephedrine and pseudoephedrine, and tightens controls on companies in the EU using acetic anhydride.

For external trade, the change strengthened controls of medicinal products containing ephedrine or pseudoephedrine exported from or transiting through the EU. The Commission developed a new category of scheduled substance (Category 4), imposed mandatory export authorization and pre-export notification, and extended enforcement power to stop and seize cargo if there is "reasonable doubt" concerning the shipment. For trade within EU territory, compulsory registration of end-users for acetic anhydride was introduced by creating a new subcategory (2A). Additionally, a definition of "user" was added for natural or legal persons possessing substances for purposes other than placing them in the market.

Other amendments to the regulation to facilitate tracking and enforcement include introducing definitions for scheduled substance and natural products, strengthening the rules for licensing and registration by introducing explicit criteria for granting or refusing licenses and registrations, increasing the power of competent authorities to control non-scheduled substances, implementing quick reaction to new trends by adding a non-scheduled substance to the EU Voluntary Monitoring List, developing an EU database on drug precursors, and improving data protection capabilities.

Bilateral chemical control cooperation continues between the United States and EU member states. Many states participate in voluntary initiatives such as Project Cohesion and Project Prism. In 2007, the EU established guidelines for private sector operators involved in trading in precursor chemicals, with a view to offering practical guidance on the implementation of the main provisions of EU legislation on precursor chemicals, in particular the prevention of illegal diversion.

Belgium

Belgium has historically been the second largest producer of MDMA in the EU, following the Netherlands. Dutch and Belgian organized crime groups continue to be prominent producers of synthetic drugs, operating across borders and recruiting members from both countries.

After years of decline, synthetic drug production in Belgium appears to be on the rise again and a major concern for Belgian authorities. The 2013 discovery of several high-capacity illegal synthetic drug laboratories and the manufacturing of MDMA precursor chemicals in specialized conversion laboratories are strong indicators of a significant increase in MDMA production. This increase in synthetic drug production did not correspond to increase of precursor chemical seizures in 2014; precursor seizures in fact fell dramatically over this reporting period, from 6.11 MT in the first half of 2013 to zero during the first six months of 2014. Belgian law enforcement officials attribute this anomaly to abundant chemical stockpiles maintained by drug criminals.

During 2013 – the most recent year for which full year statistics are available – Belgian authorities seized 16 synthetic labs related to synthetic drugs compared to six in 2012. Along with an increase in seizures amounts, the number of dumping sites also increased dramatically. These dumping sites seem to indicate either an increase in production capacity or numerous as yet undetected labs operating in Belgium. In 2013, two of the MDMA labs seized in Belgium were the largest labs seized in the EU to date.

Seizure information suggests that some of these drugs, especially MDMA, are making their way to the United States. With five labs seized in the first half of 2014, Belgium is keeping pace with the record number of labs seized in 2013. In 2014, Brazil also seized large quantities of MDMA arriving from Belgium.

While usually not a final destination for international shipments of precursors, Belgium has surfaced as a transit zone for significant quantities of precursor chemicals including ephedrine, safrole oil, and 1-Phenyl-2-propanone (BMK), and for the pre-precursor chemical APAAN. While there is no known commercial use for APAAN, and authorities have not declared it a controlled chemical, Belgian authorities have seized shipments because of mislabeling, and also in an attempt to locate possible conversion laboratories.

Belgium requires and enforces strong reporting requirements for the import and export of precursor chemicals (bulk pseudoephedrine, ephedrine, safrole oil, and benzyl methyl ketone), and the Belgian Federal Police have the lead role in enforcing these controls. Illicit manufacturers, however, have adapted to these regulatory steps, and these precursors are now often synthesized and converted within Europe from imported non-scheduled chemicals

sometimes referred to as 'pre-precursors' and 'masked' (or 'designer') precursors. This situation presents a challenge to controlling policies, as a greater number of chemicals need to be considered, some of which have legitimate uses. There is always a risk that as one chemical comes under scrutiny, producers will simply switch to an alternative 'pre-precursor' chemical that can be used for illicit drug production.

Drug traffickers are increasingly turning to pharmaceutical preparations that contain pseudoephedrine or ephedrine as a way to circumvent controls on those substances in their form as raw products. Shipments of pharmaceutical preparations (medication in tablet form) containing pseudoephedrine and ephedrine are only controlled on a regulatory level by the Belgian Ministry of Safety and Public Health. Belgium and other Western European countries have seen an increase in transshipments of ephedrine and other methamphetamine/amphetamine precursors.

In instances where precursor diversion for drug manufacturing purposes was suspected, Belgian authorities have cooperated by executing international controlled deliveries (i.e., illicit deliveries monitored by law enforcement in order to further investigations) to the destinations, or by seizing the shipments when controlled deliveries are not possible. The United States continues to coordinate with Belgian authorities to identify and investigate both suppliers and shippers of precursor chemicals.

Denmark

Denmark complies with the chemical control requirements of the 1988 UN convention. In May 2000, the country controlled all substances of Table I of the 1988 UN Convention against the Illicit Trafficking of Narcotics Drugs and Psychotropic Substances. Measures to control the movement of precursors are in place and Danish authorities use the PEN Online system to control shipments of precursors. The Danish government cooperates closely with DEA and U.S. Customs, to identify and stop chemical precursor diversion.

Danish exports of ephedrine have decreased in 2013. However, according to the Global Trade Atlas' (GTA) most recent data, Denmark came in fourth place as one of the top-five exporters, with 3,400 kg exported in the same year. According to the same data, exports of pseudoephedrine have slightly increased in 2013.

Germany

Germany continues to be a leading manufacturer of legal pharmaceuticals and chemicals. In 2013 (the most recent available data), Germany was the largest exporter of ephedrine (91,900 kg) and the second largest exporter of pseudoephedrine (389,100 kg). Most of the 23 scheduled substances under international control as listed in Tables I and II of the 1988 UN Drug Convention and other chemicals, which are used for the illicit production of narcotic drugs, are manufactured and/or sold by the German chemical and pharmaceutical industry. Germany's National Precursor Monitoring Act complements EU regulations. Germany has a highly developed chemical sector which is tightly controlled through a combination of national and EU regulations, law enforcement action, and voluntary industry compliance. Cooperation between

the chemical and pharmaceutical industry, merchants, and German authorities is a key element in Germany's chemical control strategy.

Germany works closely with UNODC, and is an active participant in chemical control initiatives led by the INCB, including Project Prism and Project Cohesion. The United States works closely with Germany's chemical regulatory agency, the Federal Institute for Drugs and Medical Devices, on chemical control issues and exchanges bilateral information to promote transnational chemical control initiatives. German agencies cooperate closely with their U.S. counterparts to identify and stop chemical precursor diversion.

The Netherlands

The Netherlands has a large chemical industry with large chemical storage facilities, and Rotterdam serves as a major chemical shipping port. The Netherlands has strong legislation and regulatory controls over the industry, and law enforcement authorities track domestic shipments and work closely with international partners. Trade in precursor chemicals is governed by the 1995 Act to Prevent Abuse of Chemical Substances (WVMC), which aims to prevent the diversion of legal chemicals. Chemical substances are also governed under The Act on Economic Offences and the Opium Act, and EU regulations.

Production of synthetics is significant in the Netherlands, and recent trends show an increase in new types of precursors and pre-precursors to circumvent national and international legislation. APAAN is used in amphetamine production and acetic anhydride is used as a pre-precursor for BMK. Safrole continues to be used as a pre-precursor for piperonyl methyl ketone (PMK) and its increased availability has been attributed to an increase in MDMA production. Law enforcement, especially in the south, reinforced its efforts against synthetic drugs and pre-precursors in 2014.

The Financial Investigation Service (FIOD) of the Ministry of Finance oversees implementation of the WVMC and has responsibility of law enforcement efforts targeting precursors. Customs monitors trade in and production of chemicals and the chemical industry is legally obliged to report suspicious transactions. The Netherlands abides by all EU Regulations for drug precursors. The Prosecutor's Office has strengthened cooperation with countries playing an important role in precursor chemicals used in the manufacture of ecstasy.

The Netherlands is an active participant in the INCB-led Project Prism taskforce and provides the INCB annual estimates of legitimate commercial requirements for chemical precursors. The Dutch government continues to work closely with the United States on precursor chemical controls and investigations. The Netherlands has a longstanding memorandum of understanding with China concerning chemical precursor investigations.

The Netherlands requires a license for the manufacture and trade of ephedrine. Relevant reports on suspicious transactions are shared nationally and internationally. The Netherlands also monitors a number of non-registered substances used in the production of methamphetamine.

Poland

Poland ephedrine exports dropped from 15,400 kg in 2012 to 0 kg in 2013, according to commercial trade data. Legitimate needs for precursor chemicals and pharmaceutical exports continue to increase. Authorities in Poland and neighboring countries are reporting increased illicit production of synthetic drugs, including methamphetamine. However, it is unclear whether methamphetamine is produced for local consumption or for distribution to countries such as the Czech Republic.

In Poland, there are no restrictions regarding medicines containing pseudoephedrine. In 2012, methamphetamine seizures were at their highest in a three-year period. According to the 2013 National Report to the European Monitoring Centre for Drugs and Drug Addiction by the European Network of Information on Drugs and Addiction, Poland remains one of the leading source countries of amphetamine-type stimulants in Europe.

In 2012, Poland imported close to 15 tons of APAAN. In the same year, law enforcement authorities dismantled 15 clandestine laboratories producing Amphetamine. Subsequent statistics in 2013 and 2014 indicated similar seizures. Increased restrictions to the purchase and supply of BMK have reduced the ability of criminal groups to obtain sufficient quantities to produce a high yield of illicit drugs. As a result, drug traffickers selected APAAN as the precursor of choice to produce BMK.

Poland is a party to all three UN drug conventions. Cooperation on investigations related to chemical diversion is good. Both regulatory and law enforcement officials work closely with DEA on chemical control issues. There are challenges regarding the enforcement of chemical analogs used in the production of synthetic drugs. Polish laws are slow to keep up with the ever changing chemical analog properties utilized by chemical and drug trafficking organizations.

Poland continues to participate with the United States and other countries in the INCB's Project Prism and is actively involved in supporting INCB-led operations. The National Polish Police, Customs Service, Border Guards, Military Police, Internal Security Agency and the Prison System report drug seizures. However, all of the aforementioned entities have not yet developed a single data collection system, which makes it difficult to estimate the quantities of drugs seized across the country.

Switzerland

The Government of Switzerland continues to be a strong partner with the United States and other concerned countries in international chemical control initiatives to prevent the diversion of synthetic drug precursor chemicals, including ephedrine and pseudoephedrine, and other primarily essential chemicals, including potassium permanganate and acetic anhydride. Switzerland was the largest importer of pseudoephedrine in 2013, with 93,322 kg imported in global imports.

Switzerland participates in multilateral chemical control initiatives led by the INCB, including Project Prism and Project Cohesion. Specifically, ephedrine and pseudoephedrine are subject to import and export license requirements and Swiss chemical manufacturers must provide "end-

user” certificates in concert with the exportation of ephedrine and pseudoephedrine. In addition, an export license is required to export acetic anhydride to “risk” countries where significant illicit drug production occurs.

Swiss law enforcement agencies have established close cooperation with the Swiss chemical manufacturing and trading industries and counterparts in major chemical manufacturing and trading countries. This cooperation includes information exchange in support of chemical control programs and in the investigation of diversion attempts. Cooperation between U.S. and Swiss law enforcement agencies, particularly the Swiss Federal Criminal Police, on chemical control related issues is excellent.

The United Kingdom

The United Kingdom (UK) continues to be one of the top worldwide exporters of ephedrine. The UK strictly enforces national precursor chemical legislation in compliance with EU regulations. In 2008, the Controlled Drugs Regulations were implemented, bringing UK law in line with pre-existing EU regulations. Licensing and reporting obligations are required for the commercialization of listed substances. No compliance is a criminal offense.

The Home Office Drug Licensing and Compliance Unit is the regulatory body for precursor chemical control in the UK. However, the National Crime Agency and the police have the responsibility to investigate suspicious transactions. Her Majesty’s Revenue and Customs monitors imports and exports of listed chemicals. The United Kingdom was the fifth largest global importer of pseudoephedrine (41,100 kg) in 2013. U.S. and UK law enforcement continue to exchange information and training on the methamphetamine threat.

Middle East

Egypt

Egypt oversees the import and export of chemicals through a committee composed of the Ministry of Interior Ministry of Finance, and Ministry of Health. This committee approves or denies requests to import or export chemicals. Over the past few years, there was an unaccounted spike in the importation of ephedrine for medicine. Egypt was the fifth largest global importer of ephedrine (6,057 kg) in 2013. It appears unlikely that all imported ephedrine is used for legitimate medicinal production. However, the Government of Egypt states that there are no reports indicating large-scale diversion of ephedrine or other chemicals, and it has not made any significant seizures.

Iraq

The abuse of licit pharmaceutical medication and psychotropic substances, including illicit synthetic drugs is growing at a rapid rate within Iraq. Amphetamine-type stimulants (ATS) are trafficked and used in large quantities through Iraq and interdiction efforts are limited. The Iraqi government is addressing this issue by reviewing new legislation that regulates psychotropic substances and chemical precursors, including regulations on the sale of prescription medications

to the public. The Islamic State of Iraq and the Levant (ISIL) fighters reportedly use amphetamines during battles.

Significant Illicit Drug Manufacturing Countries

This section is also broken down by region and focuses on illicit drug manufacturing countries, their chemical control policies and efforts.

Asia

Afghanistan

Afghanistan does not have a domestic chemical industry or a legitimate use for acetic anhydride and has banned its importation. However, large quantities of acetic anhydride are smuggled into the country by trafficking networks for heroin production. The principal sources for diverted chemical supplies are believed to be China, South Korea, Europe, the Central Asian states, and India. Limited police and administrative capacity has hampered Afghan government efforts to interdict precursor supplies. In March 2014, Afghan authorities reported the seizure of over 45 MT of solid precursors and 21,417 liters of liquid precursors.

Afghanistan has an export/import regimen for all 23 substances listed in the 1988 UN Convention. Afghanistan's multi-agency body responsible for tracking shipments includes the Counter Narcotics Police of Afghanistan (CNPA) and Department of Customs. The Precursor Chemical Unit (PCU) of the CNPA is online with the Precursor Incident Communication System. The PCU has commenced using PICS, which is providing Afghanistan with real-time information regarding suspicious shipments and potential diversion activities.

Burma

Illicit production and trafficking of synthetic drugs in Burma continued to increase in 2014. Burma does not have a significant chemical industry and does not manufacture ephedrine, pseudoephedrine or acetic anhydride used in synthetic drug manufacturing. Organized criminal syndicates smuggle these precursor chemicals into Burma through borders shared with Bangladesh, China, Laos, India and Thailand. The precursors are then transported to heroin and ATS laboratories primarily located in regions of Shan State which are under the control of armed militia groups or in other areas that are lightly policed.

In 2014, Burmese authorities faced challenges in controlling the illicit import and diversion of precursor chemicals for use in production of illegal narcotics, exacerbated by the extremely porous borders, including along non-government controlled areas in Burma and India. In May 2014, Burma signed a Memorandum of Understanding with India which provides a framework for security coordination to prevent illegal cross-border activities, including the control of precursor chemicals. The Burmese police made significant precursor seizures in government controlled areas such as Mandalay, Burma's main distribution center for precursor chemicals. Additional international seizures of precursors destined for or synthetic drugs manufactured in Burma are a further sign of growing production.

The Government of Burma has not provided estimates on the size of its licit domestic market for ephedrine or pseudoephedrine; however, Burmese officials have noted that all pseudoephedrine smuggled across the Burma/India border is destined for illicit methamphetamine laboratories in Shan State and not the legal domestic market. Importers of licit chemicals are required to use a pre-import notification system to obtain a certificate of verification, and retailers must also apply for a certificate to transport chemicals across and within Burma's borders.

Official seizure statistics between January and September 2014 related to ATS production included approximately 1,700 kg of pseudoephedrine, 32 kg of ephedrine, and 246 kg of caffeine powder. Burmese police also seized 10.34 million ATS tablets and 45 kg of crystal methamphetamine during the same reporting period. Burma is a party to the 1988 UN Drug Convention, but has not yet instituted laws that meet all UN chemical control provisions. Burma's Precursor Chemical Control Committee, established in 1998, is responsible for monitoring, supervising, and coordinating the sale, use, manufacture and transportation of imported chemicals. In 2002, the Committee identified 25 substances as precursor chemicals and prohibited their import, sale, or use in Burma.

Indonesia

The 2009 National Narcotics Law gave the National Narcotics Board the authority to monitor narcotics and precursor production at pharmaceutical plants, and to conduct investigations and arrests in response to precursor and narcotics violations. Although there are several laws and regulations regarding the import and export of precursor chemicals, and Indonesia has reorganized the Ministry of Trade and Industry and the Ministry of Health to better control the import of precursor chemicals and pharmaceutical drugs, the extent of enforcement is largely unknown. However, Indonesia was the third largest importer of ephedrine (12,612 kg) and pseudoephedrine (56,033 kg) in 2013.

The National Narcotics Board reports that it regularly conducts unannounced inspections to companies that are listed importers of precursor chemicals such as potassium permanganate and acetic anhydride, which are commonly used for cocaine and heroin production. In 2014, the agency conducted visits to registered importers, but unlike in past years there were no findings of illegal precursor chemicals. In regard to supervision of acetic anhydride, the National Narcotics Board cooperates closely with the Ministry of Industry. Indonesia is now utilizing an online pre-export notification system for pharmaceutical precursors and the National Single Window for control of imports and exports, including precursors. Every year, through the Ministry of Health, Indonesia reports estimates of its legal domestic narcotics precursors to the INCB, as mandated by CND Resolution 49/3.

Laos

Laos is an important transit point for Southeast Asian heroin, ATS, and precursor chemicals en route to other nations in the region. This transit drug trade involves criminal gangs with links in Africa, Latin America, Europe, and the United States, as well as in other parts of Asia.

Laos's criminal law has several prohibitions against the import, production, and use and misuse of chemicals used for manufacturing illicit narcotics. The Ministry of Health and the Customs Department maintain controls over chemical substances. Laos has a small and nascent industrial base and the diversion of chemicals for narcotics production is relatively small. In 2008, the Lao National Assembly passed a drug law that defines prohibited substances and pharmaceuticals for medical use. In March 2009, the Prime Minister's Office issued a "Decree" to the revised drug law to clarify criminal liability that includes a list of 32 chemical precursors which could be used for illicit purposes.

Malaysia

Malaysia is emerging as a regional production hub for crystal methamphetamine and ecstasy. Narcotics imported to Malaysia include heroin and marijuana from the Golden Triangle area (Thailand, Burma, and Laos). Small quantities of cocaine are smuggled into and through Malaysia from South America. Methamphetamine, largely from China, Nigeria and Iran, and ketamine, mostly from India, are smuggled through Malaysia en route to consumers in Thailand, Japan, Indonesia, Singapore, and Australia.

Since 2006, Malaysia has been a location where significant quantities of crystal methamphetamine are produced. Since 2009 there have been reports of methamphetamine laboratories seized in Kuala Lumpur and in Southern Malaysia, and frequent police reports of ethnic Chinese traffickers setting up labs in Malaysia. Nigerian and Iranian drug trafficking organizations also continue to use Kuala Lumpur as a hub for their illegal activities.

Pakistan

Pakistan is one of the world's top transit countries for the movement of illicit precursor chemicals used in the production of heroin and amphetamine type stimulants, such as methamphetamine. Based on the quantity of heroin produced in land-locked Afghanistan, UNODC estimates that 300 to 600 MT of acetic anhydride are illegally trafficked into Afghanistan through Pakistan on an annual basis. However, not all trade in these substances is illicit. Pakistan does not domestically produce industrial-scale quantities of either acetic anhydride or ephedrine, though they have chemical and pharmaceutical industries with a legitimate, albeit modest, demand for these substances.

Pakistan enforces a basic precursor control regime, as part of its Paris Pact obligations, covering the import of seven multi-use chemicals: acetic anhydride, pseudo-ephedrine, anthranilic acid, acetone, potassium permanganate, methyl-ethyl ketone, and toluene. The Anti-Narcotics Force (ANF) monitors imports and exports through its licensing system and PEN Online requests. In 2014, ANF received 121 PEN Online notifications, approving 95 shipments and denying 26. Additionally, the ANF approved the import of 30 MT of pseudoephedrine, but did not approve the import of any acetic anhydride.

There is reason to believe that significant imports of precursor chemicals circumvent the PEN system via mislabeled shipping containers and dhow boats unloading cargo along Pakistan's largely unpatrolled coastlines. In 2014, ANF reported that it seized 38,200 liters of acetic

anhydride. In 2014, both ANF and Pakistan Customs continued to provide information in the INCB's PICS.

Latin America

Bolivia

Substantial quantities of precursor chemicals continue to be diverted or smuggled into Bolivia for the production of cocaine. Peru is the largest source of these chemicals, claiming about 40 percent of Bolivia's market as estimated by the Chemical Substances Investigations Group (GISUQ) of the Bolivian counternarcotic police.

The most common chemicals seized from contraband match those commonly found in drug factories (where base/paste is prepared) and cocaine labs (where base/paste is transformed into cocaine HCl). Since Bolivia has become a transit country for Peruvian base/paste, the number of labs has significantly increased. The majority of chemicals found in cocaine factories and labs consist of sulfuric acid, hydrochloric acid, sodium carbonate, caustic soda, ammonia, phenacetin, sodium metabisulfite, and isopropyl alcohol. The last three products are not listed under controlled substances, and GISUQ believes they are increasingly used to circumvent controls. An emerging trend among cocaine laboratories is to utilize recycling equipment allowing the operators to reuse many of the chemicals up to four times before they need to be replaced. Seventy-five percent of the labs seized in 2014 were built and equipped in such a manner.

Over the first 10 months of 2014, GISUQ seized 278 MT of solid chemical precursors and 162,000 liters of liquid chemical precursors, a two percent increase and 38 percent decrease respectively, compared to the same period in 2013. In 2014, with mixed results, GISUQ changed its strategy from focusing on importers and major chemical distributors to field operations. The new counternarcotics law announced by the Bolivian government in 2014 is expected to include a provision allowing law enforcement to expeditiously add new chemicals to its controlled precursor substances list.

According to Bolivian counternarcotic police authorities, in 2014 law enforcement did not find any psychotropic labs in Bolivia, but small quantities of psychotropic substances originating from neighboring countries in the region were seized. The counternarcotics police are working on possible strategies to address this growing concern.

GISUQ coordinates activities with the General Directorate for Controlled Substances, a civilian entity under the Government of Bolivia that administers and licenses the sale and transport of controlled substances listed under Bolivian CN Law 1008. Per Bolivian law, unless controlled substances are found next to a cocaine lab, unlicensed transport and sale results only in an administrative violation, penalized by a fine and the possibility to lose the merchandise (if the proper paperwork is not produced within a certain period of time).

The Bolivian government does not have control regimes for ephedrine and pseudoephedrine. The GISUQ, however, coordinates with the Ministry of Health to supervise and interdict the illegal sale of methamphetamine.

Colombia

Precursor chemical diversion continues to be a serious problem in Colombia. Currently, there are approximately 4,500 chemical companies authorized to handle controlled chemicals for legitimate use. Although chemical companies must have governmental permission to import or export specific chemicals and controlled substances, the police have the burden to prove whether chemicals are intended for the production of illicit drugs.

The Colombian government has tightened chemical controls on chemicals used for coca processing as well as strengthened chemical control legislation. However, traffickers are now seeking new avenues and many of these precursors are camouflaged and clandestinely imported into Colombia. They have also been diverted by large Colombian chemical handlers whose management may have no knowledge of the illegal activities. The bulk of the diversion occurs at the second or third level of the distribution chain. Chemical traffickers and clandestine laboratories use non-controlled chemicals such as n-propyl acetate to replace controlled chemicals that are difficult to obtain. They also recycle chemicals in order to decrease the need to import or divert them. Additionally, traffickers are recycling the chemical containers, making it difficult to trace their origin.

The Colombian government implements restrictions on other needed chemicals for coca processing, such as gasoline and cement. These restrictions include reduced numbers for production, distribution and storage of chemicals and, in some areas, no allowance of particular chemicals at all in a zone. In addition, the essential cocaine processing products of sulfuric acid, hydrochloride acid and potassium permanganate, which were only regulated after a 5 liter/5 kg threshold, are now controlled regardless of the amount.

Colombian companies are not authorized to export ephedrine or pseudoephedrine in bulk form and all drug combination products containing ephedrine or pseudoephedrine have been banned from domestic distribution. However, they can import these precursors for the manufacture of pharmaceutical preparations which can be re-exported.

The Colombian National Police's (CNP) Chemical Sensitive Investigative Unit (SIU) was formed in June of 1998. Now both the SIU and the CNP's Chemical Control and Compliance Unit (CCCU) conduct investigations. The CCCUs primary mission remains the chemical handlers, developing audits of chemical handlers and investigative leads that are either pursued by them or passed on to the SIU for further criminal investigation and prosecution. The SIU and the CCCU are also responsible for the multi-national chemical targeting operations. In 2011, the Colombian government amended its chemical law making the diversion of listed chemicals a criminal act. With this amendment, the company owners can be prosecuted and their companies subject to forfeiture. The Colombian government also scheduled levamisole, a veterinarian parasite product, which is now the most frequently used product to cut Colombian cocaine.

The CNP primary interdiction force, the DIRAN's airmobile Jungle Commandos (Junglas), are largely responsible for the significant number of cocaine HCl and coca base labs destroyed in

2013, as well as the seizure of significant amounts of listed chemicals during the course of their operations in the same year. The combined efforts of Colombian government's law enforcement and military seized over 2.8 million gallons of liquid precursors and 25,875 MT of solid precursor chemicals over the first nine months of 2014. There has been a recent trend of HCl labs – long thought to be only located in Colombian jungles – moving into the urban centers. Also in 2013, investigations have led to the discovery of large scale labs in the metropolitan cities of Cali and Medellin.

Peru

Peru continues to be a major importer of precursor chemicals used in cocaine production, including acetone, sulfuric acid, hydrochloric acid, and calcium oxide – the four primary precursor chemicals used in the production of cocaine in the country according to a 2012 study by the United Nations. Peru also produces sulfuric acid for this purpose. These chemicals are often diverted from legitimate channels to cocaine production with a concentration in Upper Huallaga Valley (UHV) and the Ene, Apurimac and Mantauro River Valley (VRAEM), the principal coca producing areas in Peru. Potassium permanganate, the precursor chemical most widely sought in cocaine production in neighboring countries to remove impurities and enhance the coloration, is not typically used in Peru, where alcohol is the preferred substance for this purpose. In 2014, the Peruvian National Police (PNP) seized only 2.7 MT of potassium permanganate. The PNP has identified the principal routes of precursor chemicals from Lima into the drug source areas, and is building its capacity to intercept these shipments.

In 2014, the PNP Chemical Investigations Unit (DEPCIQ) continued its chemical enforcement and regulatory operations, leading to the seizure of 2,564 MT of precursor chemicals – including calcium oxide (437.8 MT), sulfuric acid (161.2 MT), hydrochloric acid (69.6 MT), and acetone (59.6 MT). The counternarcotics police (DIRANDRO) continued a bilateral chemical control program with the United States, known as Operation Chemical Choke, which specifically targets the seizure of acetone, hydrochloric, and sulfuric acid through a specialized enforcement and intelligence unit of the police. Operation Chemical Choke targets those organizations that divert chemicals to cocaine production. In 2014, this operation resulted in the arrest of several chemical traffickers and the seizure of 14.3 MT of acetone, 6.7 MT of hydrochloric acid, and 28 MT of sulfuric acid. Peruvian Law enforcement conducted bilateral chemical enforcement operations from October 19-30, resulting in seizures of 63 MT of sulfuric acid.

Peruvian law enforcement also conducted chemical enforcement operations with neighboring countries and participated in enforcement strategy conferences to address chemical diversion. Joint operation seizures included several floating gas stations and 204,116 liters of gasoline, 10 MT of precursor chemicals, and 3.5 MT of cement. Sixteen cocaine laboratories were destroyed as part of this mission.

In 2012, the Government of Peru issued a legislative decree to enhance monitoring and control of chemical precursors, finished products, and machinery used to produce and transport illegal drugs.

Major Exporters and Importers of Pseudoephedrine and Ephedrine (Section 722, Combat Methamphetamine Epidemic Act (CMEA))

This section of the INCSR is produced in response to the CMEA Section 722 requirement to report on the five major importing and exporting countries of the identified methamphetamine precursor chemicals. In meeting the CMEA requirements, the Department of State and DEA considered the chemicals involved and the available data on their export, import, worldwide production, and the known legitimate demand. The available data does not address illicit trafficking and production.

Ephedrine and pseudoephedrine are the preferred chemicals for methamphetamine production, although traffickers are increasingly using substitutes or pre-precursors. The phenomenon of substitute chemicals used in methamphetamine production is particularly pronounced in Europe where the method using APAAN is more pronounced. Phenylpropanolamine, a third chemical listed in the CMEA, is not a methamphetamine precursor, although it can be used as an amphetamine precursor.

In 2000, the FDA issued warnings concerning significant health risks associated with phenylpropanolamine. As a result, phenylpropanolamine is no longer approved for human consumption. Phenylpropanolamine is still imported for veterinary medicines, and for the conversion to amphetamine for the legitimate manufacture of pharmaceutical products. Phenylpropanolamine is not a methamphetamine precursor chemical and trade and production data are not available on phenylpropanolamine. Therefore, this section provides information only on pseudoephedrine and ephedrine.

The GTA, compiled by Global Trade Information Services, Inc., (WWW.GTIS.COM) provides export and import data on pseudoephedrine and ephedrine collected from major trading countries. However, given the reporting cycles by participating countries, data often lags behind one year. 2013 is the most recent year with full-year data. The data, including data from the previous year, is continually revised as countries review and revise their data. GTA data is used in the tables at the end of the chapter.

Obtaining data on legitimate demand remains problematic, but it is more complete for 2012 and 2013 than in any previous years. It is still not fully sufficient to enable any accurate estimates of diversion percentages based on import data. There are significant numbers of countries which have yet to report regularly to the INCB their reasonable estimates about the trade in the end products that form the basis of legitimate demand – although each year the number is increasing. Many countries and regions do not report trade in ephedrine and pseudoephedrine when it is incorporated into a finished pharmaceutical product, in the form of finished dosage units such as liquids, tablets, and capsules, due to concerns that this type of information infringes on commercially sensitive information. Further challenges include governments that may not be able to ascertain this data if, for example, they do not subject pharmaceutical preparations to national control, or if a different ministry with different or less stringent means of oversight regulates preparations versus bulk chemicals.

Ephedrine and pseudoephedrine pharmaceutical products are not specifically listed chemicals under the 1988 UN Convention. Therefore, in the case of the reporting on licit market requirements for ephedrine and pseudoephedrine, the governing UN resolutions are not mandatory and only request voluntary reporting trade and demand of pharmaceutical products. Even so, the trend in this direction has been positive. Since the passage of the 2006 CND resolution sponsored by the United States, 157 countries and jurisdictions of the 183 signatories to the 1988 Convention have reported import requirements to the INCB for the bulk chemicals ephedrine and pseudoephedrine. Before 2006, only a small number of countries reported, and these rare communications were scattered and irregular.

A further challenge to analyzing the data is that most countries have not made any attempt to reconcile trade data and their own reporting of licit requirements, although this is changing. There are some signs countries are beginning to make efforts to reconcile data either from commercial industry, domestic use, or onward exports. For instance, some countries that noted licit requirements, but had not reported into the GTA data exports or imports, have begun to do so. And the INCB has indicated that it remains concerned about the high estimates of annual legitimate requirements for certain precursors, especially in West Asian and Middle East countries. Although we have recently learned that Egypt is now an exporter of cold medications to other parts of the Middle East and surrounding areas.

Thus far, the economic analysis required by the CMEA remains limited because of insufficient and constantly changing data. Often the collection and reporting of such data requires a regulatory infrastructure that is beyond the means of some governments in question. The United States will continue to push in both diplomatic and operational forums – in both bilateral and multilateral settings – to urge countries to provide reporting on their licit domestic requirements for methamphetamine precursor chemicals to the INCB. The United States will continue to work with the INCB and with authorities in the reporting countries themselves to secure explanations for any anomalies between reported imports and reported licit domestic requirements, and to follow the development of any other chemicals used in the production of methamphetamine. We also will seek to support efforts to provide developing countries with the expertise and technical capacities necessary to develop such commercial estimates.

This report provides export and import figures for both ephedrine and pseudoephedrine for calendar years 2011-2013. The report illustrates the wide annual shifts that can occur in some countries, reflecting such commercial factors as demand, pricing, and inventory buildup. GTA data on U.S. exports and imports have been included to indicate the importance of the United States in international pseudoephedrine and ephedrine trade. Complete data on the worldwide production of pseudoephedrine and ephedrine are not available because not all major producers will release this proprietary data.

Top Five Exporting Countries and the United States Ephedrine and Its Salts 2011-2013				
Reporting Country	Unit	Quantities		
		2011	2012	2013

Germany	KG	62,200	82,300	91,900
India	KG	94,971	49,231	58,829
Singapore	KG	9,800	10,295	31,150
Denmark	KG	1,100	4,000	3,400
China	KG	3,110	18,316	2,506
Top Five Total		171,181	164,142	187,785
United States	KG	163	171	265

Analysis of Export Data: The top-five exporters of ephedrine in 2013 were Germany, India, Singapore, Denmark, and China. According to the GTA, ephedrine exports increased 14.4 percent in 2013, due to a spike in exports from Germany, India, and Singapore. Germany's exports increased to 91,900 kg in 2013 from 82,300 kg in 2012, making it the lead global exporter of ephedrine. Despite the substantial drop between 2011 and 2012, India's exports increased by 19.5 percent between 2012 and 2013; continuing to rank it as the second largest exporter of ephedrine. Singapore is now third with a 202.5 percent increase between its 2012 and 2013 exports. Denmark appears fourth, although its exports have dropped from 4,000 kg in 2012 to 3,400 kg in 2013. China has substantially dropped its ephedrine exports from 18,316 kg in 2012, to 2,506 kg in 2013, and Poland, which was fourth in 2012, had no ephedrine exports in 2013. The top-five countries in 2012 included: Germany, India, China, Poland, and Singapore.

The aggregated amount of ephedrine exported by the top-five countries in 2013 was 187,785 kg. This means an increase of 9.7 percent compared to 2011, and 14.4 percent compared to 2012. U.S. exports increased substantially from 171 kg in 2012 to 265 kg in 2013; a 55 percent increase. Yet, the United States is far down the overall exporting list in tenth place.

Top Five Exporting Countries and the United States Pseudoephedrine and Its Salts 2011-2013				
Reporting Country	Unit	Quantities		
		2011	2012	2013
India	KG	1,658,599	409,736	440,132
Germany	KG	473,000	308,000	389,100
Singapore	KG	43,371	55,278	92,117
China	KG	65,200	67,309	90,650
Taiwan	KG	70,310	77,924	88,604
Top Five Total		2,310,480	918,247	1,100,603
United States	KG	13,423	11,809	6,597

Analysis of Export Data: For pseudoephedrine, the aggregated volume of worldwide exports for the top-five exporters increased from 918,247 kg in 2012 to 1,110,603 kg in 2013. The top-five exporters of pseudoephedrine in 2013 were India, Germany, Singapore, China, and Taiwan. In 2012, the top-five were India, Germany, Taiwan, China, and Singapore. All top-five exporters increased their pseudoephedrine exports in 2013. India and Germany's exports increased 7.4 percent and 26.3 percent respectively. Singapore's exports increased from 55,278 kg in 2012 to 92,117 kg in 2013, and China from 67,309 kg in 2012 to 90,650 kg in 2013. Taiwan has also increased its exports from 77,924 kg in 2012 to 88,604 kg in 2013.

The United States has decreased its pseudoephedrine exports from 11,809 kg in 2012 to 6,597 kg in 2013 – a 79 percent drop. The U.S is ranked eighth in the overall pseudoephedrine worldwide exporting list.

Top Five Importing Countries and the United States Ephedrine and Its Salts 2011-2013				
Reporting Country	Unit	Quantities		
		2011	2012	2013
India	KG	6,100	44,019	82,283
South Korea	KG	25,801	28,150	22,811
Indonesia	KG	9,322	9,279	12,612
Singapore	KG	10,277	11,704	11,512
Egypt	KG	19,923	3,694	6,057
Top Five Total		71,423	96,846	135,275
United States	KG	10,132	11,731	15,972

Analysis of Import Data: The top-five ephedrine imports in 2013 were India, South Korea, Indonesia, Singapore, and Egypt. India's imports appear to have doubled, following its continuing annual requirements and production of cold and other medicines. India, South Korea, Singapore, Indonesia, and Hong Kong were the top-five ephedrine importers in 2012.

U.S. imports increased substantially in 2013 (more than 36 percent), ranking the country as the third-largest ephedrine importer. Prior to the CMEA, U.S. companies were importing large quantities of ephedrine. After the passage of the CMEA and the introduction of quotas for ephedrine, companies did not need to apply for a quota since sufficient stock was on hand. The current situation is that these companies have gone through their stock and need to obtain ephedrine for current operations. Also, there is a surge in product development efforts by U.S. companies. However, since all quota requests must be approved in advance, the legitimacy of the requests is verified before the quota is granted.

Despite the refinement of the quota system implemented under the CMEA, U.S. ephedrine imports continue to increase in the last three consecutive years, going from 10,132 kg in 2011 to 11,731 kg in 2012, and to 15,972 kg in 2013.

Top Five Importing Countries and the United States Pseudoephedrine and Its Salts 2011-2013				
Reporting Country	Unit	Quantities		
		2011	2012	2013
Switzerland	KG	84,980	60,056	93,322
Singapore	KG	55,069	49,624	61,671
Indonesia	KG	40,147	51,594	56,033
South Korea	KG	40,200	38,975	41,951
United Kingdom	KG	24,800	19,400	41,100
Top Five Total		245,196	219,649	294,077
United States	KG	248,354	185,306	166,424

Analysis of Import Data: The quantity of pseudoephedrine imported by the top-five pseudoephedrine importers increased in 2013. The aggregated amount of pseudoephedrine imported by the top-five countries in 2013 was 294,077 kg; a 33.9 percent increase. The new rank of top pseudoephedrine importers in 2013 includes Switzerland, Singapore, Indonesia, South Korea, and the UK. All top-five importing countries increased their pseudoephedrine imports, and the UK has increased imports by more than 54 percent compared to 2012. A large pharmaceutical producer in the U.S. recently moved its manufacturing of a pseudoephedrine-based cold product to the UK, which would account for their increase in imports. The 2012 list included Switzerland, Indonesia, Singapore, Egypt, and South Korea.

For the second consecutive year, U.S. imports continue to drop since the high of 312,000 in 2007. The passage of the CMEA eliminated the grey market for pseudoephedrine, since companies had to apply for a quota for any pseudoephedrine they wanted to import. Also, companies switched their formulations from pseudoephedrine to phenylephrine.

Even with the decline in imports, the United States remained the top importer of pseudoephedrine, with imports of 166,424 kg in 2013. It should be noted, however, that the United States no longer manufactures pseudoephedrine.

INCB Tables on Licit Requirements

Annual legitimate requirements (ALR) as reported by Governments for imports of ephedrine, pseudoephedrine, 3,4-methylenedioxyphenyl-2-propanone, 1-phenyl-2-propanone and their preparations

(Kilograms, rounded up)

Status: 1 December 2014

<i>Country or territory</i>	<i>Ephedrine</i>	<i>Ephedrine preparations</i>	<i>Pseudoephedrine</i>	<i>Pseudoephedrine preparations</i>	<i>3,4-MDP-2-P^a</i>	<i>P-2-P^b</i>
Afghanistan	50	0	3 000	0	0	0
Albania	3	0	3	0	0	0
Algeria	1		17 000		0	0
Argentina	27		13 329		0	0
Armenia	0	0	0	0	0	0
<i>Ascension Island</i>	0	0	0	0	0	0
Australia	3	13	6 110	1 720	0	1
Austria	105	15	1	1	0	1
Azerbaijan	20		10		0	0
Bahrain	0	0			0	
Bangladesh	200		49 021		0	0
Barbados	200		200	58	0 ⁱ	
Belarus	0	25	25	20	0	0
Belgium	300	200	9 000	8 000	5	5
Belize			P	P	0 ⁱ	
Benin	2		8	10	0 ⁱ	
Bhutan	0	0	0	0	0	0
Bolivia	41	1	1066	1373	0	0
Bosnia and Herzegovina	8	2	1000	845	0	0
Botswana	300				0 ⁱ	
Brazil	900 ^c		18 000 ^c		0	1
Brunei Darussalam	0	2	0	158	0	0
Bulgaria	200	400	25	0	0	0
Cambodia	200	50	300	900	0 ⁱ	
Cameroon	25				0 ⁱ	

Canada	1 330	5	27 900		0	1
Chile	94	200	8 424	950	0	0
China	60 000		200 000		0 ⁱ	
<i>Hong Kong SAR of China</i>	3 050	0	8 255	0	0	0
<i>Macao SAR of China</i>	1	10	1	159	0	0
<i>Christmas Island</i>	0	0	0	1	0	0
<i>Cocos (Keeling) Islands</i>	0	0	0	0	0	0
Colombia	0 ^d	1 802 ^e	1 858 ^d	P	0	0
Cook Islands	0	0	0	1	0	0
Costa Rica	0	0	523	39	0	0
Cote d'Ivoire	30	1	25	500	0	0
Croatia	30	0	0	0	0	0
Cuba	200			6	0 ⁱ	
<i>Curacao</i>	0		0		0	0
Cyprus		0	550		0 ⁱ	
Czech Republic	600	8	1 200	600	0	1
Democratic People's Republic of Korea	300	1 200	0	0	5	0
Democratic Republic of the Congo	300	10	720	900	0 ⁱ	
Denmark					0	0
Dominican Republic	75	5	200	250	0	0
Ecuador	20	6	900	2 500	0	0
Egypt	4 000	0	50 000	2 500	0	0
El Salvador	P(6) ^f	P(0) ^f	P	P	0	0
Eritrea	0	0	0	0	0	0
Estonia	5	5	0	350	0 ⁱ	0
<i>Faroe Islands</i>	0	0	0	0	0	0
<i>Falkland Islands (Malvinas)</i>		1		1	0 ⁱ	
Finland	6	70	0	600	0 ⁱ	0
France	2 000	10	20 000	500	0	0
Gambia	0	0	0	0	0	0
Georgia	10	25	2	15	0 ⁱ	
Germany	1 000		8 000		1	8
Ghana	4 800	300	3 200	200	0	0
Greece	1 000		1 000		0	0
<i>Greenland</i>	0	0	0	0	0	0
Guatemala	0		P	P	0	0
Guinea	36				0 ⁱ	
Guinea-Bissau	0	0	0	0	0	0
Guyana	120	50	120	30	0	0

Haiti	200	1	350	12	0	0
Honduras	P	P(1) ^e	P	P	0	0
Hungary	650		1		0	1 800
Iceland	1		0	0	0 ⁱ	
India	2 200	112 729	333 585	1 092	0	0
Indonesia	10 000	0	52 000	1 000	0	0
Iran (Islamic Republic of)	50	1	55 000	10	6	51
Iraq	3 000	100	14 000	10 000	0	P ^h
Ireland	1	1	1	585	0	0
Israel	1	30	16	1 971	0 ⁱ	
Italy	1 000	0	7 500	18 000	0	600
Jamaica	50	150	400	300	0	0
Japan	1 000		12 000		0 ⁱ	
Jordan	50		15 000		0 ⁱ	P
Kazakhstan	0		0		0	0
Kenya	2 500		3 000		0 ⁱ	
Kyrgyzstan	0	0	0	100	0	0
Lao People's Democratic Republic	0	0	1 000	130	0	0
Latvia	25	27	41	383	0	0
Lebanon	26	5	240	700	0	0
Lithuania	1	1	0	600	1	0
Luxembourg	1	0	0	0	0	0
Madagascar	702	180	150		0 ⁱ	
Malawi	1 000				0 ⁱ	
Malaysia	40	25	5 001	3 500	0	2
Maldives	0	0	0	0	0	0
Malta		220	220		0	0
Mauritius	0	0	0	0	0	0
Mexico	P(500) ^f	P ^f	P	P	0	0
Monaco	0	0	0	0	0	0
Mongolia	3				0 ⁱ	
Montenegro	0	1	0	80	0	0
<i>Montserrat</i>	0	1	0	1	0	0
Morocco	41	0	2 179	0	0	0
Mozambique	3				0 ⁱ	
Myanmar	2	0	0	0	0	0
Namibia	0	0	0	0	0	0
Nepal		1	6 500		0 ⁱ	
Netherlands	200	0		0	0	0
New Zealand	50	0	800		0	3

	P ^g	P ^g	P	P	0 ⁱ	
Nicaragua						
Nigeria	9 650	500	5 823	15 000	0	0
<i>Norfolk Island</i>	0	0	0	0	0	0
Norway	225	0	1	0	0	0
Pakistan	3 300		29 500	500	0 ⁱ	
Panama	5	2	400	650	0 ⁱ	
Papua New Guinea	1		200		0	0
Paraguay	0	0	2 500	0	0	0
Peru	54		2 524	1 078	0 ⁱ	
Philippines	120	0	120	0	0	0
Poland	110	0	4 150	0	1	5
Portugal			15		0 ⁱ	
Qatar	0	0	0	80	0	0
Republic of Korea	23 316		62 901		1	1
Republic of Moldova	0	450	0	450	0	0
Romania	192		6 600		0	0
Russian Federation	1 500				0 ⁱ	
Saint Helena	0	1	0	1	0	0
Saint Lucia	0	0	0	0	0	0
Saint Vincent and the Grenadines	0		0		0	0
Sao Tome and Principe	0	0	0	0	0	0
Saudi Arabia	1		18 485		0 ⁱ	0
Senegal	0	0	0	0	0	0
Serbia	25	0	1 265	0	0	1
Singapore	12 269	4	63 037	3 416	1	1
Slovakia	3	7	1	1	0	0
Slovenia	9		250		0	0
Solomon Islands	0	1	0	1	0	0
South Africa	13 900	0	10 444	10 816	0	0
Spain	186		8474		0	98
Sri Lanka		0		0	0	0
Sweden	188	170	1	30	1	13
Switzerland	3 300		85 000		1	700
Syrian Arab Republic	1 000		50 000		0 ⁱ	
Tajikistan	38				0 ⁱ	
Thailand	53	0	101	0	0 ⁱ	0
Trinidad and Tobago					0 ⁱ	0
<i>Tristan da Cunha</i>	0	0	0	0	0	0
Tunisia	1	25	4 000	0	0	0
Turkey	374	0	25 357	4 942	1	1

Turkmenistan	0	0	0	0	0	0
Uganda	150	35	2 500	400	0	0
Ukraine	0	81	0	3247	0	0
United Arab Emirates	0		3 000	2 499	0	0
United Kingdom	64 448	1 011	25 460	1 683	8	1
United Republic of Tanzania	100	100	2 000	100	0 ⁱ	
United States of America	19 300		246 000		0	64 294
Uruguay	6	0	0	1	0	0
Uzbekistan	1		15		0 ⁱ	
Venezuela (Bolivarian Rep. of)	80		3 000		0 ⁱ	
Yemen	75	75	3000	2000	0 ⁱ	
Zambia	50	25	50	100	0 ⁱ	
Zimbabwe	150	150	150	50	1 000	1 000

Notes: The names of territories, departments and special administrative regions are in italics.

A blank field signifies that no requirement was indicated or that data were not submitted for the substance in question.

A zero (0) signifies that the country or territory currently has no licit requirement for the substance.

The letter “P” signifies that importation of the substance is prohibited.

Reported quantities of less than 1 kg have been rounded up and are reflected as 1 kg.

^a 3,4-Methylenedioxyphenyl-2-propanone.

^b 1-Phenyl-2-propanone.

^c Including the licit requirements for pharmaceutical preparations containing the substance.

^d The required amount of ephedrine is to be used for the manufacture of injectable ephedrine sulphate solution. The required amount of pseudoephedrine is to be used exclusively for the manufacture of medicines for export.

^e In the form of injectable ephedrine sulfate solution.

^f Imports of the substance and preparations containing the substance are prohibited, with the exception of the imports of injectable ephedrine preparations and ephedrine as a prime raw material for the manufacture of such ephedrine preparations. Pre-export notification is required for each individual import.

- ^g Imports of the substance and preparations containing the substance are prohibited, with the exception of the imports of injectable ephedrine preparations and ephedrine as a prime raw material for the manufacture of such ephedrine preparations. Such export requires an import permit.
- ^h Includes products containing P-2-P.
- ⁱ The Board is currently unaware of any legitimate need for the importation of this substance into the country.

COUNTRY REPORTS

Afghanistan

A. Introduction

Illicit narcotic cultivation, production, trafficking, and consumption flourish in Afghanistan, particularly in areas where instability is high and state institutions are weak or non-existent. About 90 percent of illicit poppy cultivation takes place in these regions. The United Nations Office of Drugs and Crime (UNODC) and the Afghan Ministry of Counternarcotics (MCN) estimate that 224,000 hectares (ha) of opium were cultivated in Afghanistan in 2014, with a total yield of 6,400 metric tons (MT) of raw opium. This represents a seven percent increase in cultivation and a 17 percent increase in opium production from 2013. The U.S. government estimates that 211,000 ha of opium were cultivated in Afghanistan in 2014, with a total yield of 6,300 MT of raw opium. Notably, the southern half of Afghanistan continues to account for the vast majority of poppy cultivation in the country. Helmand and Kandahar alone accounted for 61 percent of the cultivation. Above-average growing conditions for winter crops led to an increase in the average yield of opium per hectare, from 26.3 kg/ha in 2013 to 28.6 kg/ha in 2014.

A symbiotic relationship exists between the insurgency and narcotics trafficking in Afghanistan. Traffickers provide weapons, funding, and other material support to the insurgency in exchange for the protection of drug trade routes, fields, laboratories, and trafficking organizations. Some insurgent commanders engage directly in drug trafficking to finance their operations. However, drug trafficking is not limited to insurgent-controlled areas and the narcotics trade and undermines governance and rule of law throughout the country.

Afghanistan suffers widespread illegal drug abuse. A 2012 U.S. government-commissioned toxicological study of Afghan urban populations indicated that more than five percent of urban populations used illicit drugs. Preliminary indications of an equally-rigorous ongoing rural toxicological study suggest that opiate abuse is far higher in rural areas. With estimates of domestic opiate users above two million and the largest population of juvenile opium addicts in the world, Afghanistan faces a massive health crisis, something Afghans are gradually coming to acknowledge.

Afghanistan is deeply involved in every facet of the narcotics production cycle, from cultivation to heroin production to consumption. Drug traffickers trade in all forms of opiates, including unrefined opium, semi-refined morphine base, and refined heroin. The Afghan narcotics trade is highly evolved. The market prices of opium and its derivatives are sensitive to weather conditions, fluctuations in the costs of inputs, and government intervention. Most Afghan opium is refined into morphine or heroin in Afghanistan or neighboring countries, intended for export.

Afghanistan leans heavily on assistance from the international community to implement its national counternarcotics strategy. Enhanced security, economic alternatives for farmers, better governance, greater political will, increased institutional capacity, and internal cooperation among Afghan ministries and provincial governments are required to decrease cultivation in high-cultivating provinces, maintain reductions in the rest of the country, and combat trafficking and addiction.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Government of Afghanistan is publicly committed to confronting the drug problem in Afghanistan, particularly focusing on what it identifies as the root causes of the drug economy including instability, poverty, unemployment, and organized crime. The Ministry of Counter Narcotics (MCN) is the lead governmental agency for developing counternarcotics policy and coordinating the activities of other governmental bodies involved in issues related to the drug trade. Afghanistan's National Drug Control Strategy (NDCS) for the period 2012–2016 was finalized in October, 2013 and published in English early in 2014. The NDCS vision is “to implement a five-year plan that seeks to reduce by 50 percent the cultivation of poppy from its 2011 baseline of 131,000 hectares and to increase the capacity to treat drug addicts by 30 percent.” MCN is also working to insert counternarcotics into the activities of the entire government by “mainstreaming” counternarcotics efforts into other existing national strategies and programs. MCN's ability to enlist other ministries in support of counternarcotics is largely dependent on top-level Afghan government interest. Lacking such support in 2014, inter-ministerial cooperation was handicapped. The new government, inaugurated in September, has pledged as part of its reform agenda “to intensify efforts to control narcotic production and sale,” but details on how this commitment would be implemented remained pending at the close of 2014.

The Criminal Justice Task Force (CJTF) is a self-contained unit that consists of prosecutors, investigators, and primary and appellate court judges. Under Afghanistan's 2005 Counternarcotics Law, amended in 2010, the CJTF prosecutes all drug cases that reach certain thresholds (possession of two kilograms of heroin, ten kilograms of opium or 50 kilograms of hashish, precursor chemicals or other controlled substances) before the Counter Narcotics Tribunal. The Counter Narcotics Justice Center (CNJC) houses the Tribunal and CJTF, and is the central facility for the investigation, prosecution, and trial of major narcotics and narcotics-related corruption cases. The CNJC is considered a model of excellence within the Afghan justice system. Between January 23, 2014 and January 22, 2015, CNJC prosecutors processed 609 cases involving 775 suspects, involving more than 75.56 MT of opiates, 32.64 MT of hashish, 52.34 MT of solid chemical precursors, and 44,448 liters of liquid precursors. As part of these investigations, Afghan officials destroyed 16 drug-processing laboratories and confiscated 89 different types of weapons, 3,862 different kinds of explosives, and 232 vehicles.

There is neither a bilateral extradition treaty nor a mutual legal assistance treaty in force between the United States and Afghanistan. The United States and Afghanistan, however, are parties to numerous multilateral conventions that provide for international cooperation in criminal matters, including the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the 1988 Drug Convention). Afghanistan's draft penal code includes provisions for confiscation of assets used in or earned by narcotics production and trafficking. Application of this law may have an impact on the planting and business decisions of larger landowners and providers of capital and equipment, and increase the focus of law enforcement on those with the power to decide whether opium or licit crops are planted.

2. Supply Reduction

According to UNODC and MCN, Afghanistan cultivated 224,000 ha of opium poppy in 2014, a further seven percent increase on top of 2013's 36 percent jump. UNODC and MCN estimates that Afghan opium poppy crops in 2014 yielded 6,400 MT of raw opium, up 17 percent from 5,400 MT in 2012. Yields per hectare increased due to favorable growing conditions for winter crops. Cultivation continues to increase in less secure and marginal agricultural land.

There is significant evidence of commercial cultivation of cannabis in Afghanistan. The last cannabis survey carried out in Afghanistan was a joint UNODC-MCN survey in 2012 that estimated approximately 10,000 ha of commercial cannabis cultivation producing approximately 1,400 MT of hashish per year. UNODC's survey noted that, as with poppy, most cannabis cultivation takes place in insecure areas.

Verified poppy eradication decreased for the third consecutive year in 2014 to 2,692 ha, 63 percent less than the 7,349 ha eradicated in 2013. Afghan government officials attribute this to the diversion of security resources from eradication efforts to election security, but political will, not a lack of plans, has long been the most important missing component in effective eradication efforts. MCN implements the U.S.-funded Good Performers Initiative (GPI) to reward provinces that successfully reduce poppy cultivation within their borders. Provinces that are determined to be poppy-free by UNODC, or where poppy cultivation has declined by 10 percent, receive funding for development projects proposed by provincial development councils and governors' offices. In 2013, 20 of Afghanistan's 34 provinces received \$16.1 million in GPI awards, including two provinces that received special recognition awards of \$500,000 each. The MCN-run Governor Led Eradication program reimburses governors for expenses incurred in eradicating poppy fields. Eradication is verified by UNODC and MCN using ground verification and satellite imagery.

In a positive indication of Afghan police ability to conduct independent counternarcotics operations, specialized units of the Counter Narcotics Police of Afghanistan (CNPA) reported seizures of 34.9 MT of precursors in both solid and liquid form during the first nine months of 2014. The CNPA was established in 2003 as a specialized element of the Afghan National Police and is responsible for counternarcotics investigations and operations. The United States supports several specialized units within the CNPA, including the Sensitive Investigative Unit (SIU) and the National Interdiction Unit (NIU). These units are partnered with the U.S. Drug Enforcement Administration (DEA). The NIU is the tactical element of the CNPA and is capable of conducting independent, evidence-based interdiction operations and seizures in high-threat environments. The specially vetted and trained SIU unit carries out complex CN and counter corruption investigations using intelligence developed by the Afghan Judicial Wire Intercept Program (JWIP). Outside these special units, performance by CNPA is uneven. Some units, such as the "Kabul Gate" interdiction units, demonstrate a strong commitment to counternarcotics. The lack of CNPA direct authority over its resources in the provinces, however, hampers counternarcotics efforts there.

Primary trafficking routes into and out of Afghanistan are through Iran to Turkey and Western Europe; through Pakistan to Africa, Asia, the Middle East, China and Iran; and through Central Asia to the Russian Federation. Transit countries, in particular Iran and Pakistan, consume large quantities of Afghan opium and heroin and have significant domestic narcotics abuse problems of their own. Drug laboratories within Afghanistan and in neighboring countries still process a large portion of the country's raw opium into heroin and morphine base. Traffickers illicitly import large quantities of precursor chemicals into Afghanistan; UNODC estimates that 475 MT of acetic anhydride are imported and illegally diverted annually to the illicit market for manufacturing heroin.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The Afghan government has begun to acknowledge a growing domestic drug abuse problem, primarily involving opiates. Funded by the United States, the 2012 toxicological Afghan National Urban Drug Use Survey conservatively estimated that Afghanistan is home to 1.3 to 1.6 million drug users, one of the world's highest per capita rates. In 2014, the United States supported an equally rigorous National Rural Drug Use Survey to complement the urban study and provide a national prevalence rate. Early indications from the rural study suggest that the rate of rural drug use is far higher than the rate in urban areas and that the prevalence of drug use in Afghanistan may well exceed 10 percent. Other recent studies indicate that the prevalence of addiction and severity of consumption among Afghan children is the highest documented in the world. The negative economic impact of so many opiate users will be felt increasingly as the Afghan economy develops; the burden of providing shelter and treatment to the large population of persons with substance use disorders is already falling heavily on provincial governments.

The United States funds 76 programs at 64 inpatient and outpatient drug treatment centers across the country; however, the demand for services exceeds the capacity of the centers, most of which have waiting lists for new patients. The United States also supports UNODC's global child addiction program throughout Afghanistan to develop protocols for treating opiate-addicted children, training treatment staff, and delivering services through Afghan nongovernmental organizations. These treatment facilities not only model the means for Afghanistan to mitigate the economic and societal effects of widespread narcotics addiction; they also have the intentional side effect of raising Afghan consciousness of opiate addiction as a domestic concern. The current annual treatment capacity of Afghanistan's 113 drug treatment programs now exceeds 30,000 persons.

The United States funds a Counter Narcotics Community Engagement program (CNCE). This multi-track annual communication and outreach campaign aims to ensure a smooth transition of activities to the Afghan government through systematic capacity development efforts. The program focuses on discouraging poppy cultivation, preventing drug use by public awareness, and encouraging licit crop production. The United States has undertaken a vigorous public information campaign implemented by the Colombo Plan to reduce drug demand inside Afghanistan, including seeking the support of subject-matter experts and school teachers; engaging local media; and implementing an anti-drug curriculum in Afghan schools. The Afghan Premier Soccer League, which carries a U.S. government-sponsored anti-drug message, is now the most-watched program on Afghan television. In a country with limited broadcast

media facilities, the United States also funds an Afghanistan-specific mobile preventive drug education exhibit. Surveys indicate that the public messaging campaigns are having a slow but steady impact on Afghan attitudes toward opium cultivation and narcotics trafficking.

4. Corruption

As a matter of government policy, the Government of Afghanistan does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering proceeds from the sale of illicit drugs. However, there are credible allegations that many central, provincial, and district level government officials directly engage in and benefit from the drug trade. Corrupt practices range from facilitating drug activities to benefiting from drug trade revenue streams to thwarting prosecutions. The June 2014 release of U.S.-designated drug kingpin Haji Lal Jan Ishaqzai—only 17 months after he was sentenced to serve a 15-year sentence for opium trafficking—undermined the country’s law enforcement and anticorruption commitments. However, the CJTF actively investigates and prosecutes public officials who facilitate drug trafficking under Article 21 of the Counter Narcotics Law, which criminalizes drug trafficking-related corruption. The CJTF has successfully prosecuted high-ranking government officials, including members of the CNPA. Between March 2013 and March 2014, 20 public officials were prosecuted in the CJTF primary court.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

At the December 2014 London Conference, the Afghan government stated its commitment to intensify efforts to control narcotic production and sale, noting its intention to adopt a broad approach including eradication, financial tracking, and licit alternatives for rural livelihoods. The U.S. government maintains a counternarcotics strategy that supports Afghanistan’s priorities of disrupting the drug trade; developing licit alternative livelihoods; law enforcement and eradication; reducing the demand for drugs; and building the capacity of the government’s CN institutions. The strategy is formulated to help restore Afghanistan’s agriculture economy, build Afghan institutional capacity, and disrupt the nexus between drugs, insurgents, and corruption.

In 2012, the United States signed agreements with the Afghan government laying the groundwork for a Kandahar Food Zone (KFZ) program. Under the leadership of the MCN, the KFZ was developed as a comprehensive, multi-pillar program that integrates elements of alternative development, law enforcement and eradication, public information and drug treatment. In 2013, the United States initiated a \$20 million, two-year program to develop the Alternative Development (AD) component of the KFZ. Preliminary achievements through 2014 included: the implementation of a community-based approach in seven districts of Kandahar; the identification of the drivers of poppy cultivation; and the preparation of activities that will address the root causes of poppy cultivation. As a result of this process, 36 alternative livelihood projects and 12 irrigation facilities, including the rehabilitation of 11 canals and one dam, were identified and will be funded by the program. MCN has established a coordination mechanism to integrate alternative livelihoods activities with U.S.-funded counternarcotics public information, drug demand reduction, and governor led eradication programs.

Additionally, the United States promotes licit crop production in areas where poppy has been, or is currently being cultivated. These projects are designed to support farmers and agribusinesses in targeted value chains including wheat, livestock, and high-value horticulture. While alternative development is an important element of a more comprehensive poppy reduction strategy, the provision of alternative development support alone will not lead to reductions in poppy cultivation without complementary efforts to enforce Afghan laws against illicit poppy cultivation and arrest traffickers.

D. Conclusion

Cultivation is largely isolated to areas where security is the worst, where physical and economic infrastructure is least developed, and where there is a lack of Afghan government presence and control. Better security, more economic development, and improved governance will all help reduce Afghanistan's drug trade. In addition, a sincere and effective Afghan commitment to diminish cultivation and use is critical. Afghanistan may best succeed in combating the narcotics trade when Afghans see narcotics as a domestic problem. That comprehension is slowly and steadily gaining ground but will remain incomplete until the Afghan government demonstrates the political will to challenge vested political and economic interests.

Future success in combating the narcotics trade depends on further strengthening the capacity of the relevant Afghan government line ministries such as the MCN and the Ministry of Interior to: 1.) insert CN into the activities of the entire government by "mainstreaming" CN efforts into other existing national strategies and programs; 2.) combat corruption actively at all levels of government; and 3.) influence effectively the provincial governors and other subnational government to achieve targets on eradication according to the national plan and policies.

Farmers involved in poppy cultivation must also have viable economic alternatives to the illicit economy. Improvements in security and governance, as well as continued long-term concentrated efforts to increase agricultural and other alternative development initiatives, will remain keys to undermining the drug economy and the insurgency in Afghanistan.

Albania

Albania has emerged as a significant source country for marijuana, as well as a transshipment point for cocaine and heroin destined for European markets. The number of drug seizures and arrests increased dramatically in 2014. This can be attributed to enhanced cooperation between Albanian and regional partners, especially with Italian Police surveillance units, combined with a greater commitment to confront drug production and trafficking by Albania's political and law enforcement leaders, which led to a nationwide surge in enforcement operations. With the exception of cannabis, Albania is not a significant producer of illicit drugs, precursor chemicals, or synthetic drugs. The Government of Albania does not maintain drug-use prevalence statistics. Except for marijuana, illegal drug use does not appear to be common.

According to Albanian State Police (ASP) statistics, the volume of marijuana seizures totaled 101.7 metric tons (MT) over the first nine months of 2014, dramatically above the cumulative total of 96 MT seized between 2005 and 2013. Nationwide eradication efforts also destroyed 530,177 marijuana plants on 2,214 individual parcels of land. Most of these parcels were identified by Italian surveillance overflights. The ASP also seized 63 kilograms (kg) of heroin and 23 kg of cocaine.

The ASP, including border police, arrested 1,058 people for offenses linked to drug trafficking over this nine month reporting period, exceeding the total 2013 arrest total (803). Albania also cooperated with law enforcement agencies in Europe and South America to interdict a 250 kg shipment of cocaine in the Montenegrin port of Bar that was destined for Albania for transshipment to Europe.

Through the first nine months of 2014, the Serious Crimes Prosecution Office (SCPO) investigated 239 criminal proceedings for narcotics trafficking. Of this total, 112 were cases carried over from previous years, with 127 cases registered for the first time in 2014. The SCPO sent 68 cases to court, and the Serious Crimes Court rendered 110 guilty verdicts, including cases that were resolved from previous years.

Albania continues to receive assistance from the United States and European Union countries to enhance its counter-narcotics capacities. The government implemented 31 joint operations with international law enforcement agencies through October, mostly in cooperation with Italian authorities. The United States continues to provide assistance for integrated border management, counter-narcotics investigations, and judicial sector assistance programs. To reduce demand for illegal drugs, with U.S. support, the ASP and the Albanian Education Ministry continued to co-sponsor a drug demand reduction project in 158 public elementary schools, reaching over 12,000 students.

Argentina

Argentina is a transit country for Andean-produced cocaine; however, domestic cocaine processing and consumption are moderate but growing problems. Marijuana is Argentina's most-used illegal drug, and cocaine is the leading illegal drug for which Argentines seek help at treatment centers, with cocaine base ("paco") a particular problem among the poor. Many Argentines believe drug-linked violent crime is increasing. U.S. cooperation with Argentina's Ministry of Security has largely consisted of information sharing and offers of trainings and seminars.

The Security Ministry's counternarcotics mandate grew in 2014 with the establishment of a sub-secretariat dedicated to analysis and coordination. The Ministry managed a large deployment of federal police forces to the city of Rosario and a re-deployment of gendarmes along the northern border. Argentina continued to dedicate resources to Operation Northern Shield, which aims to deter illicit flights and drug trafficking, but has had only modest effect. Judicial case backlogs and vacant judgeships continue to complicate prosecutions, and prisons are overcrowded. There was progress in federal-provincial cooperation, but additional collaboration would be beneficial.

Most cocaine transiting Argentina goes to Europe. Seizures of cocaine production facilities and the widespread availability of "paco" suggest domestic processing is growing, though it remains small. While Argentina has not published annual seizure statistics since 2010, partial data indicates cocaine and marijuana seizures increased in 2014, likely due to an increased operational tempo by federal forces.

Argentine officials estimate the annual prevalence of cocaine use at 0.9 percent of the population, using the most recent official numbers from 2010. There is concern about the rising use of synthetic drugs and "paco" by Argentine youth. In March, Argentina announced a large increase in federal spending to treat and prevent addiction. One province implemented a drug court during the year.

The Argentine government does not encourage or facilitate the illicit production or distribution of narcotics or laundering of proceeds. An independent judiciary and press pursue allegations of corrupt practices involving government authorities. During 2014, Argentine courts investigated members of the security forces and several civilian officials for their involvement in trafficking.

Argentina took steps to improve its drug control efforts in 2014, but more resources, capabilities, and coordination are needed to fully address the challenge. Constructive measures Argentina could undertake include focusing interdiction efforts on targeted investigations; improving coordination among federal and provincial entities; boosting judicial efficiency in processing investigations and prosecutions; making comprehensive statistics available; and coordinating strategies for supply and demand reduction.

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

Armenia

Armenia is not a major drug-producing country, and domestic consumption of illegal drugs is modest. Because Armenia is landlocked and the two longest of its four borders (with Turkey and Azerbaijan) are closed, the resulting limited transport options have traditionally made the country less attractive for drug trafficking. With U.S. and European Union assistance, Armenia continues to develop and implement an integrated border management regime, improving its ability to detect illegal narcotics shipments. U.S. training and donated equipment contributed to an historic 927 kilogram (kg) heroin seizure by Armenian customs officials on the Iranian-Armenian border in January 2014. This seizure, along with large seizures in neighboring Georgia and Azerbaijan, suggest that the region has become a viable option for heroin transshipment routes.

To date, U.S. counternarcotics assistance to Armenia has principally focused on capacity building through basic training and numerous liaison initiatives, primarily working with the Armenian National Security Service (NSS). NSS officials have expressed willingness to expand the bilateral relationship with the United States government beyond ongoing exchanges of investigative information to a more operational partnership. The United States organized two regional conferences to develop the capabilities of investigators, prosecutors, and judges to investigate, prosecute, and adjudicate cases involving international drug-trafficking organizations.

The Armenian Police Main Department of Combating Organized Crime reports drug-related crimes were down by 9.4 percent in the first half of 2014 compared to the same period in 2013. Seizures of drug shipments for the first half of 2014 – apart from the large heroin seizure noted above – amounted to 14.6 kg, which is largely consistent with seizures from the first half of 2013 (12.5 kg). By weight, heroin was the largest seizure but seizures of cannabis and cocaine also increased, while seizures of marijuana, hashish and opium all decreased. Most drugs are smuggled in trucks driven across the Iranian border crossing at Meghri. Smaller amounts of narcotics enter the country through air transport, from Turkey via Georgia, or come in the form of synthetics (Subutex) which are illegally smuggled on flights and in parcels from France. Armenia has recently emerged as a transit route for methamphetamine smuggled into the country overland from Iran and out of the country by air, bound for markets in the Asia-Pacific region. Men between the ages of 30-49 account for over half of the people charged with drug crimes.

Drug addiction treatment resources have increased in recent years, and since 2009 prior use has been decriminalized for those who seek treatment. The most common illicit drug used in Armenia is marijuana, most of which is grown locally. National treatment centers report that the majority of users undergoing treatment are over the age of 35. Precursor chemicals are strictly regulated; industrial users must provide status reports every three months.

The United States and Armenia collaborate closely on drug-related investigations, and ongoing U.S. training is helping to develop Armenian capacities for specialized law enforcement techniques including controlled deliveries, tactical operations, and complex conspiracy investigations.

Azerbaijan

Azerbaijan remains a transit country for illicit narcotics by virtue of its situation along major drug trafficking routes from Afghanistan and Iran to Europe and Russia.

Azerbaijan's Ministry of Internal Affairs (MIA) estimates that between 5.8 and seven metric tons (MT) of narcotics transit Azerbaijan annually, much of it through Azerbaijan's southern border with Iran. On July 11, a truck carrying 2.7 MT of liquefied heroin disguised as liquid soap was seized in Georgia after reportedly transiting Azerbaijan. This historically large shipment contained an estimated 650 kilograms (kg) of pure heroin dissolved down to a 75 percent solution, with a European street value of approximately \$25-40 million.

Azerbaijan may be an increasingly favored transit country for drugs over neighboring countries such as Turkey, which has strengthened its border controls in recent years. The Government of Azerbaijan has expressed concerns related to its inability to secure international borders in the occupied territories that surround Nagorno-Karabakh.

Drug seizure and arrest statistics from the first half of 2014 suggest trends similar to 2013. Azerbaijan's MIA reported that it seized approximately 700 kg of illegal drugs over the first ten months of 2014. Authorities opened 1,743 cases for drug-related crimes during the same period, of which 449 involved narcotics sales. The MIA also reported that it disrupted 27 criminal groups involving 90 people. According to ministry statistics, authorities convicted 1,252 people of drug-related crimes in the first half of 2014. Of the individuals, 91.9 percent were unemployed, 28.2 percent were previously convicted, and 2.6 percent were women.

Domestic drug use and cultivation exist on a relatively small scale, although the Government of Azerbaijan may underestimate the scope of the problem. Government-sponsored programs targeting drug abuse remain inadequate, and drug treatment centers in Azerbaijan would benefit from increased support.

The United States provided training to and cooperated with Azerbaijani counterparts on investigations, which helped Azerbaijan pursue international drug trafficking organizations in 2014. The United States has received important cooperation from Azerbaijan and anticipates that this will continue.

The Bahamas

A. Introduction

The Bahamas is not a significant drug producing country, but remains a transit point for illegal drugs bound for the United States and other international markets. The Bahamas' close proximity to the coast of Florida as well as its location on Caribbean transshipment routes makes it a natural conduit for drug smuggling. The Bahamas' 700 islands and cays, the vast majority of which are uninhabited, provide near-ideal conditions for smuggling. Smugglers readily blend in among numerous pleasure craft traveling throughout The Bahamas archipelago, which covers nearly 100,000-square nautical miles. Smuggling also occurs through commercial and private plane traffic; some smuggling continues by means of remote airfields and airdrops from South and Central America. Smuggling is enabled and accompanied by organized crime and gang activity.

The United States and The Bahamas enjoy a long-standing history of counternarcotics cooperation, including under Operation Bahamas, Turks and Caicos (OPBAT). OPBAT operations in 2014 resulted in the seizure and eradication of more marijuana plants than in any previous year on record, a possible indicator that marijuana cultivation in The Bahamas is on the rise. U.S. and local law enforcement statistics indicate that, as previously predicted, drug traffickers are increasingly utilizing both new and historic drug smuggling routes from drug source countries through The Bahamas to the United States as a result of sustained law enforcement pressure in Central America. Seizure data from 2014 also suggests that smugglers increasingly traffic mixed loads of various forms of drugs through The Bahamas.

Bahamian government surveys suggest that demand for cocaine has diminished, though a domestic market does continue to exist. Experimental and chronic use of marijuana, including among adolescents, remains a concern. The Bahamas' National Anti-Drug Strategy places significant emphasis on drug abuse awareness, demand reduction, and treatment policies, though programs in these fields would be enhanced by additional resources.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Bahamian government and law enforcement authorities are committed to combating illicit trafficking, and the United States and The Bahamas have a strong counternarcotics relationship. The Bahamian government's 2012-2016 National Anti-Drug Strategy outlines the Bahamian government's framework for action to reduce drug demand and supply, strengthen anti-drug institutions, build international cooperation, and resource anti-drug efforts. Implementation of the strategy remains ongoing.

Launched in 2012, the government's "Urban Renewal 2.0" program includes a community-based policing program that seeks to prevent crime, gang activity, and drug consumption through directed patrols, community partnerships, and after-school programming for youth.

Implementation of the government's "Swift Justice" program, which seeks to reduce processing time for legal matters, continued in 2014. The Ministry of Legal Affairs announced in its annual report that the program continued to result in an increased conviction rate. Guilty verdicts increased to 60 percent in 2014 from 45 percent in 2013. In addition, the average time from arraignment to trial fell in 2014 to approximately 230 days, down from 410 days in 2013, and more than 900 days prior to 2012. As part of the Bahamian government's plan to have 10 criminal courts operating simultaneously, construction was completed on additional court facilities in 2014. Full implementation of the program would help improve the Bahamian judiciary's capacity to process drug crimes.

The United States signed a comprehensive maritime agreement with The Bahamas in 2004 that continues to enable cooperation in counternarcotics and migrant interdiction operations in and around Bahamian territorial waters, including through the use of Royal Bahamas Defense Force (RBDF) shipriders aboard U.S. Coast Guard (USCG) vessels.

The United States and The Bahamas are bilateral parties to both a mutual legal assistance treaty and an extradition treaty. Joint activities between the U.S. Drug Enforcement Administration (DEA) and the Bahamian government have resulted in evidence from The Bahamas being used to prosecute traffickers in the United States. Though the United States and The Bahamas have a strong mutual legal assistance relationship, improved procedures to expedite extraditions would bring drug crime offenders to trial more quickly and serve as a more credible deterrent for traffickers. Currently, defendants can appeal a magistrate's decision and then continue appeals up to the Privy Council in London, a process that can add years to extradition proceedings. There are more than 10 pending extradition requests for drug-related crimes, and no individuals have been extradited to the United States since March 2013.

2. Supply Reduction

Under OPBAT, U.S. law enforcement agencies integrate with the Royal Bahamas Police Force (RBPF) to gather intelligence, conduct investigations, and execute interdictions. These operations are supported by marine, technical, and other resources provided through U.S. assistance programs. With a small population base (353,000 according to the 2010 census) and significant territory to cover, pooling U.S. and local resources and knowledge are essential to efficient deterrence and interdiction. The RBDF and law enforcement personnel in the Turks and Caicos Islands also participate in counternarcotics operations.

In 2014, OPBAT operations in The Bahamas led to the seizure of 1.59 metric tons (MT) of cocaine; 746.8 MT of marijuana; 738,000 marijuana plants; 1.54 kilograms (kg) of heroin; 32 kg of hashish; 7.94 kg of ecstasy; 92 arrests, and \$441,264 in currency. This represented a significant increase in seized cocaine and marijuana over 2013, when 1.01 MT and 27.92 MT were seized respectively. In addition, the number of marijuana plants destroyed via manual eradication surpassed the total number of plants eradicated in 2012 and 2013 combined, a possible indicator that traffickers are establishing new sources for marijuana destined for both local and international markets. However, bulk marijuana seizures from vessels originating in Jamaica still greatly exceeded the raw weight (in metric tons) of marijuana seized at cultivation

sites in The Bahamas. One case involving a private aircraft that flew from Canada to The Bahamas on April 7 accounted for the only ecstasy and hashish seizures during the year.

Smugglers exploit the wide distribution of numerous islands and the high number of recreational vessels flowing through The Bahamas. Large loads are split up into smaller loads before entering the southern Bahamas, sometimes bypassing the customs station in Great Inagua, which is strategically located between the Turks and Caicos Islands, Haiti, the Dominican Republic, and Jamaica. Traffickers move cocaine through The Bahamas via “go fast” boats, small commercial freighters, maritime shipping containers, and small aircraft. Small sport fishing vessels and pleasure craft move cocaine from The Bahamas to Florida by blending in with legitimate traffic that transit these areas. Haitian and Haitian-Bahamian drug trafficking organizations – increasingly networked between Haiti and the significant Haitian diaspora in The Bahamas – continue to play a major role in the movement of cocaine. Larger “go fast” and sport fishing vessels transport marijuana from Jamaica through The Bahamas into Florida.

In addition, investigations reveal that Bahamian drug trafficking organizations use the Turks and Caicos Islands as a transshipment point. Strong familial connections between the Turks and Caicos Islands and The Bahamas, coupled with direct flights between Haiti and the Turks and Caicos Islands, result in many Bahamian smugglers traveling to Haiti via the Turks and Caicos Islands with large amounts of cash for future smuggling ventures. The Turks and Caicos Islands represent a regional vulnerability due to a lack of sufficient law enforcement resources.

Aviation routes are a cause for concern. Small, privately owned and operated planes ferry loads of cocaine from and between significant source countries in South America into the Caribbean. Law enforcement information suggests that drug trafficking organizations sometimes utilize airdrops and remote airfields to deliver large cocaine shipments to the Turks and Caicos Islands and to The Bahamas from Venezuela and Colombia.

Customs and Border Protection officers working at preclearance facilities at the Nassau and Freeport international airports have interdicted cocaine, marijuana, and currency. To attract tourism from its Spanish-speaking neighbors, The Bahamas concluded an agreement in 2011 to allow Panama-based Copa Airlines to begin daily flights between Nassau and Panama. The flights remain a transshipment route for contraband smuggling.

Bahamian law enforcement agencies leverage their small fleet of vessels by prepositioning them in strategic locations on the archipelago. Effective use of this limited number of vessels over a vast area of coverage depends on effective use of quality intelligence and aviation support during critical interdiction missions. Additionally, the RBDF operates a fleet of five offshore patrol vessels, 10 coastal patrol vessels, and various small boats which conduct regular patrols.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The government determined in its National Anti-Drug Strategy that cocaine dependency in The Bahamas is predominantly limited to those who became addicted during the 1980s and 1990s. The government further determined that experimentation and use of marijuana is increasing among school-aged groups. However, current, comprehensive drug consumption and use data is

not available. Intake surveys and testing found that many inmates at The Bahamas Department of Correctional Services, the only prison in The Bahamas, tested positive for drugs and some of these inmates maintain access to drugs during their incarceration.

The government's anti-drug strategy employs a multi-tiered approach, incorporating civil society organizations that work with youth, substance abusers, and ex-convicts. Its main institutional bodies are the National Anti-Drug Secretariat, the Bahamas National Drug Council, and the Sandilands Rehabilitation Center.

The Sandilands Rehabilitation Center offers residential substance abuse treatment programs, drop-in treatment programs, substance abuse prevention programs, and relapse prevention programs. Health care professionals report that women and residents of the outer islands (islands in the archipelago outside of New Providence) are under-represented in the treatment population. The United States partners with the Sandilands Rehabilitation Center to train and mentor drug treatment professionals both from within and outside government.

The Bahamas Department of Correctional Services has a small residential drug treatment program, which can accommodate ten inmates at a time. The United States has provided training for the corrections officers that provide drug treatment programs at the facility. In 2014, the Bahamas also initiated a long-term project with U.S. support to further professionalize all substance use treatment staff in the country through the dissemination of U.S.-developed treatment curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals.

4. Corruption

The government neither encourages nor facilitates illegal activity associated with drug trafficking. No charges of drug-related corruption were filed against government officials in 2014.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports a wide range of efforts designed to address crime and violence affecting Bahamian citizens, primarily through the Caribbean Basin Security Initiative (CBSI). CBSI is a security partnership between the United States and Caribbean nations that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice. To support the development of regional public security capacities, the United States funds RBDF participation in U.S. foreign security assistance training programs as well as maritime training programs on topics including maritime law enforcement, small boat operations, port security, engineering, and maintenance. To improve local capacities in the region, the U.S. Department of Defense and USCG provide professional exchange and training opportunities, including between the RBDF and the United States Northern Command and the Rhode Island National Guard. Additionally, subject matter expert exchanges occur in conjunction with USCG cutter visits to The Bahamas and Turks and Caicos Islands.

The United States has delivered training, technical assistance, and equipment needed by Bahamian government counterparts to combat organized and networked crime and improve civilian security in The Bahamas. For example, the United States provided 10 RBPF, RBDF, Customs, and Immigration officers with a series of advanced training opportunities on port security at the Port of Miami in February and September 2014. Training provided Bahamian law enforcement officials with best practices in countering illicit trafficking at sea ports. In addition, the United States led a plea agreement workshop for magistrates, prosecutors, and defense attorneys in July. The workshop provided justice sector professionals the opportunity to identify best practices and challenges in the use of plea bargain and agreement frameworks in The Bahamas. Participants also received a variety of materials including plea transcripts, institutional policies, case studies, and recommended standards for the plea bargaining process. The United States also supported Bahamian participation in the International Drug Enforcement Conference and other regional counterdrug training opportunities.

U.S. assistance for demand reduction has supported the Ministry of Foreign Affairs and Immigration, the Sandilands Rehabilitation Center, and nongovernmental organizations, including the Bahamas Association for Social Health – the only non-governmental organization providing comprehensive residential drug treatment and rehabilitation programs in The Bahamas.

D. Conclusion

The United States and The Bahamas enjoy a long-standing cooperative relationship against drug trafficking and transnational organized crime. The CBSI framework will continue to bolster Bahamian drug-control institutions and enhance U.S. and Bahamian law enforcement relationships.

Challenges continue to include delays in trials and in responding to extradition requests, and the lack of current, comprehensive drug use data. The United States will continue to assist Bahamian efforts to increase efficiencies in the administration of justice in The Bahamas.

Belize

A. Introduction

Belize is a major transit country for illegal drugs destined for the United States from source countries in South America. Large stretches of unpopulated jungles on the border with Guatemala and a relatively unpatrolled coastline that includes hundreds of small islands and atolls make it difficult to conduct interdictions. Remote jungles provide a hospitable environment for the growing and trafficking of cannabis. Belize is bordered by countries where the drug trade is controlled by well-organized and extremely violent drug-trafficking organizations.

According to the U.S. Drug Enforcement Administration (DEA), the trafficking routes are predominately maritime and via air. Due to Belize's unique geography, maritime vessels are able to avoid law enforcement detection by moving at night and using the hundreds of cayes (islands) to conceal their movement. Drugs are trafficked in vessels ranging from container ships to more common "go-fast" boats. For aerial transshipment, Belize's topography is well suited for remote and undetectable airstrips, where aircraft can quickly land and refuel, continuing onward to destination countries. Belize has no air defense systems and limited capabilities to monitor aircraft at night.

Despite enhanced efforts to monitor coastal waters, insufficient funds, equipment, and personnel hamper the Belize Coast Guard (BCG) and the Anti-Drug Unit (ADU). The ADU is being upgraded to a fully vetted unit with additional support from the United States. Belize's counternarcotic efforts are adversely affected by corruption, deficiencies in intelligence gathering and analysis, and an ineffective judicial sector.

B. Drug Control Accomplishment, Policies, and Trends

1. Institutional Development

The Government of Belize has implemented some successful initiatives to enhance citizen security. These include implementation of precinct policing (dividing the city into four distinct precincts and applying community policing and CompStat principles) in Belize City, continued training in community policing throughout the country, and support for neighborhood watch programs. According to the most recent available full-year statistics, the murder rate in Belize decreased by 32 percent between 2012 and 2013, and the overall major crime rate fell by 11 percent. The number of murders appeared to have increased through the first nine months of 2014, but remained well below 2012 levels.

Beginning in 2012, the United States has assisted the Government of Belize in establishing a Mobile Interdiction Team (MIT), which includes members of the country's Immigration and Nationality Department, Customs and Excise Department, and Police Department. A second team began training in October 2014. The teams' mission is to interdict drugs trafficked through the country's ports of entry. The MIT targets roads, highways, and clandestine border crossing areas throughout the border regions, and have significantly disrupted trafficking operations.

The Government of Belize readily assists in the capture and repatriation of U.S. citizen fugitives. Eleven fugitives were repatriated back to the United States via expulsion orders in 2014 and six in 2013. Although the United States and Belize have an extradition treaty, Belize's response to formal U.S. extradition requests is usually slow, due in part to limited resources in their overall criminal justice system.

Belize is one of six countries (along with Costa Rica, the Dominican Republic, France, Guatemala and the United States) that ratified the Caribbean Regional Maritime Counterdrug Agreement, which is now in force. To assist this program, the U.S. Navy provided significant training to the BCG which enabled the organization to stand up its first special operations unit modeled on the U.S. Navy SEALs.

2. Supply Reduction

Belize is not a source country for illegal drugs or precursor chemicals, but it continues to be used as a transshipment point for cocaine and precursor chemicals. Belize does produce marijuana for national and regional consumption and with U.S. assistance, Belizean authorities conduct joint eradication campaigns. Belizean and U.S. authorities have identified Belize coastal areas as rich targets for drug trafficking networks based in South America. Unfortunately, Belizean security organizations have only had minimum success in limiting these criminal endeavors. The BCG continues to receive assistance from the United States, but is unable to routinely utilize its assets due to insufficient resources.

Through the first 10 months of 2014, Belizean authorities eradicated over 100,000 cannabis plants, and seized over 54 kilograms (kg) of methamphetamine and 19 kg of cocaine.

In March, and again in October, Belizean authorities conducted a successful marijuana eradication mission with U.S. support. Using JTF-Bravo helicopters provided by the United States, the Belize authorities destroyed more than 110,000 cannabis plants, nearly twice the number that was eradicated in 2013. The street-value for these eradicated plants was conservatively estimated at \$55.5 million.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The National Drug Abuse Control Council (NDACC) is the central coordinating authority responsible for the activities of demand reduction, supply reduction, and control measures. The council had 22 employees in 2014 and a government budget of approximately \$358,000 for the 2013 and 2014 fiscal years, plus an additional \$55,000 from outside sources. This was an increase of approximately 14 percent from the previous two fiscal years. The government funds, however, are mostly limited to administrative expenses and data on the actual number of patients assisted and referred for treatment is limited. NDACC provides training and certification program for personnel specializing in drug and violence prevention, treatment, and rehabilitation. Among its staff, NDACC has 11 drug educators and six outreach case workers countrywide who conduct demand-reduction education programs in schools as well as public education campaigns during community activities.

According to U.S. analysts, marijuana is the most prevalent illegal drug in Belize and consumption appears high. Cocaine consumption also appears to be increasing. NDACC reported that marijuana and crack cocaine are the most abused illicit drugs in Belize. NDACC also reported an increase in the number of clients approaching its office for assistance and referrals for drug treatment. Methamphetamine use is virtually non-existent. Use of other synthetic drugs such as MDMA (ecstasy) has not been reported.

While Belize generally tolerates the use of cannabis, it remains a crime to use, cultivate, or sell it. NDACC reported in 2014 that while marijuana remains ubiquitous, the prevalence of inhalants and stimulants has decreased gradually.

The Organization of American States (OAS) signed a memorandum of understanding in 2014 to fund a drug treatment court in Belize. The steering committee is led by Chief Justice Benjamin.

In 2014, the Ministry of National Security appointed an eight-member committee to explore the possibility of decriminalizing marijuana in small quantities. Currently, any amount of marijuana under 60 grams is considered possession and carries a fine of up to \$25,000 and/or up to three years imprisonment. The committee is tasked to explore the possibility of instituting alternative forms of punishment for possession of certain amounts of marijuana. The committee envisions small or no penalties for small amounts of marijuana to reduce stress on the courts and prison system. The committee remains in the final stages of consultations and it aimed to have a written report to the Belizean government by early 2014, but this was still pending at the end of the year.

Belize has three operational drug rehabilitation centers. The primary facility is operated at the Belize Central Prison and run by the non-governmental Kolbe Foundation, which also manages the prison. The prison-based program, founded in 2006, is a residence program open to inmates and members of the public who are willing to work to overcome addiction. The three-month program can treat up to 120 inmates and 20 non-inmate participants.

The other rehabilitation centers are privately run, one by a religious organization and the other by a foreign business, specifically for upscale clients. Jacob's Farm, a faith-based residential center, has a capacity of up to 15 clients for up to six months. Remar Rehabilitation Center is also faith-based residential program and has a capacity for approximately 30 clients for up to six month stays.

The United States provides assistance to support demand reduction efforts throughout Belize. The Belmopan Active Youth organization received a new grant in 2014 to support efforts in drug prevention, skills training, and employment for at-risk youth. The Central America Regional Security Initiative (CARSI) also supports the Gang Resistance Education and Training (GREAT) classes in about 50 schools around the nation.

4. Corruption

The Belizean government does not, as a matter of government policy, encourage nor facilitate illicit drug production or distribution. However, insufficient resources, weak law enforcement

institutions, an ineffective judicial system, and inadequate compensation for public officials collectively provide a facilitating environment for corruption. Belize also lacks laws that specifically address narcotics-related corruption. The Prevention of Corruption Act, passed in 2000, includes measures to combat corruption related to illicit monetary gains and the misuse of public funds while holding public office. It also provides a code of conduct for civil servants. The Government of Belize did not charge anyone under this act during the reporting period.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports citizen security, law enforcement, and rule-of-law programs in Belize, mainly through CARSI. These programs seek to expand Belizean capabilities to interdict, investigate, and prosecute illegal drug trafficking and other transnational crimes, while strengthening Belize's justice sector.

The United States bolstered Belize's efforts to combat drug trafficking organizations in 2014 by providing equipment, training, and technical assistance. The United States provided funding to the International Organization of Migration (IOM) in order to implement an interconnected Personal Identification and Registration System at all Immigration Offices, and land, sea and air border posts in the country. The project has strengthened the capacity of immigration services to more efficiently oversee and protect the nation's borders. The project included the installation of a computerized information management system designed to detect and register all entries and exits of persons. With continuing U.S. support, IOM is planning a second phase for this project in 2015.

Other CARSI-funded projects, including the establishment of the Mobile Interdiction Team, and the provision of equipment and training to police, have resulted in improvements to law enforcement efforts around the country.

In addition to being a signatory to the Caribbean Regional Agreement, Belize maintains a bilateral agreement with the United States to suppress illicit drug trafficking ventures by overflying Belizean territorial sea.

D. Conclusion

Belize faces a challenging battle against the threats of illegal drugs. Reports indicate that drug trafficking and drug use are rising, and further efforts are necessary to combat drug trafficking and reduce crime. The United States will continue to assist Belize in the battle against criminal organizations by providing further training and equipment, along with support for program development. The United States encourages Belize to strengthen its public security and law enforcement institutions through more effective anti-corruption legislation, comprehensive background checks and vetting of new and existing personnel, better training, and continuing education programs. The United States is working with the UK Crown Prosecutor who serves as a Criminal Justice Advisor. The Crown Prosecutor is coordinating justice reform efforts to support prosecution, courts, and police investigations through an assertive justice system wide reform program.

Bolivia

A. Introduction

According to coca cultivation estimates from both the UN Office on Drugs and Crime (UNODC) and the Government of Bolivia, Bolivia continues to be one of the three largest cocaine producing countries in the world and is a significant transit zone for Peruvian cocaine. The Government of Bolivia reportedly intercepted considerable amounts of Peruvian-origin cocaine in 2014. Most Bolivian cocaine flows to other Latin American countries, especially Brazil, for domestic consumption or for onward transit to West Africa and Europe. The United States estimates that approximately one percent of cocaine seized and tested in the United States originates in Bolivia.

In September 2014, President Obama again determined that Bolivia “failed demonstrably” to make sufficient efforts to meet its obligations under international counternarcotics agreements. This Presidential determination was based, in part, on insufficient law enforcement efforts to disrupt and dismantle drug trafficking organizations and inadequate controls to prevent the diversion of “legal” coca cultivation to illicit cocaine production. According to the most recent available data from UNODC and the Government of Bolivia, 23,000 hectares (ha) of coca were cultivated in 2013, a nine percent decrease from 2012. Peruvian police authorities estimate that 95 percent of Peruvian cocaine paste that leaves Peru by air flows through Bolivia.

Bolivia’s National Drug Control Council (CONALTID), chaired by the Ministry of Government, is the central counternarcotics policy-making body in Bolivia. The Vice Ministry for Social Defense (VMSD) is the body with the mandate to combat drug trafficking, regulate coca production, advance coca eradication and drug prevention, and execute rehabilitation programs. The Special Counter-Narcotics Police Force (FELCN) is comprised of approximately 1,600 personnel and reports to the VMSD. The Joint Eradication Task Force conducts manual coca eradication with approximately 2,300 personnel.

Bolivian President Evo Morales remains the president of the coca growers’ federation in Cochabamba’s Chapare region (one of Bolivia’s two major coca growing regions), and Bolivia maintains a “social control” policy for illicit coca eradication in which the government usually negotiates with coca growers to obtain their consent for eradication. For the fourth consecutive year, Bolivia eradicated over 10,000 ha of coca. In 2014, despite some resistance from some coca growers in the Chapare and Yungas regions, Bolivia eradicated 11,143 ha. Bolivian government and UNODC eradication statistics indicate that coca leaf cultivation has declined steadily over the last four years, though it remains high. The Bolivian government has made little progress to prevent the diversion of “legal” coca toward illicit cocaine production.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

For several years, Morales administration officials have called for new legislation to increase the ceiling for licit coca cultivation from 12,000 to 20,000 ha. In November 2013, the Morales

government released key findings of a study funded by the European Union (EU) that estimated the number of hectares required for traditional coca consumption. The study, which the EU completed in 2010, had remained with the Bolivian government for over three years for review and revision. The released portions of the study indicate that 14,705 ha of coca cultivation are necessary for traditional use. In 2014, the Bolivian government postponed the analysis of new legislation to increase the coca cultivation ceiling until after the October presidential elections. President Morales was reelected in October to a third term, but it remains unclear whether his government will continue to lobby for the cultivation of 20,000 hectares or a smaller number as suggested by the EU study.

The Bolivian government, through the Unit for the Execution of the Fight Against Narcotics (UELICN), plans and budgets for counternarcotics operations. In 2014, UELICN executed a budget equivalent to \$38.9 million dollars. For 2015, UELICN has requested a budget of \$53 million dollars, of which \$20.4 million has already been approved by the Government of Bolivia with the remainder pending final approval.

FELCN's operations continue to focus on interdiction, money laundering cases, and law enforcement leads from counterparts in neighboring countries. Bolivia receives some counternarcotics support from the EU and continues to seek additional partners, particularly Brazil and Peru. The FELCN does not have the ability to pay informants. Colombian, Brazilian, Peruvian and other foreign nationals engage in financing, producing and exporting drugs, as well as laundering drug proceeds within Bolivia. Bolivia denies that foreign drug cartels operate in Bolivia, but acknowledges that cartel emissaries are present.

The United States, Bolivia, and Brazil began a trilateral effort in January 2012 to enable Bolivia to eradicate illegal coca more efficiently, detect the re-planting of eradicated coca, and improve the credibility of Bolivia's eradication results through satellite imagery. While the project has formally ended, Bolivia continues to use the digital equipment that the United States provided to measure coca cultivation more efficiently and accurately. The Bolivian government also uses satellite imagery purchased from Brazil to confirm eradication efforts and compare coca cultivation to previous seasons.

The United States and Bolivia are parties to an extradition treaty that entered into force in 1996 that permits the extradition of nationals for the most serious offenses, including drug trafficking. In practice, however, the treaty is not fully implemented. While Bolivia and the United States do not have a mutual legal assistance treaty, both countries request assistance through various multilateral conventions to which both countries are signatories.

2. Supply Reduction

UNODC estimated that 23,000 ha of coca were cultivated within Bolivia in 2013, a nine percent decrease from 2012. Bolivia has declared its intention to reduce net coca cultivation to 20,000 ha by 2015, as published in the 2011 – 2015 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf.

The 2011 – 2015 Strategy proposes stabilizing coca production at 12,000 ha in the Yungas region, 7,000 ha in the Chapare region, and 1,000 ha in La Paz' Caranavi region; it also envisions the publication of maps with explicitly defined borders for areas of legal cultivation. UNODC officials regularly state that 95 percent of all Chapare coca is not used for traditional consumption. The Bolivian government has not indicated whether it will revise this number in light of the EU estimate that only 14,705 ha of coca would meet demand for traditional consumption.

The FELCN reportedly achieved some successes in 2014, including the destruction of various cocaine labs in the Santa Cruz region. The FELCN reported destroying 74 cocaine hydrochloride processing labs and 5,306 rustic cocaine labs during 2014, a nine percent increase and 10 percent decrease from 2013, respectively. According to the Bolivian government, in 2014 the FELCN seized 18.3 MT of cocaine base and 4.08 MT of cocaine hydrochloride, representing a 10 percent decrease in the amount of cocaine base seized and a 258 percent increase in the amount of cocaine hydrochloride seized compared to 2013.

The FELCN arrested 3,455 individuals on narcotics-related offenses in 2014. In October, the FELCN arrested José Cristóbal Delgadillo Valencia ("Cristo"), a key figure in the drug trade between Bolivia and neighboring countries including Peru, Paraguay and Brazil. The Government of Bolivia did not provide the number of drug convictions for 2014. Corruption, interference by other branches of government, and insufficient judicial resources undermine due process and create unnecessary delays in the administration of justice. The Bolivia Office of the UN High Commissioner for Human Rights reported in March that only 23 percent of municipalities have a prosecutor; that there are only 69 public defenders nationally; and that the Institute of Forensic Investigation has only 65 experts and 54 forensic doctors.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The last U.S.-sponsored study on drug use within Bolivia, entitled "Drug Use in Bolivia 1992-2010," showed a steady increase in drug use throughout the country. A 2011 study on student drug use also showed increased consumption of marijuana, cocaine, and cocaine base.

During 2012 and 2013 the United States sponsored a UNODC-implemented school-based drug abuse prevention program targeting 100,000 students. The United States also funded four drug abuse prevention and rehabilitation projects as well as a drug education and rehabilitation program with a Bolivian youth soccer academy. UNODC continues to implement these programs using funds previously provided by the United States.

There are approximately 80 drug treatment and rehabilitation centers in Bolivia, the majority of which are private institutions funded primarily by religious organizations from the United States and Europe. The national government does not allocate funds for these types of programs. No impact evaluations have been performed in this area. Forty percent of drug treatment and rehabilitation centers in Bolivia provide outpatient services based on counseling and education.

4. Corruption

The Ministry of Anticorruption and Transparency along with the Prosecutor's Office are responsible for preventing and combating corruption. Corruption accusations were frequent and often unaddressed by an already strained judiciary in 2014. As a matter of policy, Bolivia does not encourage or facilitate illegal activity associated with drug trafficking. There were arrests and investigations of corrupt officials in 2014, but most were not related to corruption associated with drug trafficking.

FELCN is the only police unit with a polygraph program. In 2014, the program continued administering scheduled exams as well as exams based on intelligence information. All FELCN members took the polygraph test and those who did not pass were transferred out of the program.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Formal U.S. counternarcotics assistance to Bolivia ended on December 31, 2013. However, the United States recognizes that the drug trade is a global problem and, due to its recognized technical expertise, continues to receive requests for assistance from representatives of the Government of Bolivia and international organizations operating in Bolivia. To the extent that the current political environment permits, the United States will endeavor to assist international organizations such as UNODC and third party governments involved in supporting Bolivian efforts to strengthen the rule of law.

D. Conclusion

Although Bolivia's eradication program is meeting its own stated targets, the country is still the third largest producer of coca leaf. Bolivia's policy to consider 20,000 ha of coca cultivation as licit and its withdrawal from the 1961 U.N. Single Convention on Narcotic Drugs (followed by its reaccessions early in 2013 with conditions) undermined Bolivia's efforts to meet its international drug control obligations.

In line with its international commitments, Bolivia should strengthen efforts to tighten controls over the coca leaf trade in order to stem diversion to cocaine processing, achieve further net reductions in coca cultivation, and enhance law enforcement efforts to investigate and prosecute drug traffickers. Enacting new asset forfeiture legislation and other counternarcotics measures would provide Bolivian law enforcement agencies with improved tools. Bolivia should enhance cooperation with law enforcement entities from Peru, Brazil, and international law enforcement organizations to counter shipments of drugs that transit Bolivia en route from Peru to Brazil and other countries.

Bosnia and Herzegovina

Bosnia and Herzegovina is not a major producer or consumer of illegal narcotics, nor is it a producer of precursor chemicals. It is primarily a transit country, positioned between drug production and processing centers in Southwest Asia and markets in Western Europe. Drugs are trafficked through Bosnia and Herzegovina from Albania, Macedonia, Montenegro, and Croatia for storage and eventual distribution throughout Europe. Narcotics control capabilities in Bosnia and Herzegovina are limited; law enforcement and security institutions still need to develop further capacity.

Through September 2014, Bosnian and Herzegovinian police agencies reported seizing: 1.8 kilograms (kg) of heroin; 192 grams of cocaine; 11.1 kg of marijuana; 5.5 kg of other cannabis products; 11.6 kg of amphetamine-type stimulants; 61 tablets of MDMA (ecstasy); and 506 tablets of medical narcotics. Many of these seizures resulted from joint investigations between Bosnian and Herzegovinian law enforcement agencies and the Ministries of the Interior of the Republics of Serbia and Croatia.

At the state level, the State Information and Protection Agency (SIPA, an FBI-equivalent agency) is responsible for counternarcotics actions. At the entity-level, the Federation Ministry of Interior and Republika Srpska Ministry of Interior oversee entity, cantonal, and municipal law enforcement agencies engaged on drug issues. During the first nine months of 2014, authorities recorded 138 felonies related to illegal production and trade in narcotics and narcotics misuse in the country, an eight percent decrease from the previous year.

Bosnian and Herzegovinian law enforcement agencies face challenges with funding and staffing. However, they continue to work closely with the United States to develop their capacity for strategic planning and resource management in order to overcome some of these challenges.

Bosnia and Herzegovina cooperates with other international partners on drug issues. Individual European governments work with state agencies at various levels on training and institutional support. The state-level Ministry of Security works closely with the European Monitoring Centre for Drugs and Drug Addiction as well as the United Nations Office on Drugs and Crime. In November, Bosnia and Herzegovina joined the Council of Europe's Pompidou Group, which will grant the country access to a wider European-level policy forum to discuss and exchange information on drug use and trafficking problems. The United States is working with SIPA to build a relationship and increase regional operational information sharing for drug cases.

Brazil

A. Introduction

Brazil is a significant transit and destination country for cocaine. Its border with Colombia, Peru, Bolivia, and Paraguay is porous and over three times the length of the U.S. border with Mexico. The majority of cocaine transiting Brazil is destined for European markets, often via West Africa. The Brazilian drug trade is controlled by large, violent, and well-organized drug trafficking organizations operating throughout the country. Brazil suffers from a substantial and growing domestic drug consumption problem. It is the world's second-largest consumer of cocaine hydrochloride and likely the largest consumer of cocaine-based products. The Government of Brazil realizes the gravity of the country's illicit drugs challenges and is committed to combating drug trafficking, but does not have the institutional capacity to stem the flow of illegal drugs across its borders.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Government of Brazil's lead agency for combating drug trafficking is the Federal Police (DPF). After threats to strike during the World Cup, DPF agents received a 12 percent pay raise in July, and were slated to receive another three percent pay-raise in January 2015. The DPF is capable and well-paid by global standards, but tensions continue over issues of benefits and autonomy. The increase in workforce announced in 2013 has not yet taken place; the last increase was in 2012, by 500 agents. Though the DPF numbers about 12,000 agents, more are needed for effective drug control.

The National Secretariat for Drug Policy (SENAD), housed in the Ministry of Justice, is the nation's lead policymaker for reducing drug demand. It continued the implementation of programs that comprise the national Integrated Plan to Confront Crack and Other Drugs, created in 2010. Its signature campaign, "Crack: It's Possible to Beat It," focused in 2014 on the challenge of implementation in municipalities. Institutional barriers continue to hamper speedy disbursement of funding, with less than half of planned prevention and treatment programming completed to date. SENAD's goal was to spend \$1.5 billion by the end of 2014.

Brazil maintains bilateral narcotics control agreements with the United States and every country in South America, in addition to formal partnerships with the UN Office on Drugs and Crime, the Organization of American States' Inter-American Drug Abuse Commission, and INTERPOL. Brazil also has extradition and mutual legal assistance treaties with the United States which are utilized to the benefit of both countries.

2. Supply Reduction

Brazil's Strategic Border Plan, begun in 2011, is now a permanent operational program to confront drug trafficking and transnational crime, with two supporting complementary

operations. Operation Sentinela, overseen by the Ministry of Justice, is an ongoing intelligence-building effort to coordinate state, local, and federal police forces on the border. Operation Ágata, coordinated by the Ministry of Defense, is now in its eighth iteration and conducts periodic tactical missions at strategic points on the border. In May, Operation Ágata 8 mobilized 30,000 police officers in 11 states to sweep, Brazil's entire 10-country border for the second time. Forces seized 41 metric tons (MT) of drugs, with the greatest quantities interdicted on Brazil's borders with Bolivia and Paraguay, a doubling of previous Ágata totals. The Brazilian government also provided medical and dental camps for basic health services for isolated border communities.

Brazil remains a major transit route for cocaine emanating from the source countries of Bolivia, Colombia, and Peru. Cocaine product continues to be smuggled across land borders via small aircraft and trucks, as well as boats using the Amazon river system. The majority of cocaine entering Brazil is destined for the domestic market and Europe, often through West Africa via international air shipment and containerized cargo ships. On September 18 in Porto Velho, Rondonia, the DPF seized 814 kilograms (kg) of cocaine hydrochloride hidden in the wood planks of a shipping container. The container was headed for Manaus before its final destination of Madrid, Spain. The DPF reported seizing 25.6 MT of cocaine and 159.6 MT of marijuana during the entirety of 2014.

Brazil also performed marijuana eradication operations in the states of Bahia and Pernambuco and continued joint marijuana eradication operations with Paraguay. In January, the DPF launched Operation Four Elements in Pernambuco, destroying 403,000 marijuana plants with an estimated future yield of 134 MT. Synthetic drugs are present in Brazil, though combating them is of lower priority given the overwhelming cocaine problem.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

In 2014, the Institute of Scientific and Technological Communication and Information (ICICT), in coordination with the Ministry of Health and SENAD, published the "National Investigation on the Use of Crack," as required by the Integrated Plan. The ICICT presented a qualitative survey, following preliminary statistics published in 2013 that estimated there are nearly 370,000 users of cocaine-based products in Brazilian capital cities, or a usage rate of about one percent (the study did not provide an estimate of users nationwide.) The Federal University of Sao Paulo's National Institute of Policies on Alcohol and Drugs (UNIFESP INPAD) published national estimates in January in the journal *Addictive Behaviors*. It concluded that 2.2 percent of the Brazilian population used cocaine-based products in the preceding year, or about 3.2 million people. UNIFESP used World Health Organization data to arrive at the widely cited estimate that one-fifth of global cocaine users live in Brazil, the second-largest consumer population in the world, after the United States.

According to ICICT, it is difficult to study female users in Brazil, who tend to use drugs in secret. Drugs are perceived as a male activity, and as such, female users are less likely to access treatment services than male users.

Brazilian federal and state authorities actively promoted drug abuse awareness, demand reduction, and treatment programs in 2014, as required by the national Integrated Plan. Its program, “Crack: It’s Possible to Beat It,” received applications for 7,000 in-patient treatment spots. State and local police forces continue to teach the Brazilian version of DARE in public and private schools. National media campaigns run on television and billboards.

According to the ICICT survey, use of treatment and social services by cocaine users is low in Brazil. Brazil takes a holistic approach to reintegrating drug addicts into society, providing a range of services from medical care to job training. Despite the institutional and legal emphasis on awareness, demand reduction, and treatment, Brazil’s programs are not yet commensurate with the size of the addicted population.

4. Corruption

As a matter of government policy, Brazil does not encourage or facilitate illegal activity associated with drug trafficking, nor the laundering of proceeds thereof, and there has been no evidence to suggest that senior government officials are engaged in such activity.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The 2008 Memorandum of Understanding between the United States and Brazil on Narcotics Control and Law Enforcement established projects designed to enhance the capacity of Brazilian federal and state agencies to address illicit narcotics trafficking and provide drug demand reduction services. In 2014, the United States provided training support to Brazilian law enforcement on topics ranging from investigative techniques to money-laundering. The United States also provided support to non-governmental organizations creating anti-drug community coalitions targeted to vulnerable populations in four states. Cooperation has created strong relationships at the working level, furthering capacity-building in Brazil and investigations in both countries.

D. Conclusion

Brazil has institutionalized its commitment to combating drug trafficking and addressing a growing domestic consumption problem. It has increased engagement with its neighbors, especially Peru and Paraguay, and would benefit from expanded cooperation with Bolivia and Colombia.

Bulgaria

Bulgaria is strategically situated along the Balkan Route for illicit drugs and other contraband trafficked from Southwest Asia into Western Europe. International drug trafficking organizations continue to traffic cocaine, heroin, synthetic drugs, and increasingly chemical precursors through Bulgaria into consumer countries in Western Europe.

In 2014, drug trafficking organizations with ties to Africa and the Middle East continued to partner with Bulgarian organized crime networks to transport cocaine and heroin into Europe from South America. Domestic production of illegal drugs continues to be confined primarily to cannabis cultivation—which is mainly for local consumption—and synthetic drugs such as amphetamines, which are manufactured in small laboratories for both personal use and local sales.

An institutional restructuring of law enforcement services in 2013 led to several months of inactivity and generally slowed investigative work. The division of duty between the Ministry of Interior and the State Agency for National Security remained unclear into 2014, which further fragmented drug law enforcement efforts. The Customs Agency (BNCS), under the Ministry of Finance, has authority to investigate drug trafficking along Bulgaria's borders. Internal restructuring within the Agency and prioritization of taxable contraband (i.e. cigarettes) has resulted in relatively low drug seizures in recent years, but in 2014, successful interagency joint operations led to the interdiction of several hundreds of kilograms of drugs, including quantities of heroin seven times higher than what was confiscated in 2013. Authorities also continued to seize many new psychoactive substances, including popular synthetic cannabinoids.

There has not been significant research into drug addiction within Bulgaria since 2009 when authorities estimated that the country had approximately 30,000 regular drug users. Marijuana is the most widely used drug, followed by synthetic drugs and heroin. According to government statistics, while the number of regular drug users has not fluctuated much in recent years, poly-drug use has increased and presents a challenge for traditional methods of treatment.

Bulgarian law enforcement agencies continue to collaborate closely with the U.S. Drug Enforcement Administration on counternarcotics issues and investigations. An extradition treaty is in force between the United States and Bulgaria, but only a partial mutual legal assistance treaty exists as a protocol to a broader U.S.-EU agreement on the subject.

Burma

A. Introduction

Burma continues to be a major source of opium and exporter of heroin, second only to Afghanistan. Since the mid-1990s, Burma has also become a regional source for amphetamine-type stimulants (ATS). Production sites for heroin and methamphetamine are often co-located and are primarily situated along Burma's eastern borders in areas controlled by ethnic armed groups beyond the Government of Burma's immediate control. The 2014 joint Burma-UN Office of Drugs and Crime (UNODC) illicit crop survey reported that the total area under opium poppy cultivation was 57,600 hectares (ha), a decrease of .3 percent compared to 2013 (57,814 ha). In addition, UNODC estimated that during 2014 the potential production of opium decreased by 23 percent to 670 metric tons (MT) from 870 MT in 2013.

The Central Committee for Drug Abuse Control (CCDAC) continues to make efforts to eliminate the use and production of illicit drugs and enforce Burma's narcotics laws. The CCDAC expanded counternarcotics police task forces from 26 to 50 units located throughout the country; however, police officers still lack adequate training and resources. In addition, the Government of Burma faces the additional challenge of having vast swaths of its territory, particularly in drug producing areas, controlled by non-state armed groups. Counternarcotics efforts are also hampered by extremely porous borders with India, Laos, China, Bangladesh, and Thailand that continue to be exploited by traffickers.

Burma is not a significant source or transit country for drugs entering the United States. However, Burma remains a major regional source of opium, heroin, and methamphetamine, particularly for neighboring Thailand, Laos and China. The overall level of drug abuse in Burma is low compared with neighboring countries, although estimated rates of domestic drug consumption are increasing.

Counternarcotics cooperation between the United States and Burma has steadily increased since it resumed in December 2011. In September 2014, the U.S. and Burmese governments signed a letter of agreement to enhance cooperation in the fight against illicit drugs and transnational crime and, to that end, to support the development of law enforcement capacity and the rule-of-law.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Burmese government extended its 15-year counternarcotics plan to eradicate all narcotics production and trafficking, for five years until 2019. In pursuit of this goal, the CCDAC, chaired by the Minister of Home Affairs, directs all drug enforcement efforts in Burma. The primary enforcement efforts are conducted by the Drug Enforcement Division (DED) of the police force, which falls under the Ministry of Home Affairs, and its counternarcotics task forces located in major cities and along key trafficking routes. In 2014, the CCDAC restructured the DED, upgrading it from a Department to a Division, and doubled the number of its task forces to 50,

expanding its presence in high-priority areas in Rangoon and Mandalay regions and Rakhine and Shan states. While the CCDAC reports a slight increase in the number of seizures since the DED expansion, limited resources and lack of sufficient training continue to hinder the effectiveness of the DED. Staffing of the task forces is lagging, and funding has not increased proportionally with the expansion. Ongoing conflict between the government and ethnic armed groups also limits access to areas with high drug cultivation, trafficking, and use.

In consultation with civil society, the government is considering amendments to the 1993 Narcotic Drugs and Psychotropic Substances Law that would provide greater protection for drug users to seek treatment and further empower law enforcement to prosecute suspected drug traffickers.

Burma has indicated a willingness to work regionally on counternarcotics initiatives, including those coordinated through UNODC. Burma continues to cooperate with the United States and is increasing engagement with the international community. Burma has individual memoranda of understanding with China, Thailand, and South Korea, though engagement with India, Laos and Bangladesh in the fight against illegal drugs is still limited. In November 2014, Burma signed another agreement with Thailand to increase cooperation on drug suppression along the border, though the initiative will require additional resources to be effective.

Burma does not have an extradition agreement in place with the United States.

2. Supply Reduction

The 2014 joint Burma-UN Office of Drugs and Crime (UNODC) illicit crop survey reported that the total area under opium poppy cultivation was 57,600 hectares (ha), a slight decrease from 2013 (57,814 ha). In addition, UNODC estimated that during 2014 the potential production of opium decreased by 23 percent to 670 metric tons (MT) from 870 MT on 2013. According to the Burmese government, law enforcement officers destroyed 15,188 ha of opium poppies in 2014 compared to 12,288 ha in 2013, 23,584 ha in 2012 and 7,058 ha in 2011. Such government statistics cannot be independently verified. Furthermore, U.S. and UNODC reporting often reflect the fact that eradication occurs after the poppies have been harvested.

The lack of rule-of-law and ongoing conflict in the key poppy-growing regions has limited the effective implementation of comprehensive, government-run alternative development programs. The Government of Burma cites the townships of Tachileik and Monghsat in eastern Shan State as positive models where Thai government funding enabled successful projects on infrastructure development, human resource development, improved irrigation, and technical assistance to farmers. In August, the Government of Burma signed a three-year Country Program with UNODC to improve infrastructure, health, education, and crop substitution to offer sustainable economic alternatives for opium poppy farmers. Some ethnic communities are increasingly interested in alternative development options, but remain hesitant to work directly with the Government of Burma while nationwide ceasefire negotiations continue. Moreover, some ethnic militias who control drug production in their respective areas often coerce farmers into growing opium, further hindering crop substitution efforts.

While there is no reliable method to determine ATS production levels, information derived from seizure data and other sources indicate that production, consumption and trafficking of the drug is increasing in Burma. According to UNODC, ATS is manufactured primarily in Shan State and trafficked to Thailand, China, Laos, and Bangladesh. The small-scale and mobile nature of clandestine labs presents challenges to identifying and tracking synthetic drug supply chain and manufacturing.

Though under-resourced and hampered by political constraints, the CCDAC continued drug interdiction efforts during 2014. Over the first nine months of 2014, Burmese police seized over 10.34 million ATS tablets and 45 kg of crystal methamphetamine. During the same period, Burmese authorities seized approximately 1.8 MT of high-quality opium, approximately 58.21 kg of low-quality opium, and nearly 1.57 MT of opium oil. Heroin seizures totaled 220 kg. During this same period, there were 7211 drug-related arrests and 5125 cases, already more than the 7137 total arrests and 4938 total cases in all of 2013. At three drug destruction ceremonies to mark the annual International Day Against Drug Abuse on June 26, law enforcement officers destroyed stockpiles of seized opiates and synthetic drugs worth nearly \$130 million – an increase of 69 percent from \$77 million in 2013.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Drug abuse is relatively low in Burma compared with neighboring countries, though increasing incidences of injecting drugs and amphetamine use are a cause for concern in certain parts of the country. There has been a shift in Burma away from traditional opium smoking toward injecting heroin, which has contributed to Burma having one of the highest rates in the world of HIV infection attributable to intravenous drug use.

The Government of Burma maintains that there are only about 65,000 registered persons with substance use disorders in Burma. This number is unconfirmed, and other surveys conducted by UNODC and non-governmental organizations (NGOs) suggest that the user population could be as high as 300,000. NGOs and community leaders report increasing use of heroin and synthetic drugs, particularly among marginalized youth in urban areas and by workers in mining communities in ethnic minority regions. In 2014, the United States provided funding to UNODC to conduct drug user surveys throughout the country with the goal of attaining a comprehensive understanding of drug use in Burma.

Burmese demand-reduction programs require those with substance use disorders to register with the Government of Burma. Users can be imprisoned for three to five years if they fail to register and accept treatment, although NGOs report that some users are afraid to register with the government since other drug-related legislation makes it a criminal offence to use drugs. In 2014, NGOs began open conversations with the CCDAC to advocate for a victim-centered approach that protects the human rights of the drug users seeking help. Demand-reduction programs and treatment facilities are limited, although some national and international NGOs also provide limited prevention and treatment services through outreach and fixed-sites modalities.

4. Corruption

Burma ratified the UN Convention on Corruption in 2012, and enacted a corruption law in August 2013. Many inside Burma assume some senior government officials benefit financially from narcotics trafficking, but these assumptions have never been confirmed through high-level arrests, convictions, or other public revelations. Credible reports from NGOs and media claim that mid-level military officers and government officials are engaged in drug-related corruption, though no military officer above the rank of colonel has ever been charged with drug-related corruption. The Government of Burma does not, as a matter of policy, encourage or facilitate the illicit production or distribution of drugs, or the laundering of proceeds from illegal drug transactions.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

President Obama signed a national interest waiver in 2014 allowing the United States to provide counternarcotics assistance and engage the Burmese police directly. The U.S. government is increasing engagement on counternarcotics activities with the aim to increase Burmese capacity to address and combat the cultivation, trafficking, and use of drugs throughout the country. The U.S. DEA country office at U.S. Embassy Rangoon continues to share drug-related intelligence with the Government of Burma and conducts joint drug-enforcement investigations with Burmese counternarcotics authorities.

In 2014, the United States expanded Burmese participation in the U.S. International Law Enforcement Academy (ILEA) in Bangkok and supported a two-week study tour to the United States on port control in July, which addressed issues of cross-border cooperation on counternarcotics. The United States is also in the process of launching several drug demand reduction projects. In September, the U.S. and Burmese governments signed a letter of agreement to enhance cooperation in the fight against illicit drugs and transnational crime and to support the development of law enforcement capacity and the rule of law. Assistance in 2015 will include tailored training in Burma, as well as expanded programs to support drug demand reduction, supply reduction, and interdiction.

D. Conclusion

Under the leadership of the CCDAC, Burma has increased efforts to eliminate the use of illicit drugs, control production, and enforce Burma's narcotics laws. Although the expanded DED task forces, greater number of seizures and arrests, and increasing international cooperation are positive indicators, the efficacy of the country's counternarcotics efforts is hindered by limited resources and reach of the government and local law enforcement, particularly in ethnic-controlled areas in which significant production sites are located. Some ethnic groups are hesitant to engage in government-sponsored alternative development programs until a national ceasefire is negotiated, while other ethnic groups continue to engage in narcotics production and trafficking as a primary source of income. Despite its efforts, Burma faces increasing opium poppy cultivation and a growing challenge of ATS production, consumption, and export.

Burma requires legal and organizational reforms to facilitate effective criminal investigations and transparent criminal prosecutions, and needs to dedicate additional resources towards

building law enforcement capacity to investigate and effectively prosecute drug traffickers and interdict drugs. Increased cooperation and information sharing and a more victim-centered approach to demand reduction and treatments are also critical to effectively implementing reforms to reduce both drug trafficking and drug abuse. While economic development is necessary to provide an alternative to drug production, long-term efforts will also require an internal political agreement and coordination with ethnic groups. Only sustained economic development, in conjunction with legal and law enforcement reforms, international cooperation, and additional resources, will reverse decades of narcotics production and trafficking.

Cabo Verde

Cabo Verde's strategic location in the Atlantic Ocean, and its extensive, mostly unmonitored territorial waters and borders make it an important transit hub for South American cocaine moving to Europe. In 2013, the Border Police seized 5.1 kilograms (kg) of cocaine transiting the International Airport of Praia on Santiago Island. On November 5, 2014, the Cabo Verdean Judiciary Police (CVJP) seized 520 kg of cocaine on the Island of Sao Vicente destined for Europe. The CVJP arrested nine individuals involved in the case.

Consumption of illegal drugs is increasing in Cabo Verde. A 2013 study sponsored by the United Nations Office on Drugs and Crime (UNODC) revealed that approximately 7.2 percent of the population under the age of 15, and 7.6 percent of those between 15 and 64 years, have used psychoactive drugs (illicit or licit) sometime in their lifetime. Cannabis, cocaine, heroin and methamphetamine are the most commonly used drugs. Drug users, mainly youth, are largely from urban centers. Cabo Verde's national counternarcotics strategy focuses on drug interdiction, and on increasing treatment and prevention programs.

In October, the Cabo Verdean military forces joined National Police patrols in the capital city of Praia to help fight a recent increase in crime. The announcement followed the assassination of the mother of a Judiciary Police Inspector, who was directly involved in the investigation of a significant drug trafficking case.

The United States supports Cabo Verde in its fight against crime and drugs through cooperation on joint investigations and training for the country's armed forces and law enforcement institutions. The United States is funding social reintegration and rehabilitation programs and continues to assist the Cabo Verdean Financial Information Unit (UIF) in building its capacity to combat money laundering. In 2014, the United States and Cabo Verde signed a letter of agreement to reinforce bilateral cooperation in strengthening the criminal justice system. Additionally, the Community Anti-Drug Coalitions of America conducted U.S.-funded drug demand reduction training and technical assistance.

Cabo Verde does not have a mutual legal assistance treaty or extradition agreement with the United States, although Cabo Verde has acceded to relevant multilateral conventions that enable such cooperation.

Cabo Verde is also working with other international partners to strengthen its capacity to monitor the country's international waters and combat drug trafficking. In September, the Spanish Marine Corps trained future instructors of the newly established Special Operations Unit of the Cabo Verdean National Guard on special operations techniques. Brazil established a Naval Mission in Cabo Verde in November 2013, and has since been helping Cabo Verde modernize its Armed Forces, particularly the Cabo Verdean Coast Guard, by providing training to officers, pilots, and aviation mechanics.

Cambodia

Cambodia continues to face a significant and growing problem with narcotics consumption, trafficking, and production. Crackdowns on drug trafficking in Thailand and China in recent years have pushed traffickers to use alternate routes, including through Cambodia. The manufacturing, trafficking, and use of illicit narcotics within Cambodia, particularly of methamphetamine and other amphetamine-type stimulants (ATS), has escalated and cuts across socio-economic lines. Cambodia is one of three countries in the region (along with China and Vietnam) known to process safrole oil, a precursor chemical used in the production of MDMA (ecstasy). Safrole oil extraction and production continued in 2014 despite remaining illegal in Cambodia.

Transnational criminal organizations from Asia and Africa continued to target Cambodia as a transit country or final destination for illicit drugs. Large quantities of heroin and methamphetamine from Burma entered Cambodia for domestic consumption and export to regional markets. Africa-sourced methamphetamine and South American-sourced cocaine were also smuggled into the country for further shipment to countries in the Asia-Pacific region, usually under the control of African drug trafficking syndicates operating in Phnom Penh.

The Cambodian National Authority for Combating Drugs (NACD) reported that methamphetamine accounted for 80 percent of the drug use within Cambodia in 2013. Cocaine use by affluent Cambodians has also increased in recent years, and the country now appears to play a minor role as a transit zone for cocaine en route to regional markets. Heroin primarily transits Cambodia for international markets, though some leaks into domestic consumption. Marijuana continues to be widely used across all levels of society.

The NACD reported that methamphetamine was the most commonly seized drug in Cambodia in 2014. Cambodian authorities seized 26 kilograms (kg) of methamphetamine tablets during the year, compared to 17.3 kg in 2013 and 10.6 kg in 2012. Seizures of heroin (two kg) and cocaine (eight kg), however, declined in 2014, from 38.3 kg and 12.8 kg seized in 2013, respectively. Cambodian authorities also seized three kg of MDMA and 26 kg of ephedrine in 2014. Data on 2014 marijuana seizures were not available at the time of this report, but 168.5 kg were seized in 2013, up from 2.4 kg in 2012.

Cambodian cooperation with the U.S. Drug Enforcement Administration (DEA) has steadily improved in recent years and continued over 2014. The impact of U.S.-provided law enforcement training, coupled with the improved efficiency of the Cambodia Anti-Drugs Department (CADD), has resulted in substantial increases in the number of drug-related investigations, arrests, and seizures. The NACD and CADD cooperated closely with DEA, regional counterparts such as Australia, and the United Nations Office on Drugs and Crime. Cambodia does not have a mutual legal assistance treaty or extradition agreement with the United States, although Cambodia has acceded to relevant multilateral conventions that enable such cooperation.

Canada

A. Introduction

In 2014, the Canadian government continued its robust efforts to combat the production, distribution, and consumption of illicit drugs. Canada is a substantial producer of MDMA (ecstasy) for domestic use and is a significant supplier of both MDMA and marijuana to the United States. As part of its National Anti-Drug Strategy, Canada has implemented targeted initiatives to fight the trafficking of marijuana and synthetic drugs. Canada and the United States cooperate extensively in counternarcotics efforts by sharing information and conducting joint operations.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Canada's National Antidrug Strategy was launched in 2007 and encompasses prevention, treatment, and enforcement. Funding for the Strategy is approximately \$500 million over a five-year cycle spanning 2012-2017. The Government of Canada also provides additional funding for drug control activities beyond the National Anti-Drug Strategy, while provinces and territories have significant budgets related to drug prevention and treatment.

From June through August, Health Canada solicited public input on a draft regulation that would require tamper resistant properties for prescription drugs at high risk of abuse, including controlled-release oxycodone. At the end of 2014, Health Canada was reviewing the input received.

On October 27, the House Committee on Public Safety and National Security began its study of the government's "Respect for Communities Act" (C-2). The Act seeks to tighten federal site inspection powers and impose stricter criteria for supervised drug consumption sites.

Marijuana is not an approved drug or medicine in Canada, but the courts have required reasonable access to a legal source of marijuana when authorized by a physician. In March, the federal government issued new regulations to ban small-scale cultivation of marijuana and to require those with a doctor's prescription to purchase from licensed commercial producers. Medical marijuana users in British Columbia challenged the new regulations in court, citing concerns that the new system will not have the capacity to meet demand. A court injunction has allowed authorized users and producers to continue to grow medical marijuana for personal consumption pending a trial.

In March, the Minister of Justice indicated that the government would consider mechanisms, including legislation, to give police discretion to ticket for individuals in possession of small amounts of cannabis.

Canada is party to the Inter-American Convention on Mutual Legal Assistance in Criminal Matters, and the Inter-American Convention against Corruption. The Royal Canadian Mounted

Police (RCMP) is also an active member of the International Narcotics Control Board's Task Forces, which includes Project ION (International Operations on New Psychoactive Substances).

2. Supply Reduction

Cannabis cultivation and the manufacture of synthetic drugs are concentrated in British Columbia, Quebec, and Ontario. Canada is a primary source country of both high-potency marijuana and MDMA to the United States, and Canadian synthetic drugs and amphetamine-type stimulants are exported to Asia, Europe, and Australia. Canadian MDMA is increasingly being mixed with or replaced by substances that have similar effects, but are still marketed as “ecstasy.” Methamphetamine continues to be produced in large quantities. Synthetic cannabinoids are increasingly popular in Canada and are often advertised as a “legal alternative” to marijuana.

In 2014, the RCMP continued to implement the “Marihuana Grow Initiative (MGI),” which targets Canadian illicit marijuana production, and to support the “Synthetic Drug Initiative” (SDI), which involves information sharing between the RCMP and other government agencies related to synthetic drugs. Through October, the MGI centralized database listed 51 marijuana cultivation operations and 17 clandestine labs dismantled by the RCMP in 2014, mainly in British Columbia and Nova Scotia. The RCMP also participates with Canadian Armed Forces in Operation SABOT, an annual marijuana eradication operation that seized 42,051 marijuana plants in 2013 (the most recent year for which data is available).

Most cocaine available in Canada is trafficked from South America through Mexico and the United States; however, traffickers are increasing their efforts to ship cocaine directly from South America to Canada via air, parcel, and maritime conveyances.

No overall drug seizure statistics were available at the time of this report from the Canadian government for 2014.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Since 2007, Health Canada has provided approximately \$8.5m annually to projects to discourage illicit drug use among youth through the Drug Strategy Community Initiatives Fund. Health Canada is providing approximately \$71 million in 2014-15 to support First Nations and Inuit communities with addiction prevention and treatment services, and approximately \$11.6 million annually to strengthen treatment through the Drug Treatment Funding Program.

On October 20, the government announced the Preventing Drug Abuse Media Campaign, which ran until December and provided parents with the information and tools needed to talk with their teenagers about the harmful effects of prescription drug abuse and marijuana use.

Canada has seven federally-funded drug treatment courts, as well as several local drug treatment courts that work in partnership with provincial, municipal, law enforcement, judicial, and community organizations.

According to a 2012 report, the prevalence of cannabis use among Canadians aged 15 years and older was 10.2 percent in 2012, up slightly from 2011, but lower than in 2004 (14.1 percent). The prevalence in 2012 was significantly lower than in 2004 among youth aged 15 to 24 years (20.3 percent versus 37 percent). In a separate survey, 1.4 percent of secondary students reported using “synthetic marijuana” in the previous 12 months.

Past-year use of other illicit drugs such as ecstasy (0.6 percent), hallucinogens (1.1 percent) and cocaine (1.1 percent) remained largely unchanged since 2004. Past-year use of speed, methamphetamine, or heroin was not reported.

In 2012, 1.5 percent of Canadians aged 15 years and older reported they abused a psychoactive pharmaceutical, compared to 0.7 percent in 2011. The overall rate of psychoactive pharmaceutical use among Canadians aged 15 years and older rose slightly between 2012 (24.1 percent) and 2011 (22.9 percent), while the rate among youth increased from 17.6 percent in 2011 to 24.7 percent in 2012.

4. Corruption

The Government of Canada has strong anti-corruption laws and policies and holds its officials, including law enforcement personnel, to a high standard of conduct. Civil servants charged with corruption are subject to prosecution. No senior government officials are known to engage in, encourage, or facilitate illegal activity associated with drug trafficking. Corruption among law enforcement officials is rare.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States and Canada exchange forfeited assets through a bilateral asset-sharing agreement and exchange information on customs offenses through a customs mutual assistance agreement. Judicial assistance and extradition matters operate under a mutual legal assistance treaty, an extradition treaty, and related law-enforcement protocols, including the long-standing memorandum of understanding between the U.S. Drug Enforcement Administration (DEA) and RCMP by which their representatives can work directly with each other on drug-related matters.

U.S. federal, state, local, and tribal entities interact with the Canada Border Services Agency (CBSA), RCMP, provincial and local police, and other Canadian law enforcement authorities to combat illegal drugs. Bilateral cooperation is coordinated through the Cross-Border Crime Forum and other fora. Integrated teams consisting of RCMP, CBSA, and U.S. federal law enforcement authorities operate in 24 locations along the border, including four locations where Canadian and American intelligence analysts are co-located. The Border Enforcement Security Task Force (BEST) is an investigative taskforce model that incorporates personnel from numerous U.S. and Canadian agencies.

In 2014, the Integrated Cross-border Maritime Law Enforcement Operations (known as “Shiprider”) completed nine two-day surge operations on the east coast in addition to regularized operations in the Detroit/Windsor and Surrey/Bellingham regions. These operations yielded

more than 185 patrols and 322 boardings. The RCMP and U.S. Coast Guard plan (USCG) to deploy two new Shiprider teams in the Great Lakes and St. Lawrence Seaway in 2015-2016.

Canada continues to participate in the North American Maritime Security Initiative (NAMSI) with Mexico and the United States. Canada and the United States also continue to exercise a memorandum of understanding regarding the deployment of USCG law enforcement detachments on Canadian Navy ships in the Caribbean Sea and Eastern Pacific Ocean.

D. Conclusion

The United States cooperates extensively with Canada on bilateral law enforcement matters and acknowledges the strong and consistent anti-drug message from Canada's federal government.

The United States will continue to work with Canada to stem the flow of narcotics across our shared-border, and enhance regulatory frameworks to prevent access to precursor chemicals and lab equipment for criminal use.

Chile

Chile is a transit country for Andean cocaine destined primarily for Europe. Long, porous borders with Argentina, Peru and Bolivia present special challenges to its efforts to combat drug trafficking. Restrictions on inspecting Bolivian-originated shipments (pursuant to a Bolivia-Chile treaty) impede efforts to interdict shipments of illegal narcotics. Chile is not a major producer of organic or synthetic drugs.

Drug control is a priority for Chile. Chile has invested heavily in counternarcotic efforts in the north of the country through its Northern Border Plan, a four-year initiative begun in 2011 and overseen by the Ministry of Interior. The \$70 million program focuses on combatting drug and contraband smuggling along roughly 590 miles of border with Peru and Bolivia. Also in 2014, the Government of Chile began developing a national strategy to combat drug trafficking, which will include enhanced interagency cooperation (currently a significant impediment to information sharing), institutional development and international cooperation.

Operations Capricorn and Masquerade were among Chile's major counter narcotics accomplishments of 2014. Operation Capricorn, the result of a four month wiretap investigation, culminated with the arrest of eight Chilean nationals and the seizure of over 1.79 metric tons (MT) of cocaine base, 1.21 MT of marijuana, and three MT of cocaine hydrochloride (HCL cocaine). The seven-month long operation Masquerade resulted in the seizure of 1.87 MT of marijuana and 539 kilograms of cocaine base.

Despite relatively static figures in internal consumption of HCL cocaine and cocaine base, there have been significant escalations in the amounts of drugs seized and number of drug processing labs found. For example, 17 drug processing labs were raided in the Santiago Metropolitan area in 2014 compared with six in 2013. In addition to enhanced drug interdiction capacity, senior officials in the Ministry of Interior have suggested that the rise in drug seizures and processing laboratories indicates an increase in the use of Chile as a conduit country for drug exportation.

The National Service for Drug and Alcohol Prevention and Rehabilitation continued effective demand reduction and drug treatment programs in 2014.

The United States partners with Chile to strengthen the capacity of Chilean institutions to confront drug trafficking and actively collaborates in the areas of container inspection, advanced drug interdiction techniques and fighting the production and distribution of synthetic drugs. The Government of Chile also coordinates assistance, dialogue and information sharing on counternarcotics efforts with other governments in South and Central America, as well as Europe.

The United States and Chile are parties to an extradition treaty that entered into force in 1902. A new treaty is awaiting ratification in both countries. The United States and Chile do not have a mutual legal assistance treaty, but cooperate under the Inter-American Convention on Mutual Assistance in Criminal Matters.

China

A. Introduction

China is a significant destination and transit country for illicit drugs, as well as a major producer of synthetic drugs and drug precursor chemicals. According to China's National Narcotics Control Commission 2014 Annual Report on Drug Control in China, heroin is the most abused drug in China followed by synthetic drugs such as ketamine, methamphetamine, and other amphetamine-type stimulants (ATS). Ethnic Chinese criminal groups control most large-scale drug and precursor chemical criminal activities in China. In addition, there are a large and increasing number of transnational criminal organizations from Mexico, Colombia, West and East Africa, and Pakistan operating in China.

Heroin is smuggled into China from Burma, Laos, Vietnam, Afghanistan, Tajikistan, and Pakistan, for domestic consumption and also for further transshipment to lucrative markets in other parts of Asia and Australia. Methamphetamine and other ATS drugs manufactured in Burma also enter China from the "Golden Triangle" region (Burma, Laos, Thailand), and Vietnam. North Korea is also believed to be a major source of methamphetamine in China.

China is a major producer and exporter of precursor chemicals for legitimate industrial use. The exact number of chemical producers in China is unknown; however, according to Chinese authorities, there are about 400,000 chemical distributors or suppliers in China. Many large chemical factories are located near coastal cities with modern port facilities, increasing the opportunity for criminal syndicates to divert legal shipments for illegal use. Most precursor chemicals seized in Mexico and Central America for the production of methamphetamine were either smuggled or diverted en route from China. Acetic anhydride, used for the manufacture of heroin, is smuggled into Southwest Asia from China.

China is also a significant producer and exporter of methamphetamine and new psychoactive substances such as synthetic cannabinoids – known by such names as "K2," "JWH," and "spice" – and synthetic cathinones – commonly known as "bath salts."

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

China's drug control strategy, implemented by the National Narcotics Control Commission (NNCC), focuses on prevention, education, illicit crop eradication, interdiction, rehabilitation, commercial regulation, and law enforcement. The Ministry of Public Security's Narcotics Control Bureau is the primary national narcotics enforcement entity and works in conjunction with provincial public security bureau offices. The Anti-Smuggling Bureau within the General Administration of Customs is responsible for the enforcement of China's drug control laws at seaports, airports, and land border check points. China maintains bilateral counternarcotic agreements with various countries and international organizations, including the UN Office on Drugs and Crime, and participates in a variety of international drug conferences and bilateral

meetings, including the annual International Drug Enforcement Conference hosted by the U.S. Drug Enforcement Administration (DEA).

2. Supply Reduction

Official Chinese drug arrest and seizure data were not available for 2014 at the time of this report. According to the NNCC's 2014 annual drug report, in 2013, Chinese authorities investigated 150,943 drug related cases (122,000 cases in 2012) and made 168,296 drug related arrests (133,000 arrests in 2012). This national law enforcement endeavor culminated in the seizures of 4.5 metric tons (MT) of cannabis (from 4.2 MT in 2012), 8.5 MT of heroin (7.3 MT in 2012), 9.7 MT of ketamine (4.7 MT in 2012), 19.5 MT of methamphetamine (16.2 MT in 2012), and 1.5 MT of opium (0.84 MT in 2012). In addition, 5,740 MT of precursor chemicals were seized (5,824.2 MT in 2012). The report also highlights a total of 168,296 drug related arrests in 2013, an increase of 26.74 percent from 2012.

In compliance with the 1988 UN Convention, China makes use of the International Narcotic Control Board's Pre-Export Notification System (PENS) to help prevent the illicit diversion of precursor chemicals.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

According to the NNCC, opiates are still the most abused drugs in China. However, the use of marijuana and synthetic drugs such as amphetamine-type stimulants (ATS) and ketamine continues to increase.

The NNCC has an outreach program to raise awareness of the negative health effects of drug abuse and reduce the demand for drugs. By the end of 2013, the number of registered drug users in China was 2.475 million, including 1.358 million users of opiates, or 54.9 percent of all registered drug users. The number of registered synthetic drug users was 1.08 million, or 43.8 percent of all registered drug users. Of this number, 365,000 were classified as new registered drug users from the previous year.

Community-based drug rehabilitation programs developed in Yunnan province to treat drug addiction and help former addicts reintegrate into society were replicated nationwide. Centers for mandatory detoxification are managed jointly by the Ministry of Public Health and the Ministry of Justice.

4. Corruption

The Ministry of Public Security takes allegations of drug-related corruption seriously, initiating investigations when it deems appropriate. China continued its anti-graft campaign against corrupt government officials in 2014. Several communist party officials associated with drug production in Lufeng City, Guangdong province, were arrested. However, over the time of this reporting period, no senior Chinese official at the central government level is known to have facilitated the production or distribution of illicit drugs or is known to have laundered proceeds from drug-related activities.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States and China are parties to a mutual legal assistance agreement. Under the framework of the U.S.-China Joint Liaison Group on Law Enforcement Cooperation, DEA and the Narcotics Control Bureau of China are parties to a memorandum of understanding that established the Bilateral Drug Intelligence Working Group. In 2012, the White House Office of National Drug Control Policy (ONDCP) and NNCC renewed a Memorandum of Intent to enhance law enforcement cooperation, facilitate exchanges of information on drug control policies and promote education on drug treatment, rehabilitation and prevention.

D. Conclusion

Illicit trafficking of drugs, diversion of drug precursor chemicals, and other drug-related crime remain serious problems in China. Central government authorities continue to integrate China into regional and global counternarcotic efforts, and there has been progress in addressing China's domestic drug threat through enforcement and rehabilitation. China has introduced new legislation to address the diversion of precursor chemicals and has started to address the global threat of new psychoactive substances. However, China's collaborative law enforcement efforts with U.S. law enforcement officials are often hindered by cumbersome bureaucracy that limits direct access to local Chinese counterparts.

Colombia

A Introduction

Colombia remains a major source country for cocaine, heroin and marijuana. Although the Colombian government continues to fight against the production and trafficking of illicit drugs through aerial and manual eradication operations and aggressive enforcement activity, potential pure cocaine production in 2013 increased 12 percent to 190 metric tons (MT), an increase of 20 MT from 2012. This increase is attributed to higher yields in two key growing areas, Cauca and Nariño, and to increased cultivation and maturity rates in Colombia's most productive growing area, Norte de Santander. The United States estimated that the area devoted to coca cultivation remained relatively stable in 2013, increasing only three percent in 2013 to 80,500 hectares (ha) from 78,000 ha in 2012. Cultivation increased primarily in Norte de Santander and along the Pacific coast, and decreased in the center of the country. Production and cultivation estimates were not yet available for 2014 at the time of this report.

Over 90 percent of the cocaine seized by authorities in the United States and analyzed as part of the U.S. Drug Enforcement Administration's Cocaine Signature Program in 2013 was of Colombian origin, consistent with previous years.

Colombia extradited 138 fugitives to the United States in 2014, a 4.6 percent increase from 2013. The majority of extraditions were of individuals wanted for drug crimes, and 126 were Colombians, two were U.S. citizens, and 10 were third-country nationals. Colombian Ministry of Defense authorities reported seizing over 207.4 MT of cocaine and cocaine base in 2014, and eliminated tons of additional potential cocaine through the combined aerial and manual eradication of 67,234 ha of coca over the year.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

During various stages of its 50-year conflict with the Revolutionary Armed Forces of Colombia (FARC), the Colombian government has announced major initiatives to expand civilian government institutional presence and service provision into the country's most neglected rural regions, so that these cease to persist as hot spots for civil unrest, armed conflict, and all types of illegal activity, including narcotics production and trafficking. The most recent initiative, called the National Plan for Consolidation and Territorial Reconstruction, was launched in 2009 to cement the gains achieved by a vast expansion of public security under the Democratic Security Policy of 2003-2010. By most accounts, this latest attempt to project credible, functioning public institutions into ungoverned spaces – while methodologically sound – lacks the prioritization, resources, and execution that characterized the public security program that preceded it. Any irreversible transition from conflict in Colombia will require that the government draw from lessons of the past to address the structural and political impediments that prevent the full guarantee of basic constitutional rights to the seven million Colombian rural inhabitants who live below the poverty line. The preliminary agreement announced in 2013 between the Colombian government and the FARC on integrated rural development is ambitious

in terms of the scope of state presence and public investments to which it commits. Once more, Colombia's major challenge will be full and effective implementation of its well-conceived plans.

The Attorney General's Office recently adopted reforms to reduce impunity through the implementation of new investigative methodologies and criminal prosecution strategies. However, serious challenges remain to achieving an efficient and fully-resourced accusatory criminal justice system.

The 1997 U.S.-Colombian maritime bilateral agreement facilitates timely permission to board Colombian-flagged vessels in international waters and is the foundation for productive counternarcotics cooperation between the Colombian Navy (COLNAV) and the U.S. Coast Guard (USCG).

The extradition relationship between Colombia and the United States is robust and extremely productive. Since December 17, 1997, Colombia has extradited approximately 1,761 individuals to the United States.

2. Supply Reduction

In areas where Colombia allows aerial eradication, coca fields are less productive than they were when eradication operations began in the late 1990s. Nevertheless, illicit cultivation continues and is increasing in Colombia's national parks, indigenous reserves, the department of Norte de Santander, and within a 10-kilometer zone along the border with Ecuador, where Colombian law or international and regional agreements prohibit aerial eradication. In late 2014, the governments of Colombia and Ecuador implemented an agreement to reduce the border exclusion zone to 5 kilometers which permits expanded aerial eradication along the Colombian-Ecuadorian border.

Colombia aerially eradicated 55,532 ha of coca in 2014, surpassing its goal of 55,000 ha. Colombia manually eradicated 11,702 ha of coca in 2014, falling short of its goal of 14,000 ha. Numerous local level protests blocking access roads to coca fields were a major obstacle to manual eradication's ability to operate in major coca growing regions. Additionally, security concerns associated with the Ecuador-Colombia border area and in the Catatumbo region near the Venezuela-Colombia border slowed or prohibited manual eradication. Similarly, Colombia's national elections, which utilized 669 members of the Colombian National Police's (CNP) primary interdiction force, the Anti-Narcotics Directorate's (DIRAN) Jungla commando force, and a total of between 45,000 to 60,000 regular CNP officers during the three-month presidential campaign and voting period further reduced their availability for manual eradication operations, preventing the Colombian government from achieving its original annual goal.

All of the Colombian security forces, both civilian and military, continued to make drug interdiction one of their highest priorities, linking it directly to several goals: the achievement of a stable post-peace agreement environment; the extension of citizen security and rule of law throughout Colombia; and the effort to counter groups of armed insurgents that have plagued the

country for decades. This priority is reflected in the government's resource allocation, both financial and human.

The Colombian government reported seizures of over 207.4 MT of cocaine and cocaine base in 2014. Also during the year, the Colombian government seized over 301.1 MT of marijuana, and 349 kilograms (kg) of heroin. Colombian authorities also destroyed 2,149 cocaine base laboratories and 214 cocaine hydrochloride (HCl) laboratories, and in conjunction with the U.S. Coast Guard, seized one submersible and two semi-submersible vessel for transporting drugs.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

In September 2014, the Colombian Ministry of Justice and the Ministry of Health introduced a new national drug demand reduction (DDR) policy, which places a greater emphasis on education programs to prevent consumption and healthcare solutions to treat those already struggling with consumption issues. The driving factor behind this new strategy was the release of the 2013 National Consumption Study, completed with support from the United States, which showed an increase in the national drug consumption rate. The overall rate of Colombian citizens who have tried an illicit drug at least once in their life grew to 13 percent of the population, up from nine percent in 2008. While Colombia's overall consumption rate places it in an intermediate level internationally, the government has expressed growing concern with consumption, especially among school-aged youth. The Colombian government continues to focus resources on research on drug use, and in July 2014 re-launched its Observatory on Drugs, a web-based clearinghouse for studies on national and international drug use statistics, illicit crop cultivation, and international and national drug policy.

In 2013, the three principal government entities involved in DDR (Ministry of Justice, Ministry of Health, and the DIRAN) had a combined budget of approximately \$6.9 million dollars dedicated to DDR programs, bolstered by support from the United States. The Colombian government has allocated significant financial and personnel resources to these activities, including 50 additional police to support the CNP's school-based DDR programs. Additionally, the government is increasingly focusing its resources in rural areas. The Colombian Ministry of Health identified 20 high-consumption regions where it will send resources and personnel to equip and train local officials and government entities to aid them in their efforts to expand local DDR programs.

As Colombia looks towards a potential post-peace agreement period and as the Colombian government expands a host of services it provides, DDR programs will continue to grow in importance. The Colombian government continues to focus on consumption as a healthcare issue, and is bolstering its DDR capacities. Colombia is also currently leading a working group within OAS-CICAD that is exploring a wide range of alternatives to drug-related incarceration. By continuing to increase its capacity to both prevent and treat drug consumption, while lowering the numbers of those incarcerated for non-violent drug crimes, the Colombian government believes it will free up more of its law enforcement resources to combat illicit crop cultivation, drug trafficking, and other related serious crimes.

4. Corruption

The Government of Colombia does not facilitate the production or trafficking of illegal drugs, nor the laundering of proceeds. The Colombian government took a significant step to combat corruption by passing the Transparency Act, which makes virtually all information held by the government available to the public. However, narcotics-related corruption of government officials still exists. For example the Attorney General's Office is currently conducting an investigation against nine members of the Colombian military, four active duty and five retired military officials, including one retired Colonel considered the leader of a network dedicated to arms trafficking with the criminal organization formally known as "Los Urabeños," now called "Clan Úsuga."

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States provides a range of counter narcotics assistance to the CNP and Colombian military, as well as to judicial institutions that investigate and prosecute drug traffickers. The United States also supports programs designed to develop Colombia's rural policing capabilities. Additionally, Colombia participates in the annual USCG-sponsored Multilateral Counterdrug Summit, which enhances bilateral cooperation in combating maritime drug trafficking and improving prosecution of maritime trafficking cases.

The United States supports Colombian efforts to move communities out of coca-based economies by dramatically expanding the presence of the state. In transition zones where the Colombian government has only recently established minimum security, the United States works with Colombia to respond rapidly to community-identified needs, strengthen local institutions and ground level national entities, develop social capital and encourage greater civil society participation, promote land restitution and formalization, and support longer-term economic development opportunities.

At the April 2012 Summit of the Americas, President Obama and President Juan Manuel Santos announced plans to formalize coordination of Colombian and U.S. security cooperation activities in third-party countries. Through the U.S.-Colombia Action Plan on Regional Security Cooperation, Colombia's security forces are providing their expertise for countering transnational organized crime and drug trafficking to nations in Central America and the Caribbean with the assistance of the United States. In 2013, the Action Plan included 39 capacity-building activities in four Central American countries and grew in 2014 to include 152 capacity-building activities in six countries. The Action Plan for 2015 is expected to include 205 activities in the same six countries.

D. Conclusion

Colombia continues to make advances in combating the drug trade. These efforts have kept several hundred metric tons of drugs each year from reaching the United States and other markets, and have helped stabilize Colombia. Colombia is now a partner in exporting security expertise and training internationally. Although these advances are significant, the progress is not irreversible and continued U.S. support to Colombia is needed, particularly if peace negotiations with the FARC are successful and peace implementation begins. Peace negotiations

between the Colombian government and the FARC are in their second year and are strongly supported by the United States. If a peace agreement is achieved, its implementation will require the Colombian government to devote significant resources to enhance government presence, improve security, increase public services, build infrastructure, and generate additional economic opportunities in regions historically influenced by terrorist and criminal elements. A working draft of several agreed portions of the ongoing negotiations was released to the press in September 2014, including 24 pages addressing illicit narcotics. These ongoing negotiations are already having political and security implications for Colombia's counternarcotics efforts. If a final agreement is achieved, it will present new opportunities, approaches, tools, and resources for counternarcotics activities, rural security, and economic development, as well as challenges in the implementation of the peace agreement.

Costa Rica

A. Introduction

Drug traffickers take advantage of Costa Rica's strategic location, porous borders, thinly patrolled waters, and lack of a standing military to make it a major transit country for illicit drugs. Cocaine seizures increased by more than 30 percent over the first nine months of 2014 from the same period in 2013, to nearly 26 metric tons (MT). Bulk cash seizures from drug proceeds totaled \$8.6 million. The Costa Rican government continues to express concern over the increased presence of illegal drugs and related crimes, including street crime and the growing influence of Mexican and South American drug trafficking organizations.

Costa Rica has the lowest homicide rate in Central America. In 2014, the Judicial Investigative Police (OIJ) recorded 453 homicides, a 10 percent increase from 2013. Homicides dropped in 2012 to 394 from 459 in 2011, but were back on the rise in 2013; authorities blamed drug violence for the increase in the number of homicides to 407.

The Costa Rican government has steadily increased its spending on law enforcement agencies since 2002 with an average 16 percent growth per year. To help pay for these increases, it enacted a new tax on corporate entities in 2012. In 2013, the tax raised \$56 million, representing about 14 percent of the Ministry of Public Security budget. The establishment of a Border Police force and improvements to its Coast Guard are tangible examples of Costa Rica's commitment to disrupting the flow of illicit drugs. However, in 2014, due to a police force hiring freeze, only 15 percent of those officers departing will be replaced.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The former Costa Rican President Laura Chinchilla's Administration planned to increase the size of the national police force by 4,000 officers between 2010 and 2014. At the end of the Administration in 2014, and taking attrition into account, there had been a net increase of about 1,957 officers. Additional officers remain needed within the national police, coast guard, and border police forces; however, a current freeze on hiring has hindered any additional efforts to increase numbers. Costa Rica made some capital improvements in 2014 that have the potential to improve the drug interdiction capabilities of law enforcement, including boats for the Coast Guard, patrol trucks and ATVs for the National Police and Border Police, and two new helicopters for the Air Surveillance Service.

As of September 2014, plans to expand the force of Border Police officers from the current total of 250 to 400 had stalled under a hiring freeze. Assigned to the northern and southern border areas of the country, the border police have been highly successful at interdicting illegal drugs, contraband, wildlife, and illegal migrants. The Border Police plan to increase their riverine operations in 2015 with six boats designed to patrol the littoral waters.

The Costa Rican Coast Guard added faster boats and equipment in 2014, including GPS and infrared, to make night patrols more feasible. The Coast Guard also added a station near Playa Flamingo on the Pacific coast, bringing its total number of stations to eight. The Coast Guard's personnel did not expand in size similarly to the country's other law enforcement forces, and it is generally undermanned and undertrained in areas such as vessel maintenance and maritime procedures. Despite these challenges, the Coast Guard remained an effective regional partner for maritime interdiction within Costa Rican waters.

The National Assembly continued to consider a proposal to restructure the OIJ at the conclusion of 2014. Supporters claimed the proposal would streamline the agency and allow it to combat organized crime. Separately, the Ministry of Public Security proposed granting its own uniformed police investigative power over smaller crimes, which could free up OIJ resources to deal with more complex cases involving trafficking, money laundering, and corruption. The Judiciary has opposed similar proposals in the past, preferring to keep its full range of investigative authority.

2. Supply Reduction

In 2014, Costa Rican law enforcement seized 26 MT of cocaine, which represented a significant increase from the same period in 2013, when Costa Rican law enforcement seized 19.8 MT. U.S. law enforcement officials who assisted these interdiction efforts credited greater coordination with Costa Rican counterparts, better intelligence, and Costa Rica's improved ability to act on shared intelligence.

Costa Rica has historically been a regional leader in the eradication and seizure of marijuana. Although comprehensive data was not available at the time of this report for 2014, marijuana seizures appeared to have decreased significantly. Locally grown marijuana is primarily for domestic use, with a small fraction exported. Seizures of marijuana from Jamaica and Colombia are also fairly common, most of it intended for the domestic market. Drug control agencies believe that "crack" cocaine use is rising in Costa Rica, based on an increase in related incidents and addiction cases.

Synthetic drugs, for the most part, have not attracted much attention from authorities or the media. Costa Rican drug police claim to have encountered very few synthetic drugs in 2014. The government's National Plan on Drugs, Money Laundering and the Financing of Terrorism, issued for the years 2013-2017, noted the pronounced international growth in the production and trafficking of synthetic drugs and chemical precursors—but it also noted that Costa Rica has yet to see great volumes of these substances.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The production, trafficking and sale of illicit drugs remain serious criminal offenses in Costa Rica, even if laws against personal consumption are rarely enforced. In 2013, the Judiciary began a pilot program to allow those who commit minor crimes under the influence of drugs to opt for rehabilitation instead of prison. The Costa Rican Drug Institute is the government agency that oversees drug prevention programs, including publicity campaigns and materials for schools.

The Institute on Alcohol and Drug Abuse also offers treatment and prevention programs, including training for companies that seek to create their own prevention plans.

The uniformed police implement the Drug Abuse Resistance and Education (DARE) program in Costa Rican schools, reaching more than 226,000 people—mostly primary and high school students—over 2013 and 2014. In 2013, with U.S. technical support, the police also launched a pilot version of the Gang Resistance Education and Training (GREAT) program in two schools, which expanded in 2014 to a third school benefitting 800 total children.

4. Corruption

The Government of Costa Rica does not, as a matter of government policy, encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. However, the growing presence of transnational criminal organizations has made corruption a greater concern in Costa Rica. Costa Ricans perceive their police, judges, and the government in general to be widely susceptible to corruption. According to a reputable poll from September 2013, government corruption has become the problem that most worries Costa Ricans—more so than unemployment, high cost of living, drug trafficking, and citizen insecurity.

The government generally implements a 2006 law that penalizes official corruption. However, there are frequent reports of low- and mid-level corruption.

There have been high-profile scandals that reach top officials from the former Chinchilla Administration.

Under the current Solís Administration, addressing corruption has become a priority with regular reports of investigations being conducted within various ministries. The Ministry of Public Security restructured its Internal Affairs unit, increasing efficiency by digitizing its files and using software to process complaints. Meaningful reforms that would strengthen the unit to better address corruption—such as merging it with related offices to streamline operations, and making it a directorate that answers directly to the minister—are mired in legislative limbo.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports citizen security, law enforcement, and rule-of-law programs in Costa Rica, mainly through the Central American Regional Security Initiative (CARSI). These programs aim to expand Costa Rican capabilities to interdict, investigate, and prosecute illegal drug trafficking and other transnational crimes, while strengthening Costa Rica's judicial sector.

Costa Rica shares the U.S. priorities of disrupting the flow of illicit drugs and dismantling organized crime. Likewise the United States supports Costa Rican efforts to investigate and prosecute crimes more effectively, to make its borders more secure, and to increase the safety of its citizens.

The United States supports the further professionalization of Costa Rican police, including updating the academy curriculum. The Ministry of Public Security continues to implement the

COMPSTAT crime-tracking system, which has helped the police to identify problematic neighborhoods in San José. On the judicial side, the United States has supported a range of training programs for Costa Rican investigators, prosecutors, and judges, on topics ranging from corruption to money laundering to wiretaps. The United States also has donated software and computers meant to speed up backlogged case management.

Costa Rica has a maritime counterdrug bilateral agreement with the United States and supports Operation Martillo, the international naval effort to target traffickers in the Central American corridor. This support is constrained, however, by the country's lack of a standing navy and reluctance to allow other countries' naval vessels access to Costa Rican ports. Port calls by military ships are subject to legislative approval, and they are typically extremely controversial. Costa Rica's Coast Guard fulfills some of the roles that a navy would, albeit with less equipment, fewer personnel, and less training. The United States continues to support Costa Rican efforts to strengthen its Coast Guard, providing needed equipment, training, and professionalization expertise. The small force is a willing partner with still greater potential for marine interdiction of illicit drugs. Additionally, Costa Rica participates in the annual U.S. Coast Guard-sponsored Multilateral Counterdrug Summit, which enhances bilateral cooperation in combating maritime drug trafficking and improving prosecution of maritime trafficking cases.

The United States also helped to develop the training curriculum for the new Border Police, and the U.S. Army Corps of Engineers built a key checkpoint in the south, 35 kilometers north of Panama. The checkpoint is in a strategic location for monitoring traffic from Panama as well as from the Costa Rican port of Golfito, a frequent landing spot for drug traffickers. With the opening of the checkpoint in June 2014, the border police have made a record number of seizures.

D. Conclusion

Costa Rica is strengthening its own ability to combat drug trafficking, investing in key security forces for interdiction, and improving its capacity to prosecute organized crime. Yet a complex bureaucracy slows these efforts, soaking up resources, and corruption remains a nagging issue. Meanwhile cocaine enters the country at a pace difficult to estimate, organized criminal elements wield growing influence, and citizens suffer the results in their streets. Costa Rica should continue to allocate more resources to security, leveraging those resources by: 1) restructuring and professionalizing its police and judicial institutions; 2) promoting the use of advanced investigative techniques aimed at organized crime; and 3) enacting additional laws that specifically target organized crime and its proceeds. Costa Rica's law enforcement agencies need more effective institutions for addressing corruption. The government should continue to invest in marine interdiction and border security, as both the Coast Guard and Border Police have the potential to become more effective forces. Finally, Costa Rica should continue to strengthen its cooperation with regional partners, sharing experiences and forming a united front against an international threat.

Croatia

Croatia remains a transit point for illegal drugs trafficked across traditional Balkan smuggling routes. Heroin and high-quality marijuana are trafficked to points west, while precursor chemicals and synthetic drugs originating in Europe are smuggled eastward. Few illegal drugs are produced in Croatia. The availability of illicit drugs within Croatia has increased in recent years, due in part to liberalized customs controls and the increased movement of goods and people through the country due to European Union integration. Croatia continues to strengthen border controls in an effort to join the Schengen region.

Possession of certain drugs for personal use is a misdemeanor offense. Croatian officials expressed concern about the broad availability of new psychoactive substances (NPS), which remain legally available on the internet and in local shops. Croatia has initiated the drafting of legislative changes to address several such substances.

The Croatian government does not facilitate the illicit production or distribution of narcotics or launder proceeds from illegal transactions. Croatia has a well-developed institutional framework to implement preventive and educational programs. Treatment efforts include early detection, rehabilitation and social reintegration.

In 2014, the Croatian police continued to collaborate effectively with regional neighbors and law enforcement agencies in the United States and the European Union. Croatia continued to conduct joint international investigations and share intelligence. Seven-thousand, five-hundred drug-related seizures were reported through the first nine months of 2014, up from 5,352 reported during the same period the previous year. Seizures of cocaine dropped by roughly 50 percent, while seizures of marijuana, heroin, MDMA and LSD increased. The United States continues to provide technical assistance to police, customs, and the judiciary to further improve domestic capacity and regional cooperation to detect and prosecute narcotics-related crimes, corruption, and organized crime. Negotiations continue in an effort to update the 1902 extradition treaty between the United States and Croatia (as a successor state to the Kingdom of Serbia).

Cuba

Despite its location between the largest exporters of illegal drugs in the hemisphere and the U.S. market, Cuba is not a major consumer, producer, or transit point of illicit narcotics. Cuba's domestic production and consumption remain low due to active policing, strict sentencing, and nationwide prevention and educational programs. Cuba's intensive security presence and interdiction efforts have kept supply down and prevented traffickers from establishing a foothold. Cuba concentrates supply reduction efforts by preventing smuggling through territorial waters, rapidly collecting wash-ups, and conducting thorough airport searches. Cuba dedicates significant resources to prevent illegal drugs and their use from spreading, and regional traffickers typically avoid Cuba.

Cuba dedicates significant resources to prevent illegal drugs and their use from spreading. The most recent year for which seizure statistics are available is 2013, during which the Cuban government reported interdicting a total of 1.5 metric tons of illegal narcotics, 98 percent of which washed-up on Cuba's shores. Cuban customs also reported disrupting 43 smaller smuggling operations at airports, seizing a total of 30.45 kilograms (kg) of narcotics. Authorities sanctioned 628 individuals on drug-related charges, 273 of whom received sentences ranging from six to 10 years. Cuban Border Guard (TGF) continues to patrol Cuban waters and TGF notifications of maritime smuggling incidents to the United States are timely and detailed.

The Cuban government reports 36 bilateral agreements for counterdrug cooperation and 27 for policing cooperation. The U.S. Interests Section has a USCG Drug Interdiction Specialist to coordinate with Cuban law enforcement. The USCG and Cuban authorities share tactical information related to vessels transiting Cuban territorial waters suspected of trafficking and coordinate responses. Cuba also shares real-time tactical information with The Bahamas, Mexico, and Jamaica. Bilateral cooperation in 2014 led to multiple interdictions; Cuban cooperation with USCG led to the seizure of over 385 kg of marijuana and the arrest of three smugglers in an April event, as well as enabling TGF officials to recover 305 kg of jettisoned contraband in an August operation.

Cuba has demonstrated an increased willingness to apprehend and turnover U.S. fugitives and to assist in U.S. judicial proceedings by providing documentation, witnesses, and background for cases in U.S. state and federal courts. The United States and Cuba held technical discussions on counternarcotics in April 2014, during which current information on trends and enforcement procedures were shared. Enhanced communication and cooperation between the United States, international partners, and Cuba, particularly in terms of real-time information-sharing, would likely lead to increased interdictions and disruptions of illegal drug trafficking.

Democratic People's Republic of Korea (DPRK or North Korea)

Very little information was available to evaluate North Korea's drug control situation in 2014. In the absence of official documentation, information provided by DPRK refugees, defectors, and travelers to the country indicates that drug use within North Korea appears to have increased in recent years. The most widely used illicit drug appears to be methamphetamine, which is manufactured within the DPRK for domestic consumption and sales abroad.

According to unconfirmed reports, drug use is common in the northern areas of North Korea bordering China, facilitated by criminal smuggling networks operating across the DPRK-China border. Methamphetamine use is apparently widespread across multiple strata of society, including women and youth. Most methamphetamine is snorted rather than smoked or injected, and in the absence of available medicines or effective public education, some North Koreans use the drug for medicinal purposes. No information exists to determine whether demand reduction or treatment services are provided by the state, or whether additional forms of illegal drugs are consumed within the country.

There is insufficient information to determine whether DPRK state entities are currently involved in the production or trafficking of methamphetamine or other illicit drugs. Starting in the 1970s and most recently in 2004, numerous law enforcement incidents implicated DPRK officials in illicit drug sales. The absence of recent incidents could indicate reduced official involvement in drug crimes, or, alternatively, that the DPRK regime has become more adept at concealing state-sponsored trafficking. Poppy was cultivated within North Korea for medicinal use and possibly illicit export as recently as the early 2000s, but according to the best available information, these plantations have diminished or disappeared over the past decade.

In 2014, some limited drug trafficking activities were detected in countries neighboring North Korea with links to DPRK nationals, working in cooperation with local criminals. South Korean and Chinese media reported in August that a North Korean national was executed in China on charges of smuggling and selling 3.75 kilograms of DPRK-produced drugs in Northeast China. This marked the first time the Chinese government had publicly identified North Korea as a source of methamphetamine trafficked to China, and Chinese enforcement efforts against cross-border methamphetamine trafficking appeared to accelerate in 2014. There is no evidence that such trafficking was directed or controlled by DPRK state entities, and little if any effective cross-border law enforcement cooperation takes place between North Korea and its neighbors, frustrating attempts to trace drug production and trafficking routes in the region.

Dominican Republic

A. Introduction

The Dominican Republic is an important transit country for illicit drugs from South America destined for North America and Europe. The U.S. government estimates that approximately six percent of the cocaine transiting to North America and Europe transships through Hispaniola, much of it through the Dominican Republic. U.S. and Dominican analysts assess that maritime routes are the primary method of smuggling drugs into and out of the country and recent maritime interdiction operations validate this assessment. Drug trafficking organizations are using “go-fast” boats and commercial containers to smuggle drugs into and out of the Dominican Republic. The country is also experiencing an increase in narcotics-related violence, partially attributable to the practice of drug trafficking organizations paying local accomplices in narcotics rather than cash.

In order to combat the influence of drug traffickers, the Dominican Republic continued its cooperation with the United States in 2014 to interdict illicit drugs and extradite criminals charged with narcotics-related crimes. The United States works actively with the Dominican Republic to plan and conduct international operations to seize illicit drugs and dismantle criminal organizations; however, corruption continues to hamper these efforts. The Dominican government conducts outreach efforts to warn youth about the dangers of drugs.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Cooperation remains strong between the Dominican government and the U.S. government in working to combat narcotics trafficking and related transnational crime. The U.S. government’s primary partners are the National Directorate for the Control of Drugs (DNCD); the Dominican National Police (DNP); the National Council on Drugs (CND); the Office of the Attorney General; and the Dominican Armed Forces. The Dominican Specialized Corps for Port Security, working in conjunction with U.S. authorities and private port operators, heightened efforts to improve security at key ports in 2014. The participation of the Dominican government in the Cooperating Nations Information Exchange System (CNIES), the Cooperative Situational Information Integration system (CSII), the Caribbean Basin Security Initiative (CBSI), and the Central America Integration System enhanced relations with the United States and regional Caribbean partners. Dominican authorities continued joint efforts with the Haitian National Police to combat drug trafficking by increasing law enforcement cooperation and providing training.

The Dominican Republic is a party to the Inter-American Convention against Corruption. In 1985, the United States and the Dominican Republic signed an agreement on international narcotics control cooperation. The Dominican Republic signed and ratified the Caribbean Regional Maritime Agreement and maintains a bilateral agreement with the United States to suppress illicit drug trafficking that enables joint maritime law enforcement action, including the use of ship riders, territorial overflight, and permission for U.S. authorities to stop, board and

search Dominican-flagged vessels. The United States-Dominican Extradition Treaty dates from 1909 and preliminary negotiations for a new extradition treaty began in October 2014. In 2005, the Dominican Republic included judicial review in extradition matters to increase transparency. In 2012, the United States and the Dominican Republic entered into a permanent forfeited asset-sharing agreement. Through 2014, almost \$2 million in assets have been shared under this agreement.

The United States continues to receive excellent cooperation from the DNCD's Fugitive Surveillance/Apprehension Unit and other Dominican authorities. The Dominican Republic continues to be one of the most active extradition partners in the world for the United States. Although there is no formal bilateral mutual legal assistance treaty between the Dominican Republic and the United States, requests for mutual legal assistance are made through formal and informal channels related to the multilateral law enforcement cooperation treaties and conventions to which the United States and the Dominican Republic are both parties. The Dominican Republic processes formal U.S. requests for legal assistance in a timely manner.

2. Supply Reduction

Narcotics are seized throughout the country, but the majority of seizures are made through operations targeting vessels from South America. In 2014, Dominican authorities seized approximately 5.4 metric tons (MT) of cocaine and 1.2 MT of marijuana. The Dominican government also contributed to almost two tons of seizures by the United States and other partner nations of drugs destined for the Dominican Republic. The volume of seized cocaine declined from 2013 (approximately 8.6 MT) due partially to disruptions to trafficking organizations from arrests and changes in leadership in the DNCD. Marijuana is cultivated in the Dominican Republic for local consumption, and seizures are concentrated in the northwest and southwest provinces bordering Haiti.

Following successful air interdiction efforts by Dominican authorities and the dismantling of two major drug trafficking organizations in 2010, drug flights from South America to the Dominican Republic have all but disappeared and since then, there was only one confirmed drug flight in 2014. However, illicit drugs remain available for local consumption and are transshipped to the United States and Europe, primarily through maritime routes. The DNCD and Dominican military officials cooperated with the United States and international partners in planning and conducting operations to interdict "go-fast" vessels attempting to deliver illicit narcotics to remote areas of the southern coast, as well as to interdict drugs exiting the Dominican Republic in route to the United States and other international destinations. One Dominican port, Caucedo, is certified under the Container Security Initiative (CSI), a U.S. initiative to help increase security for maritime containerized cargo shipped to the United States. However, the other 15 Dominican ports, including Rio Haina, the other major Dominican port handling container traffic destined for the United States, are not CSI certified. The DNCD is attempting to increase efforts to combat contraband at the ports.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Local drug use is concentrated in tourist and major metropolitan areas, although drug use and associated violence in the larger provincial towns is not uncommon. The CND continued effective demand reduction efforts in 2014 with a wide range of sporting, cultural, and educational events and seminars designed to warn Dominican youth of the negative effects of drug use. Additionally, the CND placed numerous billboards and multimedia advertisements throughout the country warning youth against the use of illicit drugs. The CND and Ministry of Education developed the Strategic National University Plan on the Prevention and Use of Drugs, which the Organization of American States' Inter-American Drug Abuse Control Commission noted could be used by other nations as a model program. DNP continues to promote community-based policing as an effective way to deal with crime in local neighborhoods. Community policing events were well received and demonstrated a public desire for expansion of this program, prompting the DNP to develop a strategy to expand community based policing efforts.

4. Corruption

As a matter of policy, the Dominican government does not encourage or facilitate the illicit production, processing, or distribution of narcotics, psychotropic drugs, and other controlled substances, or condone money laundering activities; however, corruption remains endemic at all levels of Dominican society. The government does not implement anti-corruption laws effectively, and officials frequently engage in corrupt practices with impunity. Dominican law enforcement, military, and government officials are often accused of a range of corrupt activities including narcotics trafficking, money laundering, extrajudicial killing, and other crimes. Corruption and impunity are extensive problems in the Dominican Republic that undermine economic growth and stability. Corruption is a particularly serious challenge in key areas of human development and citizen security such as basic education and crime prevention.

To address the cross-cutting problem of corruption, the Dominican government established the multi-donor Participatory Anticorruption Initiative (IPAC), which resulted in a 30-point action plan to strengthen fiscal transparency and government accountability in key areas such as national budget execution, public procurement, and electricity service provision. Progress has been made in implementing the remaining recommendations, including the establishment of a Single Treasury Account (STA) within the Finance Ministry and the elimination of more than 2,500 individual government expenditure accounts. To ensure continued government progress in these efforts, the IPAC framework was incorporated under the Dominican Republic National Action Plan for the Open Government Partnership (OGP), presented in April 2012 at the OGP High-Level Summit in Brazil. U.S. assistance has also focused on supporting multi-year, performance-based budgeting, STA implementation, and strengthening of the public procurement system.

C. National Goals, Bilateral Cooperation, and U. S. Policy Initiatives

The United States supports a wide range of efforts designed to address crime and violence affecting Dominican citizens, primarily through the Caribbean Basin Security Initiative (CBSI). CBSI is a security partnership between the United States and Caribbean nations that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote

social justice. With CBSI funds, the United States government implements programs designed to enhance existing Dominican law enforcement capabilities by improving technical and professional abilities to conduct investigations, to enable effective prosecution, and to coordinate and participate in counter narcotics efforts with the United States and neighboring countries' law enforcement agencies. The United States is also working with Dominican officials to develop an effective anti-money laundering agency. The U.S. law enforcement community has strong relationships with its Dominican colleagues, as evidenced by the surrender to the United States in 2013 of 22 fugitives requested for extradition, and 25 such fugitives through the first 10 months of 2014.

The United States provided equipment and training to increase the capabilities of various Dominican law enforcement entities, including border agents, DNCD drug-detection canine units, and other specialized DNCD investigative and reactive units. The United States also enhanced DNCD's computer training, database expansion, and systems maintenance support. In October 2014, a new canine facility built using CBSI funds opened that will allow the Government of the Dominican Republic to train regional partners. The United States continued efforts to strengthen maritime capabilities through training in maritime law enforcement, search and rescue, port security, crisis management, and professional development for the Dominican Navy's officer and enlisted corps. In addition, the United States provided tactical training, equipment, and other assistance to both the DNCD and Dominican military involved in illicit trafficking interdiction.

The Dominican Republic also hosted the Beyond the Horizons Joint Humanitarian Civic Assistance (HCA) exercise in Barahona, which brought together forces from throughout the region to build inter-operability and communication. The United States continues to assist the DNP with its transformation into a professional, civilian-oriented organization by providing training at the entry and officer levels. Colombian National Police officers conducted 10 training courses for Dominican National Police officers under the Colombia Action Plan. Twenty courses were also approved for 2015 under this program. This trilateral initiative will provide training to 600 DNP officers per year at all levels – from basic handcuffing to advanced investigative techniques and strategic planning. U.S. assistance included the renovation of the National Police Basic Training Facility under the auspices of CBSI. In addition, the Dominican government is revising its Police Organic Law to bring about significant institutional changes to the DNP. The Dominican Republic continues to work towards passing legislative proposals related to illegal enrichment and anti-corruption by public officials. Efforts to strengthen the infrastructure of the Financial Analysis Unit remain ongoing.

The United States continues to support the Dominican Republic's efforts to establish a transparent and effective justice sector. U.S. assistance promotes justice sector reforms by strengthening Dominican government capacity to manage and prosecute complex money laundering, fraud, public corruption, and illicit trafficking cases, as well as to establish internal controls to prevent corruption. The United States works with the Offices of the Attorney General, Prosecutorial Training School, Judiciary, Public Ministry, Public Defense, Supreme Court of Justice, and Constitutional Tribunal. In partnership with the Dominican government, U.S. assistance improves service delivery at the district level by strengthening coordination between prosecutors, judges, public defenders, and the police in processing cases and resolving

obstacles to effective caseload management. As part of CBSI, U.S. assistance also strengthens Dominican civil society coalitions for citizen security and criminal justice reform, and provides technical assistance for the development and passage of a new organic law on police reform. In addition, CBSI funding was used to establish community justice houses in poor neighborhoods to increase access to legal services and alternative dispute resolution in high-crime areas. CBSI funding has also been used for crime prevention programs that help at-risk youth pursue education, vocational training, and employment.

D. Conclusion

Combating pervasive corruption, restoring public confidence in law enforcement entities and the judiciary, addressing maritime illicit narcotics smuggling, and combating rising levels of narcotics-fueled violence remain among the challenges facing the Dominican Republic. The Dominican Republic's highly successful aerial interdiction efforts since 2010 demonstrate that Dominican institutions have the capacity and will to stem the flow of drugs into the country. Similar maritime interdiction efforts will be necessary to effectively combat increasing narcotics trafficking by sea. The Dominican government must continue to improve its efforts to build a coherent, multifaceted counter narcotics program. Key to that effort will be increased domestic cooperation between the DNP, DNCD, and military units, combined with greater cooperation with law enforcement agencies in other countries in the region.

Dutch Caribbean

A. Introduction

The Dutch Caribbean consists of the six entities of the former Netherlands Antilles: Aruba, Curacao, St. Maarten, Bonaire, St. Eustatius, and Saba. In 2010, the Netherlands Antilles dissolved as a political unit: Curacao and St. Maarten acquired the same “autonomous country” status within the Kingdom of the Netherlands as Aruba, which became an autonomous entity in 1986. The three smallest islands, Bonaire, St. Eustatius and Saba (BES), became part of the country of the Netherlands in a status similar to municipalities.

Aruba, Bonaire, and Curacao (often referred to as the ABC Islands) are located 30 to 40 miles north of Venezuela and continue to serve as northbound transshipment points for cocaine originating from the Guajira Peninsula in Colombia and from the Maracaibo, Venezuela area. Cocaine is primarily transported via fishing boats and inter-coastal freighters for transshipment to the United States, other Caribbean islands, Africa, and Europe. St. Maarten, the Dutch half of the island of the same name (the French side is called Saint Martin), is located in the Eastern Caribbean and is a transshipment hub for cocaine, heroin, and marijuana destined for Puerto Rico and the U.S. Virgin Islands as well as Europe.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Aruba, Curacao, and St. Maarten have a high degree of autonomy over their internal affairs, with the right to exercise independent decision-making in a number of counternarcotics areas. The Kingdom of the Netherlands is responsible for the islands’ defense and foreign affairs, and assists the Governments of Aruba, Curacao, St. Maarten, and the BES islands in their efforts to combat narcotics trafficking through its support for the RST (Dutch acronym for “Special Police Task Force”). The RST maintains its headquarters in Curacao and has its largest presence there.

In 2012, both Curacao and St. Maarten adopted the BOP (Dutch acronym for “law on special investigative techniques”), which governs the use of techniques such as electronic surveillance and the infiltration of criminal organizations by the police on those islands. The BOP was already in effect in Aruba. No new counternarcotics programs were initiated in 2014. Although the BOP law has been authorized, local authorities are reluctant to use it to infiltrate criminal organizations because it is relatively new.

The Netherlands extended the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 1961 UN Single Convention on Narcotic Drugs, the UN Convention against Transnational Organized Crime, the 1971 UN Convention on Psychotropic Substances and the 1981 Netherlands-U.S. Mutual Legal Assistance Treaty to the former Netherlands Antilles and Aruba. Additionally, the former Netherlands Antilles and Aruba adopted the Agreement Regarding Mutual Cooperation in the Tracing, Freezing, Seizure and Forfeiture of the Proceeds and Instrumentalities of Crime and the Sharing of Forfeited Assets, which was signed by the Kingdom of the Netherlands in 1994.

Aruba

Aruba's police force, the Korps Politie Aruba (KPA), continues to evolve into a regional leader in the fight against narcotics trafficking and international criminal organizations. The KPA is at the forefront in collecting and sharing intelligence with regional law enforcement partners. Despite systemic problems of prison overcrowding and insufficient resources, the KPA continues to investigate trafficking organizations effectively. The Organized Crime Unit of the KPA conducted several successful investigations in 2014, which led to multi-kilogram (kg) cocaine and heroin seizures and the arrest of multiple subjects.

Curacao

Curacao has vastly improved its effectiveness and efficiency in addressing endemic drug-related crime, violence, and corruption. In August 2013, the Korps Politie Curacao (KPC) appointed an interim police chief who has greatly enhanced the leadership and stability of the KPC, which in turn has led to successful counter narcotics operations. Permanent candidates for this position were under review at the end of 2014. The KPC has made dramatic strides in aggressively countering the narcotics trade in Curacao. The local price per kilogram of cocaine has increased due to increased narcotics seizures in Curacao.

St. Maarten

St. Maarten is co-located on a single island with French St. Martin. This division provides unique challenges for law enforcement investigations. Colombian and Dominican-based drug-trafficking organizations (DTOs) have expanded their base of operations into St. Maarten believing that law enforcement is less prevalent than in their respective countries. However, regional law enforcement agencies have increased cooperation. In 2014, authorities successfully investigated several DTOs that were transporting hundreds of kilograms of cocaine from St. Maarten to the United States and Europe. These investigations included unprecedented cooperation from the Korps Politie St. Maarten (KPSM), RST, and French, Dutch, British and U.S. authorities. In addition, the KPSM, in cooperation with U.S. authorities, seized approximately 800 kg of cocaine arriving on commercial air carriers, 2.25 metric tons (MT) of marijuana at the Port of St. Maarten, and several hundred thousand dollars in drug proceeds and assets (including an airplane) from a Dominican and Colombian based DTO operating in St. Maarten.

Bonaire, St. Eustatius, Saba

The National Office for the Caribbean in the Netherlands Ministry of Interior Affairs and Kingdom Relations assumes the responsibilities of law enforcement, security, and other administrative functions on behalf of the Government of the Netherlands for Bonaire, St. Eustatius, and Saba islands.

2. Supply Reduction

Authorities seized approximately two MT of cocaine in the entire Dutch Caribbean in 2013 (the most recent year for which comprehensive statistics are available), considerably more than the 1.55 MT seized in 2012. This was the result of increased intelligence sharing and cooperation between law enforcement organizations.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The United States continues to support demand reduction programs with local schools and community-based youth organizations.

4. Corruption

Currently Curacao, Aruba, and St. Maarten are in discussion with the Kingdom of the Netherlands regarding the process and method for public integrity screening of high-level government officials.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The objectives of U.S. counternarcotics policy in the Dutch Caribbean are to promote counternarcotics cooperation between law enforcement and military partners, and to reduce illicit drug trafficking. The U.S. Drug Enforcement Administration works with their island counterparts to advance joint investigations, both within the Dutch Caribbean and the United States.

The Kingdom of the Netherlands supports counternarcotics efforts by continuing to support U.S. Air Force Forward Operating Locations in Curacao and Aruba. U.S. military aircraft conduct counternarcotics detection and monitoring flights over the southern Caribbean Sea. In addition, the Dutch Navy regularly conducts counternarcotics operations in the region and is a member of Joint Interagency Task Force South. In 2014, over four metric tons of cocaine were seized through operations conducted from Dutch naval assets with embarked U.S. Coast Guard law enforcement detachments.

D. Conclusion

Just a few years into their new status, Curacao and St. Maarten are still establishing counternarcotics organizational structures among their various agencies. It is imperative that both islands embrace regional cooperation and intelligence sharing efforts. Both Curaçao and St. Maarten can look to Aruba as an example of how this is accomplished.

Eastern Caribbean

A. Introduction

The seven independent countries of Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are collectively referred to in this report as the Eastern Caribbean (EC).

The region hosts abundant transshipment points for illicit narcotics primarily from Venezuela destined for North American, European, and domestic Caribbean markets. Local and international law enforcement believe traffickers are increasingly using yachts for drug transit, though “go-fast” boats, fishing trawlers, and cargo ships continue to play major transit roles. Increasingly effective interdiction efforts due to U.S.-donated patrol boats have pushed traffickers to change tactics with cocaine-laden mother ships remaining out of patrol boat range more than 50 miles off-shore while transferring smaller parcels of drugs to “go-fast” boats. Drug-related violent crime remains elevated, fueling public anxiety about citizen security. However, homicides throughout the region decreased in 2014 from the previous year. Many homicides resulted from turf wars between organized groups fighting to control drug distribution. Cannabis cultivation remains widespread.

The 2009 global financial crisis devastated EC government coffers. Six consecutive years of declining or stagnant macroeconomic growth has hollowed out EC law enforcement capacity, even when compared with the bleak situation described in past reports. Some EC governments have made improvements to previously antiquated criminal codes, collectively passing 41 criminal justice-related laws over the previous three years. Progress remains uneven, however, with three EC governments accounting for the vast majority of legislative modernization. Importantly, national leaders show little interest in addressing public concerns about corruption of elected officials or law enforcement. Few national strategic law enforcement plans exist.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

All EC countries are parties to the Inter-American Convention Against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials. All have an extradition treaty and a mutual legal assistance treaty in force with the United States. Several have become signatories to Inter-American Conventions such as the Convention Against Corruption, the Convention on Extradition, the Convention on Mutual Assistance in Criminal Matters, and the Convention Against Terrorism.

The first of two C-26A maritime patrol aircraft undergoing refurbishment is scheduled to resume operations in early 2015. These aircraft belong to the Regional Security System (RSS), an international organization to which all seven EC countries are signatories. The United States contributed \$8.25 million to refurbish these aircraft as part of the Caribbean Basin Security

Initiative (CBSI) to support counternarcotics operations and build law enforcement capacity in the region. Canada also contributed additional funds to the project.

Grenada, St. Vincent, and Antigua passed several new laws in 2014 that will facilitate the prosecution of narcotics cases, including comprehensive civil asset forfeiture laws. These laws established dedicated forfeiture funds, requiring that forfeited funds be channeled to support police, prosecutors, RSS contributions, victim restitution, and drug abuse prevention and treatment.

The Government of Dominica began establishing the first vetted counternarcotics squad in the Eastern Caribbean. The United States will partner with Dominica to provide training and equipment for the initiative, and the select unit is expected to be operational in 2015.

2. Supply Reduction

South American drug cartels use the region's many uninhabited islands to move cocaine shipments up the island chain for onward transit to North America and Europe. Cannabis cultivation predominates in the mountainous regions of St. Vincent, Grenada, and Dominica. Barbados authorities reported increased marijuana and cocaine shipments transiting from Trinidad and Tobago, though they also reported reduced drug landings due to successful maritime interdictions. Antigua and Barbuda observed an increased flow of cannabis and cocaine from Jamaica via St. Martin.

St. Vincent continues to be a primary source for cannabis cultivation in the Eastern Caribbean, with most plants being grown for exportation. The St. Vincent Drug Squad reported a surge in the transshipment of cocaine. St. Vincent also reported a trend in "men and women being sent to Venezuela for payment...as guarantors for the dealers." St. Vincent authorities also claimed that the transshipment of narcotics to and from nearby Guadeloupe increased dramatically.

In 2014, drug seizures in the Eastern Caribbean totaled 1.69 metric tons (MT) of cocaine and 376.75 MT of marijuana, according to U.S. government statistics. There were 277 drug-related arrests during the year, 234 drug-related prosecutions, and 218 convictions, according to U.S. government statistics.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Marijuana and cocaine are the most widely-used drugs in the region. Barbados has drug demand reduction programs, but has not passed a National Drug Strategy. Barbados established a Drug Court in February, but it has yet to hear a case. St. Kitts and Nevis has several successful programs, according to its officials. Grenada operates several programs through its Drug Control Secretariat. Dominica reported that its National Drug Master Plan for 2014-2017 was pending government ratification at the end of 2014. Barbados, Grenada, and St. Lucia have drug rehabilitation clinics, and Barbados has one that specifically serves youth.

4. Corruption

As a matter of policy, the region's governments do not encourage or facilitate the illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. No senior government officials in the Eastern Caribbean were prosecuted for engaging in or facilitating the illicit production or distribution of controlled drugs or laundering of proceeds from illegal drug transactions during 2014.

To this end, the United States funded the establishment of an RSS Polygraph Corps, which certified 28 polygraphists from the Eastern Caribbean during a 10-week examination course in December. The Government of Barbados volunteered its Regional Police Training facilities to host the Eastern Caribbean students, who will comprise the first polygraph corps in the Eastern Caribbean.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports a wide range of efforts designed to address crime and violence affecting Eastern Caribbean citizens, primarily through CBSI. CBSI is a security partnership between the United States and Caribbean nations that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice. The EC governments and RSS participate fully in CBSI.

All EC countries have bilateral maritime counternarcotics agreements with the United States that include provisions such as use of shipriders, pursuit, and entry into territorial seas, and ship boarding authorization.

CBSI programs strengthen the capacity of law enforcement institutions to detect, interdict, prosecute, convict, and incarcerate regional criminals. CBSI programs support information sharing networks, joint interagency operations, and regional training initiatives to promote interoperability. CBSI funding has also been used for crime prevention programs that help at-risk youth pursue education, vocational training, and employment.

D. Conclusion

The United States encourages the seven nations of the Eastern Caribbean to embrace CBSI partnership and to fulfill their budgetary commitments to sustain the RSS. The majority of EC nations now have civil asset forfeiture laws in place, and the United States further encourages those nations to pursue cases against regional drug cartels. With a cadre of certified polygraph examiners in place, the United States urges EC governments to enact new laws and policies to prevent corruption, including among law enforcement, through increased financial transparency and vetting for those personnel with access to sensitive information. The United States also urges the RSS and EC governments to increase law enforcement information sharing already permitted under currently existing protocols, especially related to ballistics and fingerprint information. EC governments should also consider further legislative modernization to reduce the delays in the court process which prevent the timely and effective prosecution of serious crimes. Plea bargains also would allow the diversion of non-violent drug users to non-custodial sentences. EC governments should allow for the use of court-ordered wire intercepts as evidence

in narcotics cases, which could partially obviate the need for eyewitness testimony and witness protection.

Ecuador

A. Introduction

Situated between two of the world's largest cocaine producing countries, Ecuador is a major transit country for illegal narcotics. Cocaine and heroin from Colombia and Peru are trafficked through porous land borders and via maritime routes for distribution to the United States and Europe. Ecuador is also a major transit country for chemical precursors to process illegal narcotics and is vulnerable to transnational organized crime due to weak public institutions, permeable borders, and corruption. Ecuador's police, military, and judiciary lack sufficient resources to confront the transnational criminal challenges they face. Elements of the Ecuadorian government remain committed to reducing the supply of drugs, although the country's top leadership places significant emphasis on demand reduction and addressing the public health aspect of the issue. Domestic drug consumption is rising and public treatment facilities are insufficient to treat Ecuador's drug addicts, a problem that will likely be compounded by Ecuador's recent decriminalization of personal use possession and consumption of limited quantities of several narcotics, hallucinogens and stimulants.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Ecuadorian government is cognizant of the detrimental effects of narcotics trafficking and transnational organized crime throughout the country. The number of arrests for drug trafficking increased in 2014; 6,449 individuals were arrested for trafficking-related crimes, compared to 2,937 in 2013. In June, a drug trafficking ring linking Peruvian traffickers to Colombian insurgents was disrupted in Guayaquil when Ecuadorian authorities intercepted a large cocaine shipment. The United States provided some logistical and operational support for Ecuadorian counternarcotics operations in 2014, but the Government of Ecuador steadily assumed greater responsibility for funding counternarcotic operations as the year progressed. The U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs closed its technical assistance office at the U.S. Embassy in Quito on September 30.

Ecuador's 2008 Constitution categorizes drug abuse as a public health problem and mandates that the government develop prevention programs and provide treatment and rehabilitation options to addicts. In December 2013, the National Assembly passed a new criminal code, which went into effect on August 10, 2014. While the new code increased penalties for most crimes, it decriminalized personal use possession and consumption of relatively small amounts of illegal drugs. The established maximums for personal use are: 10 grams of marijuana; 2 grams of cocaine base; 1 gram of cocaine hydrochloride; 0.1 grams of heroin; 0.15 grams of 3, 4-Methylenedioxyamphetamine (MDA); 0.015 grams of ecstasy, and 0.04 grams of other amphetamine-type stimulants.

Ecuador's Ministry of Interior has invested in developing technological capacities to target criminals, including the creation of a special crime laboratory in Quito. The laboratory provides

police with tools to catalog and search fingerprint records and conduct DNA tests and toxicology screening. A second laboratory is being built in Guayaquil.

The Government of Ecuador has bilateral counternarcotics agreements with many countries in the region, including the United States. The United States and Ecuador have agreements on measures to prevent the diversion of chemical substances, on the sharing of information for currency transactions over \$10,000, migrant smuggling and human trafficking, and a customs mutual assistance agreement. The U.S. Coast Guard and Ecuadorian maritime authorities also exercise Maritime Operational Procedures to coordinate the boarding of Ecuadorian-flagged vessels in international waters. This agreement was suspended from March to August by the Ecuadorian government, but was reactivated in August.

The United States and Ecuador are parties to an extradition treaty that entered into force in 1873 and a supplementary treaty that entered into force in 1941. However, Ecuador's constitution prohibits the extradition of Ecuadorian citizens. The United States and Ecuador do not have a mutual legal assistance treaty, but occasionally cooperate under the Inter-American Convention on Mutual Assistance in Criminal Matters.

2. Supply Reduction

Ecuador remains a major transit country for cocaine shipments via air, land, and maritime routes, and heroin shipments via air and mail. Drug traffickers use various methods to move shipments, including containerized cargo ships, small fishing boats, self-propelled semi-submersible and fully-submersible submarines, "go-fast" boats, aircraft, human couriers, and mail. Transnational criminal organizations operating in Ecuador include Los Zetas, the Sinaloa and Gulf cartels, and the Revolutionary Armed Forces of Colombia (FARC). Mexican cartels increasingly use private aircraft and clandestine runways to transport money into Ecuador and cocaine to Mexico and Central America.

In 2014, Ecuador's counternarcotics activities focused on the interdiction of land-based cocaine. Due to the porous northern border with Colombia, Ecuador continues to carry out military patrols in an effort to shut down cross-border trafficking operations. Between January and April 2014, these patrols disrupted five drug processing plants and multiple bases of operation. The military also seized significant stockpiles of weaponry (including firearms, explosives, and anti-armor rockets).

Ecuador has made noteworthy improvements in surveillance capabilities along that border. Video monitoring is used at strategic smuggling chokepoints in Esmeraldas, Lago Agrio, Ibarra, and Tulcan.

Official police statistics indicate that cocaine seizures may have increased in 2014. Cocaine seizures in 2014 (including cocaine base) totaled 43.7 metric tons (MT), exceeding the 42.4 MT seized in 2013. During this same period, police seized 180.6 kilograms (kg) of heroin (compared with 123 kg in 2013) and 8.48 MT of marijuana (compared with 8.3 MT in 2013). Ecuadorian police statistics include seizures based on Ecuadorian intelligence from vessels that had already departed Ecuadorian ports.

Maritime seizures remained low due in part to the Ecuadorian Navy's lack of resources. The U.S. Coast Guard interdicted multiple Ecuadorian ships off the coast of Central America found to be carrying narcotics bound for U.S. markets. After a nearly five-month suspension of bilateral Maritime Operational Procedures between March and August, Ecuador resumed cooperation linked to its commitments under the UN Convention on the Law of the Sea. U.S. Navy and U.S. Coast Guard assets continued to conduct counternarcotics patrols and boarding operations in international waters off the coast of Ecuador.

Drug traffickers used containerized cargo and shipping containers to smuggle drugs out of Ecuador at an increased rate, often concealing drugs in licit cargo. The Port of Guayaquil is a major South American transshipment hub for cocaine concealed in containerized cargo to Europe. In June, the Ecuadorian government arrested seven Ecuadorians with ties to Colombian insurgents during a drug seizure operation in Guayaquil. Meanwhile, traffickers continue to smuggle precursor chemicals (including ether) from Ecuador to Colombia and Peru for cocaine processing.

The 2014 United Nations Office on Drugs and Crime (UNODC) World Drug Report found no significant coca cultivation in Ecuador. Ecuadorian authorities have detected small scale coca and poppy cultivation along the northern border. The police or military immediately eradicate coca or poppy plants when discovered, although nearly all poppy plants are wild and not cultivated for heroin production. In 2014, the government eradicated 2,337,205 poppy plants, and 517 cannabis plants.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Ecuador has a mounting domestic drug abuse problem. UNODC carries out demand reduction and drug prevention programs in Ecuador, with funding from the United States and other international donors. According to UNODC data, the average age of first-time drug users in Quito and Guayaquil rose from 13.7 in 2010 to 14.3 in 2014. All drug offenders are entitled to drug treatment under the Ecuadorian Constitution, but there is a lack of adequate resources and facilities to treat addicts. As of December 2013, there were 15 publicly-funded outpatient drug treatment facilities and no public inpatient drug treatment facilities in Ecuador. Other drug treatment options, such as the 198 private facilities that provide drug treatment alternatives, are often cost-prohibitive.

Coordination of abuse prevention programs is the responsibility of CONSEP, the government agency responsible for developing and implementing drug control policies in Ecuador. In 2014, CONSEP refocused its anti-drug campaigns to target youth. In July, it launched the "Preventative Revolution" in Guayas Province. This student-based initiative is seen as a test case for a national preventative campaign. Due to the recent decriminalization of drug consumption in Ecuador, however, the Government of Ecuador is debating the future role of CONSEP.

4. Corruption

As a matter of policy, the Ecuadorian government does not encourage or facilitate the illicit production or distribution of narcotic or other controlled substances, or the laundering of proceeds from illegal drug transactions. Ecuador's 2014 penal code (in effect since August) increases penalties for government officials who impede prosecution of drug traffickers and includes a strengthened definition of conspiracy.

Narcotics-related corruption remains a problem within the public security forces. In September 2014, five police officers were arrested for running an international drug smuggling ring. In October, authorities arrested 13 officers who were involved in human trafficking and drug-related crimes. The case led to an internal investigation and resulted in the dismissal of 206 officials who are now facing charges of facilitating drug trafficking and conspiracy.

Several government entities are responsible for receiving and investigating corruption complaints, but resource constraints and, in some cases, political pressure generally lead to a lack of prosecution.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Before 2014, the primary focus of U.S. government assistance and training was to enhance the capabilities and resources of Ecuador's police, military, and judicial agencies, enabling them to combat transnational criminal organizations involved in narcotics trafficking and money laundering. These coordinated operations resulted in sustained damages to drug trafficking rings, and helped strengthen Ecuador's sovereignty and national security.

The Ecuadorian government's closure of the U.S. Embassy's Office of Security Cooperation in April reduced bilateral collaboration in counternarcotics. Despite this setback, the United States continues to support Ecuador's security forces in limited ways. Ecuador participates in the annual U.S. Coast Guard-sponsored Multilateral Counterdrug Summit, which enhances bilateral cooperation in combating maritime drug trafficking and improving prosecution of maritime trafficking cases.

In 2014, the United States supported prevention programs in coordination with Ecuador's Ministry of Interior, Ministry of Education, CONSEP, the International Organization for Migration, and other governmental entities that address drug abuse awareness.

Ecuador is making efforts to improve cross border counternarcotics cooperation with Colombia and Peru. Ecuador and Colombia successfully coordinated counternarcotics operations in 2014, and Ecuador increased maritime information sharing with both Colombia and Peru. But more work is needed to advance intelligence sharing. The United States will continue to work with Ecuadorian police and security officials to increase their interdiction capacity at sea and in port facilities.

D. Conclusion

The United States supports Ecuador's counternarcotics efforts and strongly encourages Ecuador to place a high priority on the interdiction of illicit drugs and the diversion of chemical

precursors, both on land and at sea. Given the sharp decrease in U.S. assistance, additional funds will be needed to meet the growing challenges of narcotics trafficking. The Ecuadorian government should make efforts to augment the capacity of the police and military through the acquisition of interdiction equipment and additional training for these organizations.

While the implementation of Ecuador's new penal code provides new tools to law enforcement personnel to conduct surveillance and operations, the lack of investigative training hinders Ecuador's ability to successfully prosecute transnational crime. Ecuador needs to provide sufficient resources to implement the changes in their legal system if it is to increase interdiction, investigation, and prosecution of transnational crime.

Egypt

While Egypt is not a major producer or supplier of narcotics or precursor chemicals, there is significant consumption of hashish and tramadol within the country. Egypt also serves as a transit point for transnational shipments of narcotics from Africa to Europe due to its sparsely populated borders and the high quantity of shipping through the Suez Canal. Cannabis is also smuggled into the country, primarily from Morocco and Afghanistan, and some is cultivated domestically as well. The Government of Egypt does not encourage or facilitate illicit production or distribution of narcotic drugs or other controlled substances, nor does it encourage the laundering of proceeds from illegal transactions. Egypt has strict laws and penalties for officials convicted of involvement in narcotics trafficking activities.

The Anti-Narcotics General Administration (ANGA), an agency within the Ministry of Interior, oversees counternarcotics operations and cooperates with the U.S. Drug Enforcement Administration (DEA) to identify, detect, disrupt, and dismantle national and international drug trafficking organizations operating in Egypt and regionally. While ANGA works on a limited budget, updates to its operating equipment occur on a systematic basis. Cooperation between ANGA, the Egyptian Armed Forces' Special Forces, and Border Guards units remains good, including on large-scale anti-drug campaigns.

In 2014, ANGA resumed its scheduled and routine eradication campaigns targeting cannabis and poppy cultivation sites, primarily in the Sinai Peninsula. 2014 saw a slight increase in the amount of cocaine coming from South America seized at Cairo International Airport. This increase was likely due to a recent overall increase in cocaine trafficking through the region. In another recent trend, ANGA seized dozens of kilograms of heroin at Port Nuweiba in the Sinai, and it continues to seize large quantities of marijuana and psychotropic pills throughout Egypt.

Egypt oversees the import and export of all internationally-recognized chemicals through a committee composed of the Ministry of Interior (ANGA), Ministry of Finance (Customs), and Ministry of Health (Pharmaceutical). This committee approves or denies requests to import or export chemicals. Over the past few years, there was a spike in the importation of ephedrine, which is used in the legitimate production of cold and flu medicine but is also a precursor for methamphetamine. Based on the large amount being imported and comparing it to the population of Egypt, it is unlikely that all imported ephedrine is used for legitimate medicinal production. The Egyptian government, however, has stated that it has no reports indicating a large-scale diversion of ephedrine or other chemicals, and it has not made any significant seizures.

A U.S.-Egyptian mutual legal assistance treaty has been in force since 2001, and extradition between the two countries is governed in principle by an 1875 convention, though Egyptian cooperation under these instruments has been limited.

El Salvador

A. Introduction

El Salvador is a major transit country for illegal drugs headed to the United States from source countries in South America. The United States government estimated that approximately 83 percent of the cocaine trafficked to the United States in the first half of 2014 first transited through the Mexico/Central America corridor. Of this amount, nearly 80 percent stops first in Central America before onward shipment to Mexico. Salvadoran criminal networks provide protection for drugs and other contraband transiting the country. Traffickers in El Salvador use “go-fast” boats and commercial vessels to smuggle illegal drugs along the country’s coastline. The Pan-American Highway is the primary land route, with traffickers using buses and tractor-trailers to smuggle shipments. El Salvador was identified as a major transit country for the fourth year in a row in the President’s 2014 report to Congress on Major Illicit Drug Producing and Drug Transit Countries.

The government of President Salvador Sanchez Ceren, which was inaugurated on June 1, 2014, has continued to maintain El Salvador’s historic partnership with the United States on counternarcotics activities. The U.S.-El Salvador Partnership for Growth (PFG) initiative and the Central America Regional Security Initiative (CARSI) include various programs to improve the security situation in El Salvador, such as enhancing law enforcement, promoting judicial reform, reducing prison overcrowding, cooperation on extradition, and discouraging at-risk youth from engaging in criminal activity. Despite this commitment to shared counternarcotics objectives, Salvadoran law enforcement agencies lack sufficient personnel, training, and equipment to effectively manage the country’s borders and interdict drug shipments. There continues to be a lack of accurate information on the severity of drug trafficking and use in El Salvador.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Anti-Narcotics Division (DAN) of the National Civilian Police (PNC) is the primary agency responsible for combating drug-related crimes throughout El Salvador. The vetted counternarcotics unit (GEAN) within the DAN is responsible for conducting sensitive counternarcotics investigations. By 2013, the GEAN had transitioned from a non-vetted unit to a fully vetted unit comprised of 13. The DAN and the U.S. Drug Enforcement Administration have worked together to incorporate experienced drug crime investigators into the GEAN, increasing the unit’s effectiveness and enabling it to develop investigations that target larger criminal organizations.

The Government of El Salvador did not advance as quickly as hoped with reforms to its correctional institutions in 2014. The Central National Prison Directorate (DGCP) continues to grapple with overcrowding in prisons and pre-trial detention cells (“bartolinas”), which were still operating at 330 percent of their designed capacity at the end of 2014. The DGCP reported that nearly 40 percent of incarcerated inmates (across 19 major prisons, four youth detention centers,

and approximately 70 bartolinas) were involved with or connected to gangs. With U.S. assistance, the DGCP and PNC have continued to remodel bartolinas in order to increase space available and provide more humane and secure facilities. The United States continues to assist the DGCP to expand the “Yo Cambio” program, under which inmates are given a two-day sentence reduction for each full day of labor performed on community service projects along with \$50 a month from the Salvadoran Government. Bartolina projects tripled the size of the “Yo Cambio” program in 2014, with plans for further expansion in 2015. Two new bartolina reconstruction projects were underway at the end of 2014. All of the approximately 200 low-risk inmates involved in the U.S.-backed Yo Cambio program have obtained vocational skills. The recidivism rate for participants in the program is very low.

However, the Government of El Salvador has failed to implement other key programs to address prison security or human rights concerns such as significant overcrowding. In spite of U.S. support, the DGCP has slowed implementation of a comprehensive prison classification system that would allow alternatives to detention for those accused of minor crimes. The DGCP has also failed to put policies in place to effectively diminish the flow of illegal contraband currently entering prisons or to address a variety of incarceration issues that allow these criminal organizations to control their country-wide operations from within the prisons. For example, the Government of El Salvador has failed to utilize 27 U.S.-funded hardened prison cells with cell phone blocking capabilities in the Zacatecaluca prison. Use of those cells could limit the level of control that criminal leaders exercise over their organizations.

The United States has collaborated with El Salvador since 2010 to establish and maintain a National Electronic Monitoring Center, which began operations in June 2012. The center allows Salvadoran law enforcement authorities with judicial warrants to intercept electronic communications to support investigations of drug trafficking organizations.

El Salvador is party to the Central American Convention for the Prevention of Money Laundering Related to Drug-Trafficking and Similar Crimes, the Inter-American Convention against Corruption, the Inter-American Convention on Extradition, and the Inter-American Convention on Mutual Assistance in Criminal Matters.

Despite a commitment by El Salvador under the Partnership For Growth to promote extraditions as a tool for combating crime, El Salvador has extradited only three fugitives to the United States since the 1911 extradition treaty entered into force, none of whom were requested for prosecution on drug trafficking offenses. El Salvador signed an agreement with the United States in 2000 to permit access and the use of facilities at the international airport of El Salvador in Comalapa to conduct aerial counternarcotic activities. The agreement was renewed for an additional five-year term in August 2014.

A Joint Interagency Task Force “Grupo Conjunto Cuscatlán” (GCC) was established in 2012 to better integrate the PNC, customs and port authorities, and local military in efforts to combat transnational organized crime. The goal is to improve interagency cooperation and provide a quick reaction team to combat criminal activity throughout El Salvador.

2. Supply Reduction

In 2014, Salvadoran authorities seized 1066 kilograms (kg) of cocaine; 13 kg of heroin; 1271 kg of marijuana; \$617,197 in US currency; and arrested 77 suspected traffickers. Authorities seized approximately \$2.5 million in assets related to illicit activities, including drug trafficking.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Drug use among Salvadorans is a growing concern, particularly among youth. The government has not kept reliable statistics for illegal consumption since 2012. The PNC operates the Gang Resistance Education and Training (GREAT) program in targeted schools. In 2014, the United States trained and certified 46 PNC officers as full-time GREAT instructors, enabling 18,000 at-risk youth to complete the training. The El Salvador-based training program has certified over 485 regional officers and trained more than 100,000 at-risk youth in Central America. In 2014, the United States partnered with the PNC to expand the Model Precinct Program into new PNC sub-stations serving approximately three million Salvadorans for citizen security and prevention. PNC officers are now being trained and equipped to implement best practices in effective crime prevention and community policing. In 2014, the United States also helped strengthen the effectiveness of criminal justice procedures and practices by training 982 justice sector personnel; providing technical assistance to increase coordination between justice sector agents and institutions; providing training on the Code of Criminal Procedures; improving criminal investigations using scientific evidence; and building the capacity of the police and prosecutor's offices.

In cooperation with the Organization of American States' Inter-American Drug Abuse Control Commission, the United States provides drug demand reduction assistance through treatment and prevention instruction for service professionals. This outreach includes specialized approaches to reach at-risk youth and people with substance use disorders.

4. Corruption

As a matter of policy, the Government of El Salvador does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. However, corruption within the Salvadoran political system remains a serious problem. The United States continues to utilize U.S.-trained Colombian polygraphists via the trilateral International Cooperation Division (ICD) to assist the Government of El Salvador with anti-corruption efforts. Colombian polygraphists completed 122 exams in 2014 to include PNC investigative units, DAN, GCC, Attorney General Staff, and the new Transit Crimes Task Force Unit. The United States helped expand the PNC/DAN canine units by training dogs and their handlers and purchasing dogs via the ICD agreement to expand canine unit capabilities and strengthen border and port security.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports citizen security, law enforcement, and rule-of-law programs in El Salvador, mainly through the Central America Regional Security Initiative (CARSI). These programs aim to expand Salvadoran capabilities to interdict, investigate, and prosecute illegal

drug trafficking and other transnational crimes, as well as strengthen El Salvador's justice sector. Through CARSI, the United States trains and equips the PNC to perform anti-gang law enforcement. The United States also supports community policing in El Salvador with equipment, vehicles, training, communications, and social and economic programs. The United States provided Salvadoran law enforcement the ability to use eTrace (an internet based tracking system) to trace all firearms used in criminal activity, identify firearms traffickers, and further support violent firearm crime investigations and prosecutions.

The Government of El Salvador is a committed partner with the United States to combat organized criminal organizations and strengthen institutional capabilities to investigate, sanction, and prevent corruption.

In 2014, U.S. assistance focused on enhancing the operational capacity of Salvadoran law enforcement agencies to interdict drug shipments and combat money laundering and public corruption. Assistance also promoted transparency, efficiency, and institutional respect for human and civil rights within law enforcement and the criminal justice system. The U.S. supported efforts to combat transnational criminal organizations, particularly the Mara Salvatrucha (MS13) and the 18th Street Gangs, while developing and implementing integrated initiatives to disrupt criminal activity, including drug trafficking. U.S. assistance included specialized training for 218 Central American officers in intelligence-led policing, as well as basic and advanced community policing. The GCC utilizes three helicopters and six boats donated by the United States. The United States will continue to assist the Government of El Salvador to interdict illicit traffic utilizing maritime surface assets.

In November 2013, the Legislative Assembly approved an asset forfeiture law. The United States will continue to coordinate with El Salvador to implement the law through training for judges, prosecutors, national police, and the asset forfeiture program's governing organization (CONAB). El Salvador's Attorney General has established an asset forfeiture investigative team and currently has 32 pending cases ready to initiate. The government has not yet established a permanent asset forfeiture court. An anti-money laundering reform was also passed by the Legislative Assembly in August.

D. Conclusion

El Salvador strengthened its capacity to combat illegal drug trafficking in 2014. The PNC's wiretapping unit is functional and showing positive results. El Salvador still faces formidable challenges, and must take steps to promote sustainable and effective law enforcement institutions.

The successes of 2014 can only be sustained if the Government of El Salvador demonstrates increased leadership on crime prevention, security, and rule of law. Future steps should include providing additional manpower, resources, and equipment to the PNC, as well as ensuring adequate pay as a key element to minimizing the risk of corruption. Security and justice sector officials must be held accountable for their performance and hiring and promotion must be based on merit. El Salvador's correctional institutions require significant management reforms to expand their capacity. Aggressive oversight is necessary to manage prison security, in order to

ensure that criminal organizations are not run from within the country's prisons. Efforts must also be made to improve interdiction operations, especially land interdiction of drugs, cash, and other contraband such as firearms, ammunition, explosives, and munitions transported via the Pan American Highway.

The Government of El Salvador understands that enhancing citizen security is essential for promoting the country's economic growth. Among other initiatives to address insecurity, the United States anticipates that El Salvador will continue to work closely with the United States to discourage unaccompanied children taking dangerous risks to illegally immigrate into the United States.

Georgia

Georgia is a transit and destination country for illicit drugs produced in other countries. The highlight of Georgia's counternarcotics efforts in 2014 was the seizure in July of 2.7 metric tons of liquid heroin near the Port of Batumi, believed to be the largest overland heroin seizure in history. The most significant drug trafficking route runs from Afghanistan and Iran through Azerbaijan or Armenia to Georgia, then to destinations in Western Europe, Turkey, and Russia.

In 2014, the United States continued to strengthen counternarcotics institutional capacity through operational and training efforts for both law enforcement officers and prosecutors. Specific assistance included further development of the Counternarcotics Division of the Central Criminal Police through training at the U.S. Drug Enforcement Administration's (DEA) Academy in Quantico. U.S. assistance also included multiple training courses for Georgian police, investigators and prosecutors to develop capacities for drug investigations, and the creation of an interagency counternarcotics canine unit at the Tbilisi International Airport.

Georgia finalized its National Drug Strategy and Action Plan for 2014-2015 in December, 2013. The goal of the strategy is to reduce medical, social and economic harm caused by illicit drug trafficking by focusing on reducing demand and harm, reducing supply, improving coordination and international cooperation and improving monitoring of the drug situation in Georgia. Georgia is establishing a National Drug Monitoring Center, which should be operational in 2015.

In terms of countering illegal drug use and importing narcotics, Georgia implemented extensive legislative amendments to existing drug-related laws and enacted a new law on psychotropic substances which came into force in May 2014. Georgia significantly expanded the list of pharmaceuticals for which a person needs a prescription in 2014, in an effort to better control the illegal use of pharmaceuticals. Consequently, the use of home-made drugs and the import of new psychotropic substances has decreased by over 90 percent since 2013. The Ministry of Internal Affairs began a new anti-drug awareness campaign targeted on preventing the use of new psychotropic substances in March 2014.

Based on information from non-governmental organizations, the estimated number of injecting drug users is around 45,000 of a population of 4.5 million. Intravenous drug use is relatively low both among youth and female population.

The United States encourages Georgia to continue its strong law enforcement response to drug trafficking and its focus on drug trafficking and drug distribution investigations and prosecutions. The United States will continue to provide training and technical support on narcotics control issues, and encourage interagency cooperation.

Germany

Germany is a destination and transit country for narcotics, but is not a significant drug cultivation or production country. German and Turkish organized crime groups continue to dominate the drug trade, with cannabis, cocaine and heroin making up the bulk of drugs smuggled into and through Germany. Outlaw motorcycle gangs are the most significant German organized crime groups and are heavily involved in drug trafficking.

The German government actively combats drug-related crimes and continues to implement its 2012 National Strategy on Drug and Addiction Policy, which emphasizes prevention programs and assistance to victims of drug abuse. Cannabis remains the most commonly consumed illicit drug in Germany. Germany is a major manufacturer of legal pharmaceuticals, and consequently a potential source of precursor chemicals used in the production of illicit narcotics. Germany, however, strictly and effectively controls precursor chemicals.

Led by the National Drug Commissioner, the Federal Ministry of Health has the leading role in developing, coordinating, and implementing Germany's drug policies. Other active Ministries include the Federal Ministry for Economic Cooperation and Development, the Federal Ministry of the Interior, the Federal Foreign Office and the Federal Ministry of Finance. The Federal Ministry of Health, in close cooperation with other ministries and federal states, funds numerous research and prevention-through-education programs. Addiction therapy programs focus on drug-free treatment, psychological counseling, and substitution therapy. Since the mid-1980s, Germany considers substitution therapy an important pillar in the treatment of opiate abuse. In 2014, around 77,300 patients were undergoing substitution therapy in Germany.

Combating sales of new psychoactive substances (NPS), particularly via the internet, remains a challenge for German law enforcement authorities. The Controlled Substances Act was amended in 2013 to include 26 NPS. In 2014 judgment by the Court of Justice of the European Union ruled that NPS are not medicinal, preventing enforcement under the German Medicines Act and creating ambiguity over which German laws can be applied to control NPS. The number of drug-related deaths in Germany increased in 2013 (the most recent year for which statistics are available). A total of 1,002 people died as a result of consuming illegal drugs—mainly opiate-related deaths—up from 944 in 2012. Over nineteen-thousand users of “hard drugs” (classified as non-cannabis substances) were newly recorded in 2013, a two percent decrease from 2012. However, the number of “first time users” of crystal methamphetamine reached an all-time high, increasing by seven percent in 2013. The vast majority of seized crystal methamphetamine originated from the Czech Republic, with which the German government cooperates closely.

Extradition and mutual legal assistance treaties are in force between the United States and Germany, as well as a customs mutual assistance agreement. Germany participates actively in bilateral cooperative arrangements and European and international counternarcotics fora. German law enforcement agencies work effectively with their U.S. law enforcement counterparts on narcotics-related cases, though more restrictive application of German privacy legislation and the inability of agents and cooperators to operate in Germany in an undercover capacity pose

investigative challenges. The United States and Germany are in close consultation on these issues.

Ghana

Ghana continues to be a transit point for illegal narcotics, particularly South American cocaine to Europe and Southwest Asian heroin to North America. The country's major domestic illicit drug challenge is the cultivation, trafficking, and use of marijuana. Ghana's Narcotics Control Board (NACOB) noted an increase in domestic marijuana cultivation in 2014, particularly among some farmers who planted cannabis instead of crops. Another trend, prevalent among youth, was usage of "atemuda" – a local brew which mixes alcohol and marijuana. Insufficient data on domestic drug abuse complicates the government's efforts to address the situation.

NACOB's Precursor Control Unit conducted inspections of 49 out of 146 registered companies that deal in precursor chemicals and fined one company for improperly re-exporting precursor chemicals. The Precursor Control Unit and the interagency Joint Port Control Unit also seized a number of undeclared shipments of fenethylline (an amphetamine-type stimulant) transiting through Tema Port, but Ghana's overall efforts to regulate precursor chemicals were generally hampered by a lack of resources.

The Ghana Police Service and NACOB broadened the scope of their operations in 2014 to include monitoring websites that sell psychoactive substances. The Ghanaian parliament is considering amendments to Provisional National Defense Council Law 236, a seminal piece of anti-narcotics legislation in the country, to toughen sanctions on synthetic psychotropic substances such as methamphetamine and its derivatives. In November, President John Mahama dissolved NACOB's governing board following the arrest of a suspected Ghanaian drug courier in London and NACOB's statement that the organization played a role in her apprehension – a claim that was refuted by the British High Commission in Accra. Ghana's parliament is considering legislation that will replace NACOB with a Narcotics Control Commission that will have a streamlined reporting structure and an expanded anti-narcotics intelligence mandate.

Ghana continued a high level of cooperation with the United States and other international partners on drug control issues during the reporting period. In one high-profile case, U.S. federal law enforcement agencies worked with Interpol and Ghanaian law enforcement authorities to arrest six individuals, including a local TV star, who were suspected of exporting 3.7 kilograms of heroin into the United States via an elaborate courier system. The U.S.-funded West Africa Regional Training Center conducted advanced transnational organized crime investigation training for approximately 500 law enforcement officers, judges, and prosecutors from Ghana and 16 other African countries. In 2014, Ghana also initiated a long-term project with U.S. support to further professionalize all substance use treatment staff in the country through the dissemination of U.S.-developed curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals. Additionally, the Community Anti-Drug Coalitions of America conducted U.S.-funded drug demand reduction training and technical assistance in the Greater Accra Region in partnership with the Philip Foundation, a local non-governmental organization.

Extradition between the Ghana and the United States is governed in principle by the 1931 U.S.-U.K. Extradition Treaty. There is no mutual legal assistance treaty in force between Ghana and

the United States, though mutual legal assistance is provided on a reciprocal basis through letters of request.

Guatemala

A. Introduction

Guatemala is a major transit country for illegal drugs. An estimated 400 metric tons (MT) of cocaine are smuggled through Guatemala every year, the great majority of it destined for the U.S. market. Drug trafficking and narcotics cultivation in Guatemala are enabled by ineffective or non-existent law enforcement institutions, particularly in the border regions. Beyond drug trafficking and its effects, Guatemala confronts an array of transnational criminal organizations involved in alien smuggling, trafficking in persons, and arms trafficking.

As the Presidency of Otto Perez Molina enters its final year, the Government of Guatemala continues to struggle in its efforts to confront drug trafficking and violence. Guatemala achieved some notable successes in 2014, including the capture of several high-profile drug kingpins and a marked increase in interdictions and seizures of drugs and bulk cash moving through the country. However, little advancement has been made on strengthening the country's public institutions which remain hampered by limited capabilities, pervasive corruption, and lack of funding.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In 2012, President Perez Molina attracted international attention by proposing drug decriminalization as a way to limit the violence associated with narcotics trafficking and to reduce the burden on transit country governments. Although the administration has stated that Guatemala will not unilaterally move to legalize narcotics, it has spearheaded efforts to review drug policies in the hemisphere, including hosting the 43rd meeting of the General Assembly of the Organization of American States (OAS) in June, 2013. This was followed by a Special Session of the OAS General Assembly dedicated to this issue in Guatemala City during September 2014. In January, President Perez Molina appointed members of his cabinet and several prominent civil society leaders to a high-level commission to study alternative drug policies. The commission released the first of two reports in September, which focused on defining the drug problem in Guatemala. The second report, expected sometime in mid-2015, is expected to contain policy recommendations.

Among the most pressing issues facing Guatemala are the high levels of violence fueled by drug trafficking and other organized criminal activities. After an almost 40 percent drop in the initial year of the Perez Molina administration, the violent crime rate has oscillated over the past two years. In 2014, the number of homicides as calculated by the national Civil Police (PNC) fell to 4,998, a five percent decline from 2013. As much as 40 percent of this violence, according to Guatemalan government estimates, is generated by the drug trade.

The major obstacle to achieving lasting reductions in the country's high levels of violence are Guatemala's weak law enforcement institutions, including a corrupt and ineffective police force, an overburdened and inefficient judiciary, and an inadequate corrections system. Augmenting these challenges, Guatemalan law enforcement institutions must contend with an austere budget

environment stemming from low-tax collection rates and a political impasse that prevented the Guatemalan Congress from passing a new budget for 2014. Budget issues increasingly impaired law enforcement and counternarcotics operations as the Guatemalan government often lacked the funds to procure mission-essential supplies, perform routine maintenance, or reimburse for services and wages.

Guatemala's "postulation" process – a multi-tiered nomination and selection process for new Electoral Tribunal Magistrates, Supreme and Appeals Courts Justices, Comptroller General, and Attorney General – concluded in 2014. The process provided an opportunity for Guatemala to consolidate rule-of-law gains made over the last several years. However, the process proved opaque as many observers charged that it was unduly influenced by various criminal and political elements at the expense of merit and judicial independence.

Guatemalan authorities improved the utilization of the 2010 Seized Assets Law. During 2014, the Seized Asset Secretariat disbursed more \$5.99 million to various Guatemalan government institutions, including the Courts, Public Ministry, MOG, Ministry of Defense, and Solicitor General's Office. This marks an increase of \$3.54 million in distributions from 2013, an almost 150 percent jump.

Also during 2014, the United States assisted Guatemala in forming a new border interdiction unit, called Interagency Task Force (IATF)-Chorti, on the Honduran-Guatemalan border to combat the vehicular transshipment of drugs and other illicit goods. IATF-Chorti includes police, military, customs, and immigration officials, and will complement the IATF-Tecun Uman on the Guatemalan- Mexican Border. The soldiers and police that constitute the initial cadre for IATF Chorti achieved operational status in October.

Guatemala is a party to the Central American Commission for the Eradication of Production, Traffic, Consumption and Illicit Use of Psychotropic Drugs and Substances, as well as the Central American Treaty on Joint Legal Assistance for Penal Issues. It is also a party to the Inter-American Convention against Corruption, and the Inter-American Convention on Mutual Assistance in Criminal Matters. A maritime counter-narcotics agreement with the United States is fully implemented. Guatemala ratified the Inter-American Mutual Legal Assistance Convention, and is a party to the OAS's Inter-American Drug Abuse Control Commission (CICAD). Guatemala is one of six countries (with Costa Rica, the Dominican Republic, France, Belize and the United States) that ratified the Caribbean Regional Agreement on Maritime Counternarcotics.

The Government of Guatemala continues to work closely with U.S. authorities on extradition matters. In 2014, Guatemala surrendered 14 fugitives requested for extradition by the United States, nine of whom were wanted for prosecution on drug-related charges. Collaborating with U.S. law enforcement authorities, Guatemalan authorities continued operations to detain high-profile traffickers in 2014.

2. Supply Reduction

A 2014 U.S. government assessment estimated that 650 hectares (ha) of opium poppy were under cultivation in Guatemala. The Counternarcotics Police conducted two opium poppy eradication missions in the San Marcos area, near the Mexican border in 2014. The February mission eradicated 185 ha of poppy; however, it was marred by violent reactions from the local population. The MOG used this violence as justification to delay and/or cancel further missions, though a three week mission was held in November that reportedly eradicated 1012 ha.

During 2014, total interdiction statistics from the Counternarcotics Police, Ministry of Defense's Counter Narcotics Naval Unit and other U.S.-assisted specialized units reported total seizures at 8.38 MT of cocaine, 134 kilograms (kg) of heroin, and over 72.5 MT of marijuana. The total seizures represent an increase of nearly 100 percent over 2013, which itself was over 300 percent higher than in 2012. In addition, counternarcotics units seized over \$13 million in bulk cash. The police also located and dismantled multiple methamphetamine labs, seizing 187 MT of precursor chemicals.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

A U.S.-funded National Drug Use survey conducted in 2014 showed a marked increase in the use of drugs among Guatemala's youth. This national drug use survey, the first in 15 years, indicated that Guatemala's youth are at high risk for drug abuse, as 7.5 percent have used or experimented with cannabis; 4.42 percent with cocaine; 9.49 percent with inhalants; 2.5 percent with "crack" cocaine; and 2.4 percent with MDMA (ecstasy) and other synthetic drugs. According to the survey, the average age of first use of cannabis is six years, and seven years for cocaine and crack.

The Health Ministry's Technical Unit, which is in charge of authorizing and monitoring drug treatment centers, conducted a mapping of such centers in 2014 that identified 101 treatment centers throughout the country, of which only one is government-funded. This mapping effort provided information concerning the number of patients, treatment methods, services provided, and quantity and quality of personnel providing treatment. The mapping also confirmed that the majority of treatment centers fell short of Guatemalan government requirements. In 2014, the Colombo Plan initiated a program in Guatemala to train and certify treatment providers in cooperation with the Secretariat for the Commission against Addictions and Drug Trafficking (SECCATID) and the United States.

The Government of Guatemala increased its public awareness efforts on the dangers of illegal drugs in 2014. In conjunction with the eradication operation, Ministry of Health officials targeted community leaders and school children in the area to raise awareness of the negative effects and health risks associated with poppy cultivation. U.S.-funded Drug Demand Reduction (DDR) programs consisting of awareness and training efforts directed towards community and government leaders, educators, parents, and students, targeted 30,000 people in 25 municipalities in Salcajá, Retalhuleu, Mazatenango, Coatepeque, Jutiapa, San Lucas Sacatepequez, Chimaltenango and Alta Verapaz. The United States also launched four awareness and information campaigns, carried out by an NGO, targeting 27,000 middle and high school students.

4. Corruption

The Government of Guatemala does not, as a matter of policy, encourage or facilitate illicit production and distribution of narcotic drugs or other controlled substances, or the laundering of illegal drug proceeds. However, Guatemala continues to face significant challenges with institutional corruption. As an example, in September, the Director of the Guatemalan Penitentiary System (GPS) was arrested for receiving bribes for facilitating prisoner transfers, and later charged with money laundering and corruption. The investigation was conducted by the UN-led International Commission against Impunity in Guatemala (CICIG). Created in 2007 to investigate and dismantle criminal organizations operating within state institutions, CICIG's mandate is currently set to expire in September 2015.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Guatemala regularly participates in the U.S.-sponsored Multilateral Counterdrug Summit. The goal of these summits, which include 15 participants from Central and South America, is to identify and implement cooperative measures to combat maritime drug trafficking and improve prosecution of maritime trafficking cases.

Through the Central America Regional Security Initiative (CARSI), the United States continues to be a key provider of assistance aimed at improving the professional capabilities, equipment, and integrity of Guatemala's police, military, and judicial agencies to enable them to more effectively combat criminal organizations involved in narcotics trafficking and other transnational crimes. The end goal of all U.S. assistance is to create effective structures and organizations sustainable by the Guatemalan government. The United States continues to assist the National Police in developing and improving its law enforcement procedures and organization through the provision of training to select personnel, the donation of essential equipment, and by providing adequate operational support. With U.S. support, Guatemala continues to increase its capacity to prosecute narcotics traffickers, organized crime leaders, money launderers, and corrupt officials.

In 2014, the United States facilitated training provided by the Colombian National Police to the National Police and funded additional training provided by the Miami-Dade Police Department. This training provided access to expertise from other law enforcement institutions and promoted ties with regional partners.

D. Conclusion

The United States enjoys productive relations with Guatemala and has worked to improve the government's technical and organizational capacity in the security and justice sectors. The Government of Guatemala made progress in regional counternarcotics efforts as evidenced by specific operational successes during the year. However, the current government faces significant challenges to institutionalize these advancements as it enters its final year in office. Public confidence in government institutions remains low, fueled by increasing levels of violence, high corruption, and a perception of impunity. The Guatemalan government will not succeed in building durable and effective counternarcotics enforcement organizations until it

fully implements its laws, provides adequate financial support, reforms its law enforcement culture, and accelerates its judicial processes.

Guinea

Guinea remains a transshipment point for narcotics, primarily cocaine from South America. Corruption and complicity by government agents in supporting the illicit drug trade remains a major impediment to international and local counter narcotics efforts.

The U.S. Drug Enforcement Administration (DEA) activated a joint U.S.-Guinea counternarcotics effort in 2014 – “Operation Shifting Sands” – which focused on investigative techniques and intelligence support. Several illegal shipments of narcotics were disrupted and prosecutions were underway at the end of 2014 as a direct result of this program. This program also exposed alleged involvement and support by mid-level security officials at the capital city’s airport.

Trusted officials with Guinea’s security apparatus have been very receptive to the partnership and efforts to disrupt the trade and expose the corruption that exists within elements of the local security apparatus. Unfortunately, due to the public health crisis of the Ebola virus disease in Guinea, this joint program was suspended in late 2014.

United States law enforcement agencies have demonstrated an ability to effectively cooperate with select elements of Guinea’s law enforcement and counternarcotics community. DEA established a new regional office in Senegal in 2014 that has enabled enhanced engagement between U.S. and regional authorities, including in Guinea. The Gendarmes counternarcotics unit was eager to engage with DEA in 2014 and this engagement produced immediate and visible results. Although the joint program was suspended in late 2014, it remains a significant opportunity for re-engagement when the Ebola outbreak is contained and the environment is once again conducive to regional support. The United States is encouraged by the steps taken by Guinea in 2014, which demonstrated growing capacity and political will to address the challenging issues presented by the illicit drug trade.

Guinea does not have a mutual legal assistance treaty or extradition agreement with the United States, although Guinea has acceded to relevant multilateral conventions that enable such cooperation.

Guinea-Bissau

Guinea-Bissau is a transit hub for cocaine trafficking from South America to Europe. The country's lack of law enforcement capabilities, demonstrated susceptibility to corruption, porous borders, and convenient location provide an opportune environment for traffickers. The complicity of government officials at all levels in this criminal activity inhibits a complete assessment and resolution of the problem. Despite a newly elected government that is seeking to establish the rule of law, Guinea-Bissau's political system remains susceptible to and under the influence of narcotics traffickers.

Free and fair elections in April and May of 2014 resulted in the election of José Mario Vaz as president. Vaz appointed Domingos Simões Pereira as prime minister and assembled a cabinet that includes reformers in charge of the Ministry of Justice, the Office of the Attorney General, and the Judicial Police. In July, the United States lifted sanctions imposed in the wake of a coup in 2012 and is now in a process of re-engaging the government.

The new, elected Government of Guinea-Bissau is in the process of reforming the country's security services, including those responsible for counternarcotics enforcement. It remains too early to assess the impact of the new government's efforts to confront the country's drug problem. Unlike in the case of the previous transitional government, it has received substantial international support. The UN Office on Drugs and Crime (UNODC) and the UN Integrated Peace-Building Office in Guinea-Bissau (UNIOGBIS) have begun to implement Security Sector Reform programming. In 2014, UNODC returned to the country for the first time since the 2012 coup. Brazil has maintained a police training program since the coup; UNIOGBIS, Portugal, France, and Spain are assessing forms of assistance and cooperation.

Neither domestic nor international organizations collect data on the quantity of illegal drugs that pass-through Guinea-Bissau. The borders are porous and poorly controlled. The Port of Bissau has no meaningful security. Containers routinely enter and leave the country without inspection. Inadequate resources and lack of professionalism among law enforcement and judicial authorities have hampered efforts to seize drug shipments and investigate drug trafficking. Law enforcement and judicial officers are involved in drug trafficking, as are elements of the military. Members of the customs service take money to allow passengers and articles to pass through border posts without inspection. Police routinely accept bribes during traffic stops. Government salaries are inadequate. Officials routinely go without pay for months, although the new government successfully arranged to pay salary arrears and cover salaries through December 2014.

UNODC reports that drug abuse is a growing problem in Guinea-Bissau, but it is still minimal. No organization has conducted a systematic study of the problem to determine its scope; all assessments are based on anecdotal evidence. There are no government-funded treatment centers in Guinea-Bissau. The few operational centers are privately funded.

Guyana

A. Introduction

Guyana is a transit country for cocaine destined for the United States, Canada, the Caribbean, Europe, and West Africa. Cocaine originating in Colombia is smuggled to Venezuela and onward to Guyana by sea or air. Smugglers also transit land borders with Brazil, Venezuela, and Suriname. Cocaine is often concealed in legitimate commodities and smuggled via commercial maritime vessels, air transport, human couriers, or various postal methods.

The influence of narcotics trafficking is evident in the country's political and criminal justice systems. Traffickers are attracted by the country's poorly monitored ports, remote airstrips, intricate river networks, porous land borders, and weak security sector capacity.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Government of Guyana has legislation in place that could enable a more-effective response to the threat of drug trafficking. The Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Act of 2009, the Interception of Communications Act of 2008, and the Criminal Law Procedure Act (revised in 1998) were designed to enhance the investigative capabilities of law enforcement authorities and prosecutors in obtaining convictions of drug traffickers. To date, however, the government has sought no prosecutions under these laws. In May 2014, the Caribbean Financial Action Task Force (CFATF) identified Guyana as a money laundering and terrorist financing risk to the international financial system after it failed to amend its anti-money laundering laws. Guyana is now under targeted review by the Financial Action Task Force. Guyanese authorities have pledged to increase efforts to comply with international anti-money laundering standards and have presented amendments in Parliament to improve existing legislation. The United States supports the Government of Guyana's efforts in this area and has offered technical assistance.

The Government is drafting anti-gang legislation. An Integrated Crime Information System to monitor trends in crime through a network linking the Ministry of Home Affairs to the public hospitals, prisons, and police stations is now implemented. Some police stations in remote areas, however, continue to lack reliable telecommunication service. The government is also drafting a new Drug Strategy Plan (2013-2017), and the government's Inter-Agency Task Force on Narcotics and Illicit Weapons is reviewing an inception report. A Special Organized Crime Unit was established in June to investigate suspected money laundering crimes and prosecute persons suspected of terrorism and financial offences. The unit has been partially staffed and has begun initial training.

Guyana is party to the Inter-American Convention on Mutual Assistance in Criminal Matters, and the Inter-American Convention Against Corruption. The 1931 Extradition Treaty between the United States and the United Kingdom is applicable to the United States and Guyana. In 2008, Guyana acceded to, and has filed information requests under, the Inter-American

Convention on Mutual Assistance in Criminal Matters, to which the United States is also a party. Guyana has bilateral counter-narcotics agreements with its neighbors and the United Kingdom. Guyana is also a member of the Organization of American States' Inter-American Drug Abuse Control Commission (OAS/CICAD). Guyana signed a maritime counternarcotics bilateral agreement with the United States in 2001 but has yet to take the necessary domestic action to bring the agreement into effect.

2. Supply Reduction

Guyana has a drug enforcement presence at its international airports, post offices, and, to a lesser extent, at port and land-border entry points. The four major agencies involved in anti-drug efforts are the Guyana Police Force (GPF), Guyana Customs and Revenue Authority (GRA), the Customs Anti-Narcotics Unit (CANU), and the Guyana Defense Force (GDF). The GDF supports law enforcement agencies with boats, aircraft, and personnel but has limited capacity and lacks law enforcement authority.

The Guyana Coast Guard (GCG), a GDF sub-component and U.S. partner in maritime interdiction, patrols Guyana's territorial waters and conducts humanitarian search and rescue missions. In 2012, with U.S. funding through the Caribbean Basin Security Initiative (CBSI), the UN Office on Drugs and Crime's (UNODC) Container Control Program (CCP) established a multi-agency CCP Port Control Unit at the John Fernandes Wharf, one of Guyana's most active ports. However, the CCP unit has yet to make any successful seizures of narcotics and UNODC is working with Guyanese authorities to improve the unit's effectiveness.

The GPF, CANU, and GRA reported drug-related seizures and convictions for the first six months of 2014. Through June, the GPF reported seizing 92.77 kilograms (kg) of cocaine and 339.95 kg of cannabis. CANU reported seizing 75.84 kg of cocaine and 10 kg of cannabis. No cocaine or cannabis was seized by the GRA. Guyanese authorities convicted 110 persons on drug related charges during the first six months of 2014.

In August, the GDF and CANU discovered a self-propelled semi-submersible craft under construction in the interior. The craft was being constructed for the oceanic trafficking of cocaine and is believed to have belonged to a foreign narcotics organization. The construction facility at which it was built is likely to have been used for the construction of similar vessels.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Guyana lacks a robust demand reduction strategy that adequately addresses drug rehabilitation. Marijuana is the most widely used drug in Guyana, followed by cocaine. The Guyana National Council for Drug Education, Rehabilitation, and Treatment, within the Ministry of Health, is the single government body responsible for addressing demand reduction. Non-governmental organizations, also offer rehabilitation services. The University of Guyana initiated a demand reduction curriculum through OAS/CICAD funding. As part of CBSI, the United States supports a "Skills and Knowledge for Youth Employment" project that provides vulnerable youth with alternatives to drug-related activities and provides skills for transitioning to the work force.

4. Corruption

As a matter of policy, the Government of Guyana does not encourage or facilitate the illicit production or distribution of narcotics or psychotropic drugs or other controlled substances or the laundering of proceeds from illegal drug transactions.

Guyana is a party to the Inter-American Convention against Corruption, but has not fully implemented its provisions, such as the seizure of property obtained through corruption.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports a wide range of efforts designed to address crime and violence affecting Guyanese citizens, primarily through CBSI. CBSI is a security partnership between the United States and Caribbean nations that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice. Efforts to increase law enforcement capabilities, protect borders and ports, strengthen workforce development, and promote anti-money laundering effectiveness directly address priority concerns shared by Guyana and the United States.

CBSI-funded programs support Guyana's maritime operations by providing interdiction assets, and relevant command and control systems, as well as associated logistical support and training. In 2014, the United States provided port and maritime training to Guyana's Coast Guard. U.S. assistance programs also promote law enforcement professionalization and more effective narcotics investigations. By strengthening Guyana's counternarcotics capabilities, the United States seeks to enhance interagency coordination and help gather better intelligence on drug trafficking routes.

D. Conclusion

The United States would welcome increased levels of cooperation with the Government of Guyana to advance mutual interests against the threat of international drug trafficking. Guyana has shown strong interest in furthering collaboration under CBSI. The United States looks forward to tangible progress on investigations, prosecutions, extraditions, security sector capacity enhancement, the engagement of at-risk communities, and enforcement of laws against money laundering and financial crimes.

Haiti

A. Introduction

Haiti remains a transit point for cocaine originating in South America and marijuana originating in Jamaica, traversing the country's porous borders in route to the United States and other markets. This traffic takes advantage of Haiti's severely under-patrolled sea borders, particularly on the northern and southern coasts. Haiti is not a significant producer of illicit drugs for export, although there is cultivation of cannabis for local consumption. Haiti's primarily subsistence-level economy does not provide an environment conducive to high levels of domestic drug use.

The Haitian government took steps in 2014 to strengthen the Haitian National Police (HNP) and its counternarcotics unit (the "Brigade in the Fight Against Narcotics Trafficking," or BLTS) with additional manpower, and officials at the highest levels of government have repeatedly committed to fight drug trafficking. However, drug seizures in 2014 did not reflect significant confiscations and the government has been unable to secure borders adequately in order to cut this flow of illegal drugs. Principal land border crossings with the Dominican Republic are largely uncontrolled with only rare vehicle inspections, and the southern coastline remains virtually enforcement-free. The minimal interdiction capacity of the Haitian Coast Guard creates a low-risk environment for drug traffickers to operate. While domestic law enforcement's interdiction capacity has improved marginally, persistent blockages in the judicial system continue to impede successful prosecution of apprehended drug traffickers.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In January 2015, the HNP's 25th Promotion class of 1,123 cadets graduated, bringing the force to 12,200 police. These large cadet classes must be in session nearly continuously at the police school in order for the HNP to meet its five-year development plan goal of 15,000 officers by the end of 2016. A larger force will expand the HNP to locations it is not currently covering and enable it to take on increasing responsibility for security, particularly amid the gradual drawdown and eventual withdrawal of the United Nations Stabilization Mission in Haiti (MINUSTAH) peacekeeping force.

The HNP's counternarcotics unit, BLTS, remains the domestic institution dedicated to interdicting drug traffic. In 2014 the unit's manpower increased substantially from 123 to almost 200 officers, thanks to a contingent of new recruits from the 24th Promotion Class. These officers also completed a supplementary two-month counternarcotics training with BLTS and DEA. Several of the new BLTS officers joined the K9 unit, whereas others have been deployed to Cap Haitien. The HNP is also planning on deploying BLTS officers to regional outposts, including Port-de-Paix, Les Cayes, and border crossings with the Dominican Republic.

BLTS developed its internal capabilities during 2014 by sending six officers to staff new outposts in Ouanaminthe (along the Dominican border) and Cap Haitien, further expanded use of

a 20-dog canine unit, and participated in multiple U.S.-funded training exercises within the United States and Colombia. However, BLTS still lacks a permanent outpost in the south of Haiti (though it plans to establish one with a maritime interdiction capability at the Haitian Coast Guard base in Les Cayes in 2015), and therefore currently has minimal operational capacity in a region known for trafficking. The BLTS faces an additional uphill battle in the south, as firsthand reporting indicates continued participation by some local police officers in the drug trade. Such allegations of officer misconduct are investigated by the HNP Inspector General's office, which since the hiring of a new Chief Inspector General in September 2013 has been more active in pursuing case investigations and imposing internal HNP discipline. However, the HNP still faces challenges regulating its internal affairs, particularly in the more remote provinces.

The Haitian Coast Guard (HCG) is responsible for securing the country's maritime borders and has an effective strength of 134 officers, with operating bases in Cap Haitien (North region), Killick (Port-au-Prince), and Les Cayes (South). The force has a total of 20 maritime vessels, but only eight are currently operational. Operational capacity of the entire fleet remains extremely low due to insufficient funding, management deficiencies, and an inability to refuel and maintain the vessels in a reliable manner. These issues have prevented the HCG from serving as an effective deterrent force to maritime drug trafficking.

Haiti maintains several core legal agreements in support of drug control goals, and often cooperates effectively with the United States on narcotics cases. A U.S.-Haiti bilateral letter of agreement signed in 1997 concerning Cooperation to Suppress Illicit Maritime Drug Traffic allows U.S. law enforcement agencies to enter Haitian territorial waters and airspace when in pursuit of suspect vessels or aircraft, to board and search suspect vessels, to patrol Haitian airspace, and to carry members of the HCG as ship riders. Although there is no mutual legal assistance treaty between Haiti and the United States, the Haitian government has cooperated, through letters rogatory, on many cases within the limits of Haitian law. The bilateral extradition treaty entered into force in 1905 and although the Haitian Constitution prohibits extradition of Haitian nationals, the Government of Haiti has willingly surrendered Haitians and other nationals under indictment in the United States to U.S. law enforcement agencies.

2. Supply Reduction

BLTS executed several successful operations in 2014 yielding drug and cash asset seizures, including two joint operations with the U.S. Coast Guard (USCG) and U.S. Drug Enforcement Administration (DEA) yielding nearly five metric tons (MT) of marijuana and nearly one MT of cocaine seized under U.S. jurisdiction. Nevertheless, overall results remained inconsistent. Cocaine seizures within Haiti totaled only three kilograms (kg). Marijuana seizures totaled 4.13 MT, the bulk of which came from a joint operation with USCG and DEA in May. Enforcement actions yielded a total of 73 arrests, \$70,400 in cash, eight firearms, six vehicles, and four "go-fast" boats. DEA works frequently with BLTS on major operations, and the agency's assistance in intelligence gathering, logistics, and operational planning helped facilitate most BLTS actions ending in seizure or arrest.

There is no significant availability or traffic of synthetic illegal drugs in Haiti.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Illicit drug abuse is uncommon in Haiti, as the population's minimal discretionary income mitigates against a widespread drug abuse problem. The Government of Haiti runs small-scale public awareness and demand reduction programs funded through the counternarcotics policy commission (CONALD), but there is no data on these programs' impact or utility. An INL grantee, the Community Anti-Drug Coalitions of America (CADCA), carries out some drug abuse prevention training with local non-government organizations, and a Haitian private sector association called APAAC receives funds from CONALD and also conducts prevention and awareness activities.

4. Corruption

As a matter of policy, the Haitian government does not encourage or facilitate illegal activity associated with drug trafficking, or the laundering of proceeds from illicit drug transactions. Government officials have expressed their desire to combat drug trafficking and its negative impacts.

Effective government action to fight corruption, particularly related to narcotics, is constrained by two major factors. The first is a historically obstructive legal framework; Haiti did not specifically codify corruption as a crime until 2014. However, in May Haiti's Executive signed into law a long-standing bill that formally criminalizes public corruption and prescribes set penalties for acts including bribery and illegal procurement. While implementation of the law remains outstanding, training of judicial personnel has begun and the bill's passage is a positive step in addressing public corruption. Haiti also has asset seizure laws that have enabled the financial intelligence unit (Central Unit of Financial Investigations, or UCREF) and the HNP's financial crimes unit (Financial and Economic Affairs Brigade, or BAFE) to collaborate to seize assets of drug traffickers convicted outside of Haiti. The Haitian constitution's grant of blanket immunity from prosecution to members of Parliament, however, is a point of concern for anti-corruption and counternarcotics efforts.

The second constraining factor is systematically poor judicial performance, which impedes both narcotics and corruption investigations. This is due to a mix of factors, including antiquated penal and criminal procedure codes, opaque court proceedings and record keeping, a historical lack of judicial oversight, and widespread judicial corruption. To date there have been no successful convictions on drug trafficking or corruption-related charges in Haitian courts. The Haitian Unit for Combatting Corruption (ULCC) has advanced 27 corruption-related cases to the judiciary since its inception in 2005, but without tangible results.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

U.S. drug control initiatives in Haiti focus on improving the capacity of the HNP, BLTS, and the Haitian Coast Guard to detect, investigate, and deter the flow of illegal drugs. A 2004 letter of agreement (as amended) between the United States and Haiti governs these activities, as well as a new agreement signed in July 2014. Core goals enshrined in the agreement are to create an

overall counternarcotics capability in the Haitian government, and to interdict drug shipments and develop cases against traffickers and other criminal organizations. While the continued growth of BLTS's manpower, strong coordination on executing counternarcotics operations in conjunction with U.S. agencies, and total quantity of marijuana seized were all positive steps in 2014, the regression from 2013 in numbers of arrests, seized cash, and seized cocaine was a discouraging sign for the BLTS' operational record. Additionally, the continued absence of narcotics cases ending in conviction underscored the ongoing under-performance of the judicial system.

U.S. assistance supports both general development of the HNP and targeted support to the BLTS via complementary programs. Support to the HNP covers a broad range of activities, including infrastructure, equipment, and both in-country and overseas training. Improved overall operational capacity and professionalism of the HNP are necessary for effective counternarcotics activity in Haiti. With U.S.-funding, the New York City Police Department (NYPD) deploys rotating four-member teams of NYPD officers to Haiti to serve as technical advisors to the HNP, including on counternarcotics activities. This program has been highly effective and has helped improve the HNP's investigative and community policing capabilities.

Specific support to the BLTS spans a similar range, including procurement of communications equipment, vehicles, non-lethal operational gear, and canine unit training. U.S. support includes multiple training opportunities for BLTS officers, including through an agreement with the Miami-Dade Police Department that concluded in 2014 after training a total of 75 BLTS agents on various aspects of counternarcotics operations, and other trainings both in the United States and in third countries, such as at the International Law Enforcement Academy (ILEA) in El Salvador. The United States also funds joint enforcement operations between DEA and the HNP/BLTS.

The United States is also working to establish a joint Haitian Coast Guard/BLTS task force that will conduct maritime interdiction operations from the coast guard base in Les Cayes. Delivery of two new vessels is scheduled for early 2015, at which time the task force should become operational. If successful, the pilot program will be expanded to other jurisdictions, including Cap Haitien.

Finally, the United States also provides maintenance support for five boats originally purchased for the HCG by the Government of Canada. Additional funds support refurbishment and maintenance of three small vessels at the Cap Haitien base; law enforcement training; mobile training teams and professional development; vessel refurbishment and maintenance; electronic equipment; and HCG facility modernization.

D. Conclusion

The continued institutional development of both the HNP and the BLTS are positive trends that have helped to improve public security and have marginally increased Haiti's ability to interdict drug trafficking. Continued strong cooperation between Haitian and U.S. law enforcement has yielded major narcotics seizures, and enabled the apprehension of individuals indicted in U.S. jurisdictions and their return for trial. However, the dysfunctional Haitian judicial system

drastically limits domestic prosecution of drug cases, and thus reduces disincentives to trafficking operations. Drug seizures also remain low and Haiti's minimal capacity to police both its sea and land borders is a particular point of concern, as it further engenders a low-risk environment for traffickers.

Continued engagement from the United States, particularly in support of BLTS operations and general HNP development, will help Haitian law enforcement to capitalize on marginal gains in drug interdiction capacity. However, the benefits of such gains will be limited if the judicial system fails to convict drug traffickers. The judiciary still requires wholesale reform to address arcane procedures and internal corruption. Only the concurrent strengthening of the judiciary, law enforcement, and border security will enable Haiti to make real progress in fighting drug trafficking.

Honduras

A. Introduction

Honduras is a major transit country for cocaine, as well as for some chemical precursors for heroin and synthetic drugs. The United States estimated that approximately 83 percent of the cocaine trafficked to the United States in the first half of 2014 first transited through the Mexico/Central America corridor. Eighty to ninety percent of cocaine that transits through Honduras arrives via maritime shipment. In 2014, the U.S. government estimated that sixty percent of cocaine smuggling flights that departed from South America first landed in Honduras – a decline from 75 percent of such flights in 2013. The Caribbean coastal region of Honduras remained the primary landing zone for drug-carrying flights and illicit maritime traffic. The region is vulnerable to narcotics trafficking due to its remoteness, limited infrastructure, lack of government presence, and weak law enforcement institutions. Drug transshipment to points north from the Caribbean coastal region is facilitated by maritime and riverine traffic, subsequent flights north, and land movement on the Pan American Highway.

Honduras continued to suffer from violence and a high homicide rate in 2014, though according to the Honduran Ministry of Security's Police Strategic Operations Center (COEPOL), Honduras' homicide rate declined significantly. COEPOL reported that the homicide rate dropped from almost 75 per 100,000 inhabitants in 2013 to 65 per 100,000 as of November. The Honduran government attributed the reported reduction to increased police operations and crime prevention programs. The Violence Observatory at the National Autonomous University of Honduras (UNAH) also reported a reduction in the murder rate, estimating that the homicide rate dropped from 79 per 100,000 in 2013 to 71.4 per 100,000 as of November.

Violent drug trafficking organizations and transnational gangs such as Mara Salvatrucha and 18th Street contribute to violence and trafficking in Honduras. Transnational gangs do not appear to be a formal part of the transnational drug logistics chain, but generally participate in drug distribution in local communities. In addition, these gangs conduct other illicit activities such as extortion, kidnapping, and human trafficking.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Government of Honduras worked to strengthen institutions responsible for preparing criminal cases, bringing them to trial, and remanding convicted criminals to prison facilities. As part of its efforts to root out illicit activity in the security and justice sectors, the Government of Honduras continued to use financial disclosures, polygraphs, and other types of vetting procedures for police and prosecutors. In 2014, the Director General of Police stated that he used the results to remove about 900 police officers from their positions, some voluntarily.

The government established the National Interagency Security Force (FUSINA) to coordinate the efforts of security and justice sector institutions at the national and regional levels. The

Honduran Armed Forces continued to expand the ranks of the Military Police for Public Order, which carried out patrols and interdiction operations.

The National Congress authorized the creation of an investigative body, the Technical Agency for Criminal Investigation (ATIC), within the Public Ministry (Attorney General's office), and that agency began operating during 2014.

To strengthen investigative institutions, the United States provided training on a variety of topics to more than 1,310 Honduran police, prosecutors, and judges over the year. The United States also provided support to the Criminal Investigative School (EIC), which trained over 1,400 students in basic criminal investigations. As part of the U.S.-Colombian Bilateral Action Plan, the Government of Colombia with assistance from EIC staff and U.S. government funding, provided training to 1,950 police, prosecutors, and judges in a variety of skills and provided advisors to the police. The Government of Honduras provided human rights training to police and military personnel.

The Office for the Administration of Seized Assets (OABI) donated one-third of the resources available from seized assets to crime and violence prevention programs. For example, it invested more than \$1 million in outreach centers for at-risk youth developed and co-financed by the U.S. government.

The Government of Honduras continued to use resources from a national security tax and OABI to fund requirements of security and justice sector institutions, including protective measures for prosecutors and Supreme Court Justices, radar, and equipment and fuel for security forces.

Honduras has counternarcotics agreements with the United States, Belize, Colombia, Jamaica, Mexico, Venezuela, and Spain. A United States-Honduras maritime counternarcotics agreement and a bilateral extradition treaty remain in force. Honduras signed the Caribbean Regional Maritime Counter Drug Agreement, but did not ratify it. A Declaration of Principles between the United States and Honduras for the U.S. Container Security Initiative covers the inspection of maritime cargo destined for the United States.

2. Supply Reduction

The Government of Honduras actively engaged in narcotics interdiction operations in 2014. During the year, Honduras seized more than \$63 million in drug-related cash and assets as well as more than four metric tons (MT) of cocaine.

In August the Honduran National Police (HNP), Public Ministry and OABI conducted a major operation against the properties of the Valles, one of the largest Honduran narcotrafficking organizations, seizing properties and other assets worth approximately \$10 million. In coordination with this operation, the U.S. Department of the Treasury's Office of Foreign Assets Control announced the designation of the Valles for U.S. economic sanctions under the Kingpin Act.

In April, Honduran law enforcement captured Honduran drug trafficker Carlos Lobo and subsequently extradited him to stand trial in the United States for drug trafficking charges. Lobo was the first Honduran extradited to the United States from Honduras, and was sentenced to 20 years in December. Honduras has also arrested a number of other high-profile drug traffickers in collaboration with U.S. law enforcement authorities.

In 2014, the Honduran Armed Forces established a number of outposts in the eastern region of Honduras to deter and combat drug trafficking. The Honduran Congress passed an aerial exclusion zone law that authorized the interception and downing of aircraft flying through Honduran airspace without authorization over the eastern region of the country. In response, the U.S. government reiterated the legal and policy ramifications of authorizing the downing of civilian aircraft and suspended radar assistance to the Honduran air force that could contribute to the Honduran government's capacity to shoot down such aircraft.

In January, the HNP seized 2.1 MT of cocaine that originated from Colombia during random searches of cargo containers in the port of Puerto Cortes. In April, the HNP intercepted a commercial cattle truck hauler suspected of transporting narcotics. An inspection of the truck revealed a compartment on the roof of the trailer with 743 kilograms of cocaine.

Honduras is not a major production center for drugs. Only two cocaine-processing labs have been discovered in Honduras (in 2011 and 2012). Honduras has modest marijuana production for domestic consumption.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

In 2014, more than 18,000 students participated in the U.S.-funded Gang Resistance Education and Training (GREAT) program, a school-based curriculum used widely in the United States. The United States helped Honduras expand the program to include Tegucigalpa, Danli, San Pedro Sula, and Puerto Cortes. The United States provided training to more than 100 HNP officers in specialized community policing and gang prevention courses.

4. Corruption

As a matter of policy, the Government of Honduras does not encourage or facilitate illicit production or distribution of narcotics or the laundering of proceeds from illicit drug transactions. However, Honduras continued to struggle with corruption in 2014. In October Honduran President Juan Orlando Hernández and Transparency International President Labelle signed an historic agreement to collaborate on promoting transparency and fighting corruption in Honduras. This is the first such agreement between Transparency International and a national government. The agreement targets transparency concerns in six thematic areas: education, health, tax management, infrastructure, security, and public sector integrity.

An anti-corruption bill remains in draft, and the government has not fully implemented its inter-agency Transparency and Anticorruption Plan. However, the Honduran Institute for Access to Public Information reported that government agencies had improved their compliance rate with

transparency and public information requirements. Of the government's 100 agencies, 59 were rated excellent, 12 rated good, eight bad, and 21 deficient.

Honduran civil society has assumed a larger and more vocal role in anti-corruption efforts. The Honduran National Anti-Corruption Council (CNA) reinvented itself after institutional upheaval and a period of operational inactivity to provide valuable assistance in high-profile corruption cases. Since late 2013, it has changed the majority of its staff, created an investigations unit, and hired an independent executive director. So far, it has collaborated with the Public Ministry on several prominent public sector corruption investigations.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

President Juan Orlando Hernandez, who took office in January, articulated four pillars for his government's security efforts: prevention of crime and violence; action against organized crime; effectiveness of personnel in the security and justice sectors; and protection of human rights. The United States supports Honduran efforts to achieve these outcomes. The U.S. Government funds citizen security, law enforcement, and rule-of-law programs in Honduras mainly through the Central America Regional Security Initiative (CARSI). Working closely with Honduran counterparts, these programs aim to expand Honduran capabilities to interdict, investigate, and prosecute illegal drug trafficking and other transnational crimes, while strengthening Honduras' justice sector.

Through CARSI, the United States also trains and equips Honduran police to perform anti-gang law enforcement, including investigating kidnappings and extortion cases. The United States also supports community police in Honduras with equipment, vehicles, training, and communications. The United States also provides logistical support to a violent crimes task force, which investigates murders of violent crimes targeting vulnerable groups including journalists and prosecutors.

In 2013 and 2014, in conjunction with the Government of Colombia, the United States helped the Honduran government design a comprehensive police reform initiative that included updating the Honduran National Police's organic law and standardization of police procedures.

The United States and Colombia helped the HNP establish the investigation and special security response unit (TIGRES). The Colombian National Police, augmented with U.S. assistance, provided basic and specialized training to the TIGRES. The unit's mission is to serve as a national police asset to combat drug trafficking, organized criminal organizations, and violent gang activity.

The United States seeks to counter gangs and drug traffickers through a mix of policy initiatives. The U.S. government supports municipal crime prevention efforts and community services for youth at risk. For example, U.S. assistance supports over 46 outreach centers that provide safe places for youth to participate in recreational activities and platforms for guiding at-risk youth into job preparedness training. Approximately 22,000 children and young people are participating in the outreach centers, mentored by almost 700 community volunteers. The United States also supports the development of anti-drug community coalitions as a drug use

prevention measure. Honduras also participates in the annual U.S. Coast Guard-sponsored Multilateral Counterdrug Summit, which enhances bilateral cooperation in combating maritime drug trafficking and improving prosecution of maritime trafficking cases.

D. Conclusion

The Honduran government took a number of serious steps in 2014 to disrupt and dismantle drug trafficking organizations, including arresting and extraditing leaders of these organizations, seizing their assets, and deploying security forces to under-governed parts of the country. It also intensified efforts to strengthen its security and justice sector institutions by purging criminal and poor performing personnel from their ranks and establishing new mechanisms for coordination and investigation, such as FUSINA and ATIC. The reduction in the murder rate is one indicator of the impact of those actions.

India

A. Introduction

India's geographic location makes it an attractive transshipment area for narcotics bound for Europe, Africa, Southeast Asia, and North America. Smuggling of heroin from Afghanistan and Pakistan remained a major problem, exacerbated by porous international borders. There is also evidence that opium poppy is grown illicitly in India, especially in the north and northeastern regions. Accurate estimates of the extent, pattern, and nature of the drug problem in India, however, are difficult to determine. Coordination between various national and state-level agencies involved in drug related work in India presents further challenges.

India is authorized by the international community and the United Nations to produce licit opium for pharmaceutical uses, and its chemical industry is a major manufacturer of chemicals that can be diverted for illicit drug production. India also manufactures organic and synthetic licit opiate/psychotropic pharmaceuticals (LOPPS). These pharmaceutical items and precursor chemicals are vulnerable to diversion for illicit use. India continues to be a main source of illicit synthetic drugs.

Despite these challenges, India is committed to enhancing its law enforcement capacity through increased training for its national enforcement officers. India is vigorously pursuing opportunities for international cooperation to improve the effectiveness of its efforts to control both demand and supply.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

India tightened regulations on the manufacture and trade of precursor chemicals and increased training for national enforcement officers in 2014. However, the capacity of India's drug law enforcement agencies to initiate and conduct complex investigations of criminal drug manufacturing and trafficking remains limited by insufficient training and modern equipment, as well as interagency coordination challenges.

The Narcotics Control Bureau (NCB) is India's primary national drug control agency, established to prevent and combat the abuse of narcotic drugs and psychotropic substances. Under India's Narcotic Drugs and Psychotropic Substances (NDPS) Act of 1985, the Directorate of Revenue Intelligence (DRI) and the Indian Customs Service are also authorized to pursue narcotics investigations. In 2014, the NCB successfully coordinated multiple narcotic investigations targeting international drug trafficking syndicates.

The Central Bureau of Narcotics (CBN) is India's supervising agency over the licit cultivation of opium poppy in India. CBN is responsible for abuse prevention and enforcement functions, including investigations of violations of the NDPS Act, the issuance of licenses for the manufacture of synthetic narcotic drugs, and export/import authorizations for narcotic drugs and psychotropic substances. The CBN is responsible for issuing "no objection certificates" for

select precursor chemicals, and the import of poppy seeds used in licit poppy cultivation. CBN consults with the International Narcotics Control Board and the governments of other countries to verify the commercial legitimacy of international transactions.

The NDPS Act designates a total of 17 precursor chemicals as controlled substances, including five as Schedule A substances (the highest classification for controls): acetic anhydride; ephedrine; pseudoephedrine; n-acetylanthranilic acid; and anthranilic acid. Domestic manufacture, transport, sale, possession, and international trade in designated precursor chemicals are controlled under the NDPS Act. The manufacturers and dealers of these substances are required to obtain registration certificates from NCB. The international trade of ephedrine and pseudoephedrine has also been placed under tighter controls.

The two main Indian agencies responsible for monitoring India's international borders are the Border Security Force (BSF) and Indian Customs Service (ICS). ICS manages all official border crossing checkpoints and is responsible for checking cargo and persons entering India. India's porous international borders and training constraints limit the effectiveness of BSF and ICS, providing exploitable opportunities for illegal smuggling, cultivation, and production. These agencies also lack the advanced technology necessary to keep pace with traffickers using modern communication technology.

India's numerous national and state-level law enforcement agencies have a history of coordination challenges. Intelligence developed during drug interdiction operations is sometimes not effectively exploited on the national level to identify drug trafficking organizations and international trafficking activity. Limited investigative and evidence management practices make implementation of effective enforcement and prosecution strategies difficult. Reforms to India's court system and counternarcotics legislation to provide police increased operational authorities also would increase the ability of Indian law enforcement agencies to conduct complex investigations.

The NCB is attempting to improve India's interagency coordination process. For example, in September 2013 the NCB coordinated a meeting of officers from the NCB, Border Security Force (BSF), Advanced Data Processing Research Institute (ADRIN), Department of Revenue, Central Economic Intelligence Bureau (CEIB), and other Indian government agencies to discuss the identification and elimination of illicit opium poppy cultivation across India.

India has introduced a financial assistance program to help state agencies procure equipment for combating drug trafficking. According to the Indian Ministry of Home Affairs, during the 2013-2014 fiscal year the program disbursed approximately \$200,449 to four Indian States (Haryana, Nagaland, Uttar Pradesh, and Mizoram), and the Union Territory of Dadar and Nagar Haveli to purchase surveillance and laboratory equipment, vehicles, computers and other electronic equipment. According to the same report, NCB also provided financial assistance to state law enforcement agencies to organize training courses on narcotics enforcement. Between January 1, 2013 and March 31, 2014, 147 such courses were organized throughout India.

The United States and India are parties to a bilateral extradition treaty which came into force in 1999 and covers a broad range of criminal offenses – including narcotics-related offenses.

Although Indian extradition capabilities are increasing, U.S. requests for the extradition of narcotics traffickers and other criminals continue to be hampered by long delays. A bilateral mutual legal assistance treaty came into force in 2005 and authorizes a broad range of legal assistance in narcotics-related offenses and other matters. U.S. and Indian agencies are increasing the frequency of bilateral consultations to improve these processes.

2. Supply Reduction

Between January 1, 2013 and March 31, 2014, according to the Indian Ministry of Home Affairs Annual Report 2013-2014, the Government of India seized 1,412 kilograms (kg) of heroin; 2,372 kg of opium; 47 kg of cocaine; 3,205 kg of Methaqualone; 68 kg of Amphetamines; 37,466,812 tablets of Psychotropic Substances; 1,356 kg of Ketamine; and 6,935 kg of Ephedrine and Pseudo-Ephedrine.

The diversion of ephedrine from legal production companies in India to illicit ephedrine brokers is a serious problem.

Traditional drug trafficking organizations in India are diversifying from heroin to ephedrine trafficking due to higher profit margins. Licensed manufacturers and operators are transitioning into criminal drug production and trafficking due to enormous profit potential and low risk from Indian law enforcement. The Indian legal system is not adapting fast enough to keep pace with this trend.

In 2014, NCB continued to use satellite imagery and other forms of intelligence gathering to track and reduce illicit poppy cultivation. However, the resolution of available satellite imagery means the NCB often must continue to rely on its officers to make difficult visual verification of illicit poppy cultivation sites. In India's northeast states, where illicit poppy cultivation is widespread, left-wing extremist groups reportedly protect poppy fields in exchange for compensation from traffickers and cultivators, making it more challenging for NCB officers to identify and eradicate the fields. According to the Indian Ministry of Home Affairs, over the first three months of 2014, approximately 4,042 acres of illicit poppy were identified and destroyed by India's drug enforcement agencies across India, a significant increase in the pace of eradication from 2013, when only 865 hectares of illicit poppy were destroyed over the first eight months of the year.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

India's demand reduction strategy is developed by the Ministry of Social Justice and Empowerment (MSJE), and NCB acts as a primary coordinator of the strategy. The MSJE has a three-pronged strategy for demand reduction including education and increasing awareness about drug abuse, counseling and treatment programs and training demand reduction volunteers. India observed the United Nations sponsored International Day Against Drug Abuse and Illicit Trafficking on June 26, 2014, with programs focusing on raising awareness of the harmful effects of drug abuse. These programs included an awareness run against drug abuse, street plays, pledge ceremonies and public displays with awareness messages endorsed by prominent Indians. Treatment and rehabilitation services from drug abuse are mainly provided by non-

governmental organizations. Current information on the national prevalence of drug abuse is not available, as India has not conducted a national survey on substance abuse since 2000-2001.

India has been working with United States to further professionalize all substance use treatment staff in the country through the dissemination of the U.S.-developed Universal Treatment Curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals. In response to the challenge of child drug addiction, the United States has also supported a children's outreach drop in center in Delhi and the development of curriculum to train treatment providers who work with children.

4. Corruption

The Government of India does not encourage or facilitate drug trafficking. Since 1964, India has had an independent statutory body, the Central Vigilance Commission (CVC), which issues guidelines and conducts inquiries to address government corruption. The CVC reports to the President of India through the Indian Parliament. However, corruption is pervasive across police forces at all levels of government, with officers rarely being held accountable for illegal actions. This undermines the effectiveness of even the most elaborate control regimes for dangerous drugs. Indian media reports allege the widespread practice of paying bribes to rural police stations and local officials to turn a blind eye to the cultivation and harvest of poppy and cannabis fields.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Law enforcement agencies in India continue extensive cooperation with the United States Drug Enforcement Administration (DEA). In 2014, DEA and NCB partnered on several joint counternarcotics operations. NCB and DEA have conducted several joint ephedrine-methamphetamine investigations targeting illicit ephedrine distributors and methamphetamine production laboratories. Recent joint NCB and DEA investigations have also targeted licit precursor chemical factory owners who were using their factories to produce illicit amounts of ephedrine and methamphetamine. The collaboration between NCB and DEA, including joint investigations, has led to a greater effectiveness in counternarcotics enforcement in India.

The Government of India has entered into bilateral agreements for mutual cooperation for reducing demand, and preventing illicit trafficking in narcotic drugs, psychotropic substances, and precursor chemicals with 23 countries.

D. Conclusion

The most significant drug-related challenges facing India are the rise in methamphetamine manufacturing and trafficking, the diversion of licit controlled substances, the smuggling of pharmaceutical preparations containing narcotic drugs and psychotropic substances from India to neighboring countries, as well as constraints on enforcement capacity and interagency coordination.

The increased profitability from the manufacturing and distribution of methamphetamine has transformed India into a significant precursor chemical source and supply warehouse. Global demand for methamphetamine is rapidly creating new precursor chemical entrepreneurs in India who are retooling commercial chemical factories to produce illicit quantities of ephedrine and methamphetamine. As the global price and demand for high quality methamphetamine continues to grow, so too will illicit precursor chemical manufacturing and trafficking networks operating in India.

More aggressive drug law enforcement efforts and enhanced interagency cooperation will be required to effectively dismantle trafficking networks within India. Reforms to India's court system and counternarcotics legislation to provide police increased operational authorities and the prosecution of the heads of Indian-based drug manufacturing and trafficking groups would be important indicators of progress.

Indonesia

A. Introduction

Indonesia remains both a transshipment point and destination country for illegal drugs. Indonesia is a significant consumer of cannabis, methamphetamine, and heroin. While trafficking of methamphetamine and other synthetic drugs into Indonesia increased in 2014, heroin trafficking remained steady. The use of new psychoactive substances (NPS) remained stable and thirty new NPS were identified by the National Narcotics Board in 2014. Cannabis remains the most widely used drug in Indonesia, followed by methamphetamine. The majority of methamphetamine entering Indonesia originates in Iran, while the majority of heroin originates in Southwest Asia. African, Chinese, and Iranian drug trafficking organizations remain a significant concern for Indonesian law enforcement.

While progress has been made in enhancing the capacity of the National Narcotics Board and the Indonesian National Police to gather intelligence and interdict drugs, as well as engage in prevention and rehabilitation activities, Indonesia faces significant challenges due to porous borders, endemic corruption, and poorly administered prisons. Indonesia's government has expressed a commitment to addressing these challenges and Joko Widodo, the newly elected President, has identified counternarcotics as a priority.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Indonesia's effectiveness in combatting drugs remained constant in 2014. Based on significant powers provided by the 2009 National Narcotics Law, the National Narcotics Board has implemented policies and procedures, collaborated successfully with other ministries and social organizations, and formed drug control agreements with other countries. The National Narcotics Board is responsible for prevention, interdiction, and rehabilitation activities. The Indonesian National Police also shares interdiction responsibilities. While the National Narcotics Board's budget increased by 21 percent in 2013, it declined by approximately 39 percent in 2014. Indonesia continues to coordinate with stakeholder countries and with the United States, which has provided technical assistance, equipment, training, and information-sharing support. There were no new bilateral agreements signed in 2014. There is currently no mutual legal assistance or extradition treaty between Indonesia and the United States.

5. Supply Reduction

Due largely to investigative and technical capacity improvements implemented over recent years, the National Narcotics Board continued to successfully interdict drugs in 2014. U.S. assistance has been particularly helpful in this regard, and aided in the arrest of two Iranian drug traffickers in Indonesia and the seizure of forty kilograms of methamphetamine in 2014. In other cases, assistance from the U.S. Drug Enforcement Administration aided the National Narcotics Board in seizing 40,000 dosage units of synthetic drug 25B-NBOMe, as well as the arrest of a Nigerian national and three Indonesians involved in drug trafficking.

In 2014, drug trafficking operations by West African, Chinese, and Iranian drug trafficking organizations remained active. The Indonesian National Police reported a total of 31,736 narcotics cases involving 39,615 suspects in 2014. In May, following the death of a police officer from a drug overdose while at a popular Jakarta nightclub notorious for the open distribution of drugs, the Jakarta Tourism Agency revoked the nightclub's operating license, which was viewed by the media and public as a significant move on the part of the Jakarta administration.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The most recent statistical data available to the National Narcotics Board is its National Survey of Narcotics Abuse that was published in 2012. The survey indicated up to an estimated 4.7 million drug users in Indonesia. Research indicated that 70 percent of users were workers, while students made up 22 percent of users. The most widely used narcotics were cannabis, methamphetamine, and ecstasy. The overall incidence of drug use appeared to rise in 2014 according to anecdotal information, and the National Narcotics Board organized 638 outreach events including 369 community focus group discussions, as well as radio and television awareness programs and other events for schools, non-governmental organizations (NGOs), and government offices in an effort to reduce demand.

In March, a new government regulation was issued to promote increased focus on the rehabilitation of drug users. The National Narcotics Board opened a new rehabilitation center in Batam, Riau Islands Province in December 2014 and also continued its cooperation with hospitals and NGOs to leverage medical and professional counseling resources. The National Narcotics Board operated Therapeutic Communities at 16 prisons in 2014. Jakarta's Provincial Government began offering free rehabilitation services on a limited scale under its new healthcare program, which was officially launched in November of 2013. The National Narcotics Board and Muhammadiyah, Indonesia's (and the world's) second-largest mass Muslim organization, signed a Memorandum of Understanding in 2013. In 2014, they cooperated on several awareness-raising events for youth at 172 of Muhammadiyah's academies throughout Indonesia as well as a drug testing program for entering students at Muhammadiyah's 63 universities.

The United States is also supporting Indonesia in a long-term project to further professionalize all substance use treatment staff in the country through the dissemination of a U.S.-developed Universal Treatment Curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals.

4. Corruption

As a matter of policy, Indonesia does not encourage or facilitate illegal activity related to drug trafficking and no senior government officials are known to be engaged in such activity. However, corruption at all levels of government and society is endemic, and this poses a significant threat to the country's counternarcotics strategy. Indonesian officials, particularly lower level officials, remain susceptible to corruption due partly to low wages. Indonesia has

made some progress in combating official corruption, primarily through a growing body of laws and the efforts of its Corruption Eradication Commission. Nevertheless, even when narcotics offenders receive stringent prison sentences, corruption within the prisons facilitates the ongoing use, distribution, and trafficking of illicit substances.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

In 2013, the National Narcotics Board organized a conference entitled “National Policy and Strategy In Prevention and Eradication, Narcotics Abuse, and Illicit Narcotics.” The conference focused on Indonesia’s 2011 – 2015 goals and included political leaders, law enforcement officials, and representatives of key stakeholder ministries and organizations. In late 2012, the United States concluded the construction of classrooms and barracks that were utilized regularly for training events in 2014. The United States continues to provide wide-ranging support including training, technical assistance, and equipment.

D. Conclusion

Indonesia’s commitment to implementing its 2009 National Narcotics Law remains firm. The National Narcotics Board’s growing administrative capability and collaboration with other organizations are positive indicators. The significant decrease in the agency’s budget in 2014 is more indicative of the overall budget climate in Indonesia rather than a decreased emphasis on counternarcotics efforts. While the National Narcotics Board and the Ministry of Law and Human Rights have attempted to address trafficking and narcotics abuse in detention and correctional facilities, efforts to combat drug-related corruption, particularly in prisons, remains an area for improvement. An announced plan to provide rehabilitation services to significant numbers of narcotics prisoners in 2014 had been delayed due to budgetary issues.

Iran

Iran is a significant transit and destination country for Afghan opiates and hashish, as well as a growing source of methamphetamine for both international and domestic consumption. Most opiates and hashish are smuggled into Iran across its 572-mile eastern land border with Afghanistan and Pakistan, though maritime conveyance may be increasing as traffickers reportedly seek to avoid Iranian border interdiction efforts. Iranian officials claim to have invested over \$1 billion in the country's static interdiction infrastructure on the eastern border, which includes roads, watch towers, trenches, barriers, and surveillance cameras.

According to the most recent available data from Iran's Drug Control Headquarters (DCHQ), seizures of drugs and drug precursors in Iran during 2013 increased 17 percent over the previous year to 588 metric tons. The DCHQ was established in 1988 and is Iran's policy coordination body for drug-related matters, reporting directly to the president. Its 12-member secretariat includes the president; the ministers of interior, health, education and intelligence; the federal police force chief; and other security and justice officials. Iranian law enforcement officials announced in September 2014 that seizure totals for the year were approximately 10 percent lower than in 2013. Over the past decade, Iranian trafficking networks have grown into major suppliers of methamphetamine to markets in the Middle East and the Asia Pacific region.

Iran has one of the most serious drug addiction problems in the world, with Iranian officials estimating addiction rates in November 2013 at 2.65 percent of the population, or upwards of 1.8 million people. Other informed observers have provided higher estimates. In September 2014, Iran's parliament amended the country's 2010 anti-narcotics law to pay for treatment for all drug addicts with government-provided insurance. According to the DCHQ, there are approximately 1,200 non-governmental organizations operating in Iran that are active in prevention and treatment, and provide nearly 80 percent of all services in these fields. Over 755,000 patients received some form of treatment or counseling in 2013, according to official statistics.

The United States and Iran do not have bilateral extradition or mutual legal assistance treaties. Iran has made some efforts to cooperate with international partners, particularly under the auspices of the UN Office on Drugs and Crime. In June 2014, Iran attended the International Drug Enforcement Conference for the first time. According to press reports, Iran announced bilateral anti-trafficking cooperation agreements with Pakistan, Turkey, Turkmenistan, Tajikistan, Japan, and the five Caspian littoral states (Russia, Kazakhstan, Turkmenistan, Azerbaijan) in 2014. Whether these announcements have led to practical law enforcement cooperation remains unclear. Domestically, law enforcement has taken a hard line against drug traffickers. In November 2014, the secretary-general of Iran's Human Rights Council publicly announced that 93 percent of Iran's executions involved drug trafficking.

Iraq

A. Introduction

Iraq is a growing transit and consumer country for illicit drugs, particularly diverted pharmaceutical and other synthetic drugs. The upsurge in trafficking has contributed to growing rates of substance abuse. The Iraqi government is beginning to recognize this threat and has expressed its willingness to enhance currently insufficient services to prevent and treat substance abuse. Given the deterioration in the security environment during 2014, however, the government's efforts were limited and secondary to the focus on internal security and public order.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Iraqi government is increasingly aware of the need to counter illicit trafficking and substance abuse. The Ministry of Interior's Port of Entry Directorate and Directorate of Border Enforcement and the Ministry of Finance's General Directorate of Customs share responsibility for deterring and interdicting contraband across Iraq's borders. The Iraqi government has achieved limited successes in seizing drug shipments at the borders, but has rarely investigated the sources of the narcotics or arrested and prosecuted top leaders of drug trafficking enterprises.

Iraq's current drug laws are in need of reform, as the vast majority of laws date from the 1960s and do not reflect advances in law enforcement or treatment. Personal use can carry sentences from three to 15 years and trafficking can draw a life sentence or the death penalty. Convicted drug users can request treatment in lieu of incarceration, but treatment capacities would be grossly inadequate if this option were routinely implemented. Iraq is in the process of passing legislation to establish a National Commission for Drugs within the Ministry of Health (MOH) to lead government-wide efforts to combat trafficking and reduce illicit drug use. A primary feature of the proposed law would require licenses and other regulations on pharmacists, to prevent widespread diversion of otherwise licit pharmaceuticals. The law would also regulate import and export permits on precursor chemicals used to manufacture narcotics and psychotropic substances, and provide courts with additional leeway to forgo harsh penalties on users who voluntarily opt to undergo treatment. The legislation has been drafted and is being reviewed by Iraqi parliamentary committees. Delays are expected in passing this new legislation due to the emergency security situation. If passed, the new law would be a critical step in reforming the legal framework on trafficking and substance abuse.

Extradition between the United States and Iraq is governed in principle by the 1934 U.S.-Iraq Extradition Treaty. There is no mutual legal assistance treaty in force between the United States and Iraq, though mutual legal assistance is provided on a reciprocal basis through letters of request. The United States and Iraq are also parties to various multilateral conventions which provide for cooperation in criminal matters.

2. Supply Reduction

Iraq's uncontrolled and porous borders facilitate the trafficking of illegal drugs. Fenethylamine pills (an amphetamine-type stimulant, or ATS) are trafficked via the Iraq-Syria border for domestic consumption and for shipment to other countries in the Middle East. Heroin, opium, methamphetamine, and hashish are transported through Iran into Iraq, and then onward to international markets.

Interdiction efforts are included in routine border control duties. The government first seized fenethylamine pills in 2009, and seizures have increased substantially since that time. However, during 2014, Iraqi authorities lost control of all major official points of entry, with the exception of Rabia and unofficial crossings, along the Iraq-Syria border, enabling the illegal transfer of controlled substances through Iraq.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Substance abuse is increasing in Iraq. Based on hospital records and police drug seizures, the most commonly abused drugs are licit pharmaceuticals, particularly pain-killers. Substances such as trihexyphenidyl (also known as benzhexol), diazepam, clonazepam, and tramadol (an opioid analgesic) are frequently abused. Iraqi pharmacies are beginning to require a doctor's prescription before providing medicine and drugs to consumers. However, pending drug law reform is needed to help alleviate the abuse of pharmaceutical medication. Illegal synthetic drugs including fenethylamine pills and methamphetamine are also increasingly available throughout the country. Traditional opiate products and hashish are also consumed in Iraq, but to a lesser degree.

The MOH attributes growing substance abuse to the stresses of low employment, poor living conditions, instability, and violence. The stigma surrounding drug use is substantial, and substance abusers often resist treatment or seek treatment through private psychiatric offices. However, Iraq only has a very limited number of psychiatrists, psychologists, and social workers trained to treat patients with substance abuse disorders. Mosques and churches throughout Iraq play a key role in preventing drug abuse by educating members about consequences and stressing the importance of healthy lifestyle choices.

Treatment centers offering interventions for substance abusers are limited to large cities, including general or government psychiatric hospitals in Basrah, Diwaniyah, Karbala, Baghdad, Sulaymaniyah, Erbil, and Dahuk. No single treatment center in Iraq currently offers inpatient, outpatient, residential, and rehabilitation services for substance abuse. The MOH and the Kurdistan Regional Government's Ministry of Health are expanding infrastructure to include specialized units in existing hospitals for substance abuse treatment and care.

The MOH also intends to fund training programs for paramedical professionals, physicians, psychologists, and psychiatrists, and has plans to reduce demand for illegal drugs through youth-oriented media campaigns and brochures for various age groups. Iraqi civil society organizations have developed anti-drug coalitions, which include members from the Iraqi government, community and religious leaders, and local citizens to develop and implement grassroots level strategies for reducing substance abuse. Iraqi civil society organizations have also established

outreach drop-in centers that identify and motivate clients into treatment, provide initial interventions, support client aftercare groups, and facilitate the social reintegration for recovering persons. While the MOH has ambitious plans to expand substance abuse treatment and training, budgetary constraints and competing MOH priorities may limit near-term outcomes.

4. Corruption

As a matter of public policy, the Iraqi government does not encourage or facilitate illicit production and distribution of narcotics and psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. The growing volume of domestic and international drug trafficking raises the potential for increased corruption.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Pursuant to the 2008 U.S.-Iraq Strategic Framework Agreement, the United States continues to fund counternarcotic assistance programs, including the Iraq Drug Demand Reduction Initiative. Working with the MOH, this initiative is leading the development of a comprehensive, national substance abuse training, research, and treatment center in Baghdad to integrate substance abuse services into the Iraqi primary health care system. This initiative also helped form the Iraq Community Epidemiological Workgroup, which produced the first comprehensive profile on the nature and extent of drug abuse in Iraq. The United States is funding a nation-wide survey to determine the prevalence and demographic trends in substance abuse that will inform the development of a national strategy. The United States also provided training on evidence-based substance abuse treatment to Iraqi health care professionals in 2014, who are replicating this training to other Iraqi health care professionals throughout the country. Additionally, U.S. assistance to Iraqi civil society organizations has led to the development of anti-drug coalitions and outreach drop-in-centers to prevent substance abuse through grassroots community engagement.

D. Conclusion

Given the dramatic deterioration in the security situation throughout the year, Iraq's political leadership is focused on restoring stability. While securing additional resources to counter drug trafficking and reduce domestic demand is important, it will not likely be the top priority for the new government entering into 2015.

Italy

Italy remains an important transit country and consumer of illegal drugs. Synthetic drugs, hashish, and marijuana are the most commonly consumed illicit drugs. Southwest Asian heroin arrives via the Middle East and Balkans, while cocaine reaches Italy directly from South America or through Spain and other countries en route to western and central Europe. The majority of cocaine found in Italy originates with Colombian and other South American criminal groups and is primarily managed in Italy by organized crime groups based in Calabria and Campania. Italy's numerous seaports enable the importation of multi-hundred kilogram (kg) shipments concealed in commercial cargo or aboard private maritime vessels. South American and Mexican cocaine traffickers use Italy to repatriate drug proceeds via bulk currency shipments to Colombia and Mexico and wire transfers throughout the world.

In 2013 (the most recent year for which information is available), Italian authorities seized over 85 metric tons (MT) of narcotics. This included 4.97 MT of cocaine primarily from Colombia; 882 kg of heroin, mostly from Afghanistan, trafficked via Turkey and the Balkan Peninsula; 36.35 MT of hashish, smuggled across Morocco, Spain, and France; 28.82 MT of marijuana that originated in Albania and Greece; and 97 kg of synthetic drugs from the Netherlands. The largest single seizure was of 15.7 MT of hashish in waters near Pantelleria. Authorities arrested 33,676 individuals on drug-related charges.

In 2013, the Carabinieri, in cooperation with U.S. Drug Enforcement Administration (DEA), concluded a four-year transnational investigation targeting high-level drug brokers providing logistical support for containerized cocaine shipments from the Caribbean and South and Central America, on behalf of 'Ndrangheta organized crime groups operating principally in Milan and Rome. Authorities seized 1,061 kg of cocaine and arrested 16 Italians and three Colombians in Italy. The subsequent financial investigation concluded in September 2014, and authorities seized assets valued at \$4.4 million. In June 2014, DEA and the Italian Central Directorate for Anti-Drug Services (DCSA) co-hosted the 31st International Drug Enforcement Conference (IDEC) in Rome on the "Development of Global Strategies Aimed at Dismantling the Financial Infrastructure of Drug Trafficking and Transnational Organized Crime Networks."

The United States and Italy have excellent counternarcotics cooperation, intelligence sharing, and daily coordination in criminal investigations. The U.S. government will continue to work closely with Italian authorities to initiate, support, and exploit multilateral investigations focused on the disruption and dismantling of the most significant transnational drug trafficking and money laundering organizations operating in and through Italy.

Jamaica

A. Introduction

Jamaica remains the largest Caribbean supplier of marijuana to the United States and local Caribbean islands. Although cocaine and synthetic drugs are not produced locally, Jamaica is a transit point for drugs trafficked from South America to North America and other international markets. In 2014, drug production and trafficking were enabled and accompanied by organized crime, domestic and international gang activity, and police and government corruption. Illicit drugs are also a means of exchange for illegally-trafficked firearms entering the country, exacerbating Jamaica's security situation.

Drugs flow from and through Jamaica by maritime conveyance, air freight, human couriers, and to a limited degree by private aircraft. Marijuana and cocaine are trafficked from and through Jamaica into the United States, Canada, the United Kingdom, Belgium, Germany, the Netherlands, and other Caribbean nations. Jamaica is emerging as a transit point for cocaine leaving Central America and destined for the United States, and some drug trafficking organizations exchange Jamaican marijuana for cocaine.

Factors that contribute to drug trafficking include the country's convenient geographic position as a waypoint for narcotics trafficked from Latin America; its lengthy, rugged, and difficult-to-patrol coastline; a high volume of tourist travel and airline traffic; its status as a major transshipment hub for maritime containerized cargo; inadequate educational and employment opportunities for at-risk youth who engage in crime; and a struggling economy that encourages marijuana cultivation in rural areas.

The government and law enforcement authorities are committed to combating narcotics and illicit trafficking. However, their efforts were only moderately effective in 2014 because of a lack of sufficient resources, corruption, an inefficient criminal justice system, and the inability of lawmakers to adopt meaningful legislation to combat corruption. Lawmakers are considering proposed legislation to decriminalize the possession and use of small amounts of marijuana for personal use.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Cooperation between the Governments of the United States and Jamaica against narcotics and related transnational crime remained strong in 2014. The United States' primary Jamaican partners are the Jamaica Constabulary Force (JCF, police), the Jamaica Defence Force (JDF, military), Jamaica Customs, the Independent Commission of Investigations (INDECOM, which investigates police-involved deaths), and the Financial Investigation Division of the Ministry of Finance.

The United States and Jamaica are bilateral parties to both a mutual legal assistance treaty and an extradition treaty. The countries have a strong extradition and mutual assistance relationship,

and the extradition treaty was actively and successfully used in 2014. Both governments have a reciprocal agreement to share forfeited criminal assets and a bilateral law enforcement agreement that governs cooperation in the interdiction of the maritime flow of illegal drugs.

The Commissioner of Police, with support from the Minister of National Security, continued to take a strong public stance against police corruption and made progress toward reform of the institution. The Jamaica police have suffered from decades of endemic corruption and high annual numbers of civilian deaths caused by police actions. Efforts to reduce police corruption have succeeded remarkably in recent years, and police-involved deaths decreased by 55 percent in 2014.

Progress in combating narcotics, illicit trafficking and corruption was hobbled by an underfunded, overburdened and sluggish criminal justice system with limited effectiveness in obtaining criminal convictions. However, a jury's conviction in March of a well-known Jamaican musician for murder was an encouraging development. The conviction relied largely on police and prosecutors' use of digital forensic evidence, a capability developed over several years with the assistance of the United States.

The conviction rate for murder was approximately five percent, and the courts continued to be plagued with a culture of trial postponements and delay. This lack of efficacy within the criminal courts contributed to impunity for many of the worst criminal offenders and gangs, an abnormally high rate of violent crimes, lack of cooperation by witnesses and potential jurors, frustration among police officers and the public, a significant social cost and drain on the economy, and a disincentive for tourism and international investment.

2. Supply Reduction

The Jamaican government estimates that approximately 15,000 hectares (ha) of marijuana are grown in all 14 parishes of Jamaica. The police and military, supported by the United States, employed teams of civilian cutters to cut growing plants, seize seedlings and cured marijuana, and burn them in the field. Because Jamaican law prohibits the use of herbicides, only manual eradication was conducted.

Eradication of marijuana increased in 2014, with the destruction of 588 ha of cannabis. This compared to 247 ha in 2013 and 711 ha in 2012.

Jamaica prohibits the manufacture, sale, transport, and possession of MDMA (ecstasy) and methamphetamine, and regulates the precursor chemicals used to produce them. Jamaica does not produce precursor chemicals and relies on countries exporting goods to conform to international standards governing export verification. The importation and sale of pharmaceutical products and chemical substances are regulated and reinforced with fines or imprisonment. Other controls monitor the usage of pharmaceutical products and chemical substances including register controls, inspections, and audits. Precursor chemicals continued to move through Jamaica to Central America and were concealed in shipping containers that passed through the Port of Kingston. The chemicals included methylamine hydrochloride and mono-methylamine, both of which are utilized in the manufacture of methamphetamine.

Smugglers continued to use maritime shipping containers, ships, small boats, air freight and couriers to move drugs from and through Jamaica to the United States. One common practice of traffickers was to transport cocaine in large fishing vessels to a point several miles off the Jamaica coast, where small fishing canoes then carried the drugs to shore. Traffickers used the same system in reverse to ship marijuana south to the Caribbean and South America. The JDF Air Wing lacked a fixed wing aircraft capable of detecting and tracking such fishing vessels, and the JDF Coast Guard lacked swift and reliable vessels to intercept them.

In 2014, authorities seized 39.5 metric tons (MT) of cannabis, 0.4 kg of hash oil and 20.5 kg of hashish, compared to 30.9 MT of cannabis, 80.9 kg of hash oil and 22.6 kg of hashish in 2013. Seizures of cocaine decreased to 383.7 kg in 2014 from 1.23 MT in 2013, and seizures of crack cocaine decreased to 0.4 kg in 2014 from 4.0 kg in 2013. High-profile organized criminal gangs continued to successfully operate within Jamaica. Gangs are sometimes afforded community tolerance or protection and, in some cases, are supported through police corruption.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Marijuana was used by 13.5 percent of the population in 2014, making it the most-abused illicit drug among Jamaicans, while cocaine abusers remained less than 0.1 percent.

The Ministry of Health's National Council on Drug Abuse (NCDA), working through the primary care system and mental health clinics, provides assessment, counseling and treatment services for substance abusers.

The Jamaican government operates one detoxification center located at the University Hospital of the West Indies (UHWI) in Kingston, and offers services for dual diagnosis clients through UHWI and Kingston's Bellevue Hospital (a mental health institution). In collaboration with the Organization of American States' Inter-American Drug Abuse Control Commission, Jamaica offers a university-level certificate program for drug professionals in drug addiction and drug prevention. The UN Office on Drugs and Crime works directly with the Jamaican government and non-governmental organizations on demand reduction.

The Ministry of Health (MOH) regulates precursor pharmaceuticals, including the importation of pseudoephedrine, both in powder and final product forms. The NCDA, the Pharmacy Council, and the MOH are working to expand awareness among health professionals on the potential danger of pseudoephedrine and ephedrine when they are diverted to produce methamphetamine.

4. Corruption

As a matter of policy, the Jamaican government does not encourage or facilitate illegal activity associated with drug trafficking or the laundering of proceeds from illicit drug transactions. Jamaican law penalizes official corruption; however, corruption remains entrenched, widespread, and compounded by a judicial system that has a poor record of successfully prosecuting corruption cases against high-level law enforcement and government officials.

In 2014, anti-corruption measures within the police continued to show encouraging signs. Additionally, the U.S.-supported non-governmental organization National Integrity Action helped focus increased public and government attention on the need for anti-corruption reforms.

The police Anti-Corruption Branch (ACB) merged with the newly-created Major Organized Crime and Anti-Corruption Agency in 2014, and showed steady success in identifying and removing officers engaged in corrupt and unethical behavior. Since the ACB's reorganization with international support in 2008, 538 police personnel have resigned or been dismissed for corruption or ethical violations, with 48 of those removed in 2014. Another 32 officers faced criminal corruption charges during the year. The ACB's merger with the MOCA Agency will broaden the ACB's role to addressing corruption within the whole of government, rather than within the JCF alone.

Legislation to establish a national anti-corruption agency has been pending before Parliament since 2008. Such an agency is required by the Inter-American Convention against Corruption to which Jamaica is a signatory, but efforts by legislators from both political parties have stalled the proposal. In 2014, the Minister of Justice continued his work with stakeholders to redraft the bill and organize legislative support for advancement of the proposal.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports a wide range of efforts designed to address crime and violence affecting Jamaica, primarily through the Caribbean Basin Security Initiative (CBSI). CBSI is a security partnership between the United States and Caribbean nations that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice.

CBSI funding to advance Jamaica's transformation into a more secure, democratic, and prosperous partner is a major U.S. policy goal. Narcotics trafficking, corruption, and related crime undermine the rule of law, democratic governance, economic growth, and the quality of life for all Jamaicans. Success in combating crime depends on a comprehensive approach that recognizes the link between drugs, gangs, organized crime, poverty, unemployment, lack of educational opportunities, and government corruption.

CBSI support to Jamaica includes training, equipment and logistical assistance for: the prevention and interdiction of narcotics and firearms trafficking; combatting cyber-crime, money laundering, financial crime, lottery scams, and organized crime; improving Jamaica's efforts to seize and forfeit criminally-acquired assets; and enhancing Jamaica's maritime law enforcement capabilities through support for the JCF Marine Division and the JDF Coast Guard. Additionally, Jamaica participated in the CBSI-funded 1st Multilateral Maritime Prosecution and Interdiction Summit in 2014, an initiative intended to promote bilateral cooperation in combating maritime drug trafficking and improving prosecution of maritime trafficking cases.

The United States also funds projects to improve the effectiveness of prosecutors and the courts, the National Forensic Sciences Laboratory, and the Financial Investigation Division of the Ministry of Finance. Indirect support for law enforcement occurred through projects to build community-police relations, improve police training facilities and techniques, strengthen efforts

to reduce police corruption and excess use of force, and implement education and workforce development programs targeting at-risk youth who are susceptible to narcotics and gang influence.

D. Conclusion

In 2014, through strong leadership, stable democratic institutions, and support from the United States and other international partners, Jamaica continued to make slow but steady progress in combating narcotics and firearms trafficking, police corruption, organized crime, and excessive use of force by police.

Success stories, all with U.S. and international support, included the JCF Anti-Corruption Branch, which made steady progress in eliminating corrupt and unethical police officers; the Major Organized Crime and Anti-Corruption Agency, which continued its success in reducing Jamaica lottery scam operations that targeted retirees and the elderly in the United States; the Financial Investigation Division of the Ministry of Finance that increased its ability to curb money laundering and seize criminally-acquired assets; the Independent Commission on Investigations, which was largely responsible for a significant reduction in police-involved deaths; a successful effort to enhance JCF ability to trace seized firearms; and a broad initiative that provided training to criminal prosecutors throughout the island.

The momentum of progress gained within Jamaica's law enforcement agencies, however, is being limited by a chronic inability of prosecutors and the courts to keep pace and secure prompt convictions. Therefore, it is essential that the United States and its international partners continue to support efforts to reform and strengthen Jamaica's criminal court system.

Kazakhstan

A. Introduction

Kazakhstan is a strategically-situated transit country along the main northern route for Afghan heroin and opiates. This route runs from Afghanistan into and through Central Asia into Russia and Eastern Europe. Cultivation and trafficking of cannabis has also increased in Kazakhstan, as well as the importation of synthetic narcotics that supply growing domestic demand.

According to a 2014 report by the United Nations Office on Drugs and Crime (UNODC), opium production decreased in north Afghanistan while increasing in the south, prompting drug traffickers to shift routes away from the northern route through Kazakhstan. Interdiction efforts by Kazakhstani law enforcement agencies have also deterred trafficking across the country's southern border, resulting in a decrease of opioid availability and a six-fold increase in the price of heroin; the street-price of one kilogram of heroin in southern Kazakhstan ranged between \$18,000 to \$20,000 in 2014, up from \$3,000 in 2007-2008. This reduction in opioid trafficking has also led to the importation of synthetic drugs from Russia, China, and European countries. Kazakhstan acknowledges the problem and is combating the development of synthetic drugs. Drug dealers continue to diversify their methods for selling illegal drugs in Kazakhstan, including the use of bank payment systems, internet sales, and mail services.

Kazakhstan has increased its international cooperation to combat drug trafficking through active participation in training and conferences on emerging threats and persistent regional problems. Kazakhstan's Ministry of Internal Affairs is concerned about a potential rise in Afghan drug production and its effect on Central Asia following the drawdown of NATO forces.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In 2012, the government of Kazakhstan adopted the Program on Combating Drug Addiction and Drug Business (2012-2016) with a budget of \$41 million. The program supplements traditional counternarcotics enforcement efforts with drug demand reduction and rehabilitation programs, and tougher border control measures.

Kazakhstan hosts the Central Asia Regional Information and Coordination Center (CARICC). Kazakhstan also cooperates with several countries on a bilateral basis, and participates in counternarcotics activities as part of the Shanghai Cooperation Organization (SCO), the Collective Security Treaty Organization (CSTO), the Commonwealth of Independent States (CIS), and the Eurasian Group on Combating Money Laundering and Terrorism Financing (EAG).

Kazakhstan has no bilateral extradition treaty with the United States, but mutual legal assistance is possible through reciprocity. Additionally, Kazakhstan is a signatory to the 1988 UN Drug

Convention and obligated to assist in accordance with its provisions. The United States and Kazakhstan have begun negotiations on a bilateral mutual legal assistance treaty.

Since May 2014, participants in the Interagency Committee on Coordination of Counternarcotics Activity must be First Deputy Ministers or higher. The Committee is chaired by the Minister of Internal Affairs.

On August 5, 2014, President Nazarbayev issued instructions to optimize and reduce the number of ministries and committees. As a result, the Ministry of Internal Affairs' Committee on Combating Illicit Drug Trafficking was transformed into the Ministry's Department on Combating Drug Business. The Department retains all functions of the Committee and still coordinates counternarcotics activities implemented by all other relevant agencies.

Kazakhstan plans to increase its assistance to Afghanistan and the region to combat the Afghan drug threat. Several Afghan cadets currently study at the Academies of the Ministry of Internal Affairs and the Border Guard Service.

2. Supply Reduction

Through the first nine months of 2014, Kazakhstani law enforcement agencies seized 23.8 metric tons (MT) of drugs (compared to 24.6 MT during the similar period in 2013), including 344.6 kilograms (kg) of heroin (724.1kg in 2013) and numerous multi-hundred kilogram consignments of marijuana, cannabis, and hashish. The number of registered drug-related crimes decreased from 2,989 to 2,905.

Kazakhstan introduced criminal liability for trafficking of narcotic analogues in the new Criminal Code adopted on July 3, 2014, which entered into force in January 2015. The Ministry of Internal Affairs counternarcotics division in Almaty detected 16 incidents of trafficking of new psychoactive substances which resulted in the seizure of 10 kg of analogues. The majority were analogues of THC and contained a synthetic cannabinoid (JWH-18, JWH-19, JWH-210) and analogues of the psychotropic substance methcathinone (ephedrone), which are not controlled substances under existing legislation.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Kazakhstan has several ongoing interagency activities aimed at reducing demand for illegal drugs, including the Program for Development of Healthcare (2011-2015), "Healthy Lifestyles" (2008-2016), and the Program on Combating Drug Addiction and Drug Business (2012-2016).

The Ministry of Internal Affairs' Counternarcotics Department cooperates with 73 non-governmental organizations (NGOs) on demand reduction and the medical and social rehabilitation of drug addicts. The Committee on Combating Drug Trafficking supports the Center of Social and Psychological Rehabilitation of Drug Addicts, and the Ministry of Health runs a similar center. These agencies are also developing new narcology standards, treatment methods, prison addict rehabilitation, and harm reduction programs.

The Counternarcotics Department works with non-governmental and youth organizations to prevent drug addiction among children as part of the Program on Combating Drug Addiction and Drug Trafficking. The Ministry of Interior also publishes the magazines “Narcopost and Future without Drugs.”

These efforts resulted in a decrease in the officially-registered number of drug addicts in the first nine months of 2014 (36,137) compared to the same period in 2013 (40,224). These figures almost certainly underestimate the actual number of drug users in the country.

4. Corruption

Kazakhstan does not encourage or facilitate drug trafficking or related activity as a matter of policy, and no senior officials were accused of drug-related corruption in 2014. During the first nine months of 2014, however, 12 crimes related to drug trafficking were committed by law enforcement officers. The government does not report corruption statistics. It does, however, reward citizens for reporting police corruption.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

As part of the 2012-2016 Program on Combating Drug Addiction and Drug Business, Kazakhstan plans to continue drug demand and supply reduction efforts and to strengthen its international cooperation. To help reduce the illicit inflow of drugs, Kazakhstan plans to revise its border procedures for foreign citizens arriving in Kazakhstan, especially those from drug-source countries. The government is also developing measures to help identify and combat sea-based supply channels of heroin, cocaine and synthetic drugs.

The United States supports law enforcement capacity-building programs in Kazakhstan and has bilateral agreements on counternarcotics cooperation with the government. As part of the border security program, the United States is supporting a project on strengthening Coast Guard capacity on the Caspian Sea. In 2014, the United States organized 11 programs including interagency workshops, conferences, and study visits to the United States for counternarcotics officers who conduct drug-related investigations. The United States also cooperated with the United Nations to enhance the intelligence capacity of anti-drug trafficking agencies. All U.S. government programs are designed to increase Kazakhstan’s capacity to combat drug-trafficking and drug use, and enjoy cooperation and joint funding from the host government. In 2014, Kazakhstan also initiated a long-term project with support from the United States and UNODC to further professionalize all substance use treatment staff in the country through the dissemination of U.S.-developed treatment curriculum.

D. Conclusion

The situation in Kazakhstan remains stable, although Kazakhstan remains concerned that the security transition in Afghanistan could lead to increased drug trafficking throughout the region. The Government of Kazakhstan is increasing international cooperation to confront the drug trade. More transparent and robust record-keeping is needed, along with a reduction in the corruption endemic in the region. Kazakhstan is taking steps to address these issues and

recognizes the public health and national security threats posed by drug trafficking and addiction.

Kenya

Kenya is a significant transit country for a variety of illicit drugs, including Southwest Asian heroin and South American cocaine, with an increasing domestic user population. Imports of precursor chemicals, including those used to produce methamphetamine and psychotropic substances, are on the rise. Cannabis and khat (miraa) are grown domestically for both local use and export.

Stemming this flow of illicit drugs is an enormous challenge. Drug trafficking organizations take advantage of corruption within the Kenyan government and business community. Proceeds from drug trafficking are used to further fuel the corruption of Kenyan institutions, adversely impacting the lives of Kenyan citizens far removed from the drug trade. Drug barons use proceeds to contribute to political campaigns and to buy influence with government officials, law enforcement officers, politicians, and the media. Despite rhetoric from Kenyan political leaders, there has been a lack of action in the form of high level prosecutions or interdiction. Only a tiny fraction of the drugs believed to transit in and through Kenya are seized by authorities. Due to a lack of both political will and institutional capacity, arrests rarely lead to convictions. When convictions do occur in Kenya, they are of lower level couriers and distributors.

Traffickers exploit Kenya's long Indian Ocean coastline and lack of adequate security controls at the port of Mombasa. Southwest Asian heroin is transported in multi-hundred kilogram quantities by small oceangoing vessels called dhows across the Indian Ocean to the Kenyan coastline. Once in Kenya, the heroin is distributed to retail markets and user populations throughout Africa, Europe, and North America. South American cocaine is brought into Kenya by commercial air couriers arriving on international flights to Nairobi for further distribution to other African locations and Europe.

The Ministry of Interior and Coordination of National Government has oversight for the government's two main narcotics supply and demand reduction agencies: the Anti-Narcotics Unit (ANU) of the Kenya Police Service which is the lead law enforcement agency responsible for combating drug trafficking; and the National Authority for the Campaign Against Drug Abuse (NACADA), which coordinates public education, prevention, and rehabilitation services. With U.S. support, Kenya is working to further professionalize substance use treatment staff through disseminating U.S.-developed training curriculum.

Extradition between Kenya and the United States is governed in principle by the 1931 U.S.-U.K. Extradition Treaty. There is no mutual legal assistance treaty in force between Kenya and the United States, though mutual legal assistance is provided on a reciprocal basis through letters of request.

U.S. bilateral cooperation with Kenya on counternarcotics matters is continuing. The principal U.S. counternarcotics objective in Kenya is to interdict the flow of narcotics to the United States. A related objective is to limit the corrosive effects of narcotics-related corruption in law enforcement, the judiciary, and political institutions, and in the public at large. The United States seeks to accomplish these objectives through law enforcement cooperation (including with a vetted unit within the ANU trained by the U.S. Drug Enforcement Administration) and by

encouraging a strong Kenyan government commitment to narcotics interdiction and criminal justice capacity building.

Kosovo

Kosovo remains a transit country for drugs destined for Europe, but is not a significant source of illegal narcotics. Kosovo coordinates its interagency efforts to combat narcotics trafficking through the National Coordinator for Anti-Drug Strategy. The Kosovo Police Directorate of Investigations for Narcotics Trafficking is tasked with implementing Kosovo's National Anti-Drug Strategy (from 2012) and five year (2012-2017) Action Plan Against Narcotics, which includes demand and supply reduction, internal government coordination, and cooperation with international partners. The Directorate also carries out narcotics-related investigations, seizures, and arrests.

Between January and September 2014, Kosovar authorities reported seizing 672 kilograms (kg) of marijuana, 21 kg of cocaine, and less than two kg of heroin. These figures reflected a significant increase in seizures for marijuana and cocaine from 2013, as well as a significant decrease for heroin. Police also seized over 5,000 cannabis seeds and 3,735 marijuana plants. Factors adversely impacting Kosovo's efforts to combat narcotics trafficking include its geographic location along traditional smuggling routes; incomplete integration of northern municipalities; poor economy; non-recognition by some states in the region, and a less than fully effective border management system.

There are no comprehensive reports assessing drug use in Kosovo. Based on available information, the majority of offenders are men, and marijuana is their drug of choice. To discourage drug use, the Ministries of Health and Education conduct drug education programs, community police officers educate students about risks of drug use, and non-governmental organizations assist with anti-drug education and drug treatment.

Estimating the extent to which corruption influences drug trafficking in Kosovo is difficult. Laws prohibit narcotics-related corruption, but allegations persist that narcotics move across Kosovo's borders, sometimes with the acquiescence of officials.

Because Kosovo is not yet a United Nations member state, it is party to few international conventions and protocols or bilateral agreements relating to counternarcotics. Kosovo cooperates and exchanges information with neighbors through informal bilateral and multilateral meetings. The U.S. Drug Enforcement Administration continues to build and strengthen its relationship with the Kosovo police, and Kosovo also receives technical assistance and training from U.S. assistance programs. Kosovo began negotiating an extradition treaty with the United States in 2014.

Kyrgyzstan

A. Introduction

Kyrgyzstan lies along a significant transit route for illegal drugs moving north from Afghanistan to Russia and other European countries. Illicit drugs are often smuggled from Tajikistan across un-demarcated borders through southern Kyrgyzstan. Kyrgyzstan's geographic location, limited resources, and weak criminal justice system make it a prime transshipment location. There were no significant changes in the country's domestic counternarcotics strategy or law enforcement and judicial capabilities in 2014. Systemic corruption and political stasis pose barriers to improved performance against drug trafficking in the country. In July 2014, the Kyrgyz government terminated the 2009 U.S.-Kyrgyz Defense Cooperation Agreement (DCA) under which significant counternarcotics assistance had been provided. Without a DCA, certain counternarcotics assistance is no longer available.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

President Almazbek Atambayev has stated that reducing drug trafficking remains a priority of his government. He has provided political support to narcotics agencies in the Ministry of the Interior (MVD), and the State Border Guard Service, and has emphasized improving the capacity of the State Service for Drug Control (SSDC), which is responsible for coordinating all counternarcotics activities in the country.

Kyrgyzstan is a member of the Central Asia Regional Information and Coordination Center (CARICC) which is mandated to promote regional information sharing and cooperative operations to combat transnational drug trafficking. On December 10, 2014, a senior Kyrgyz security services officer was selected as Director of the CARICC. Kyrgyzstan does not have an extradition agreement with the United States. However, Kyrgyzstan is a signatory to multilateral legal instruments that could be used for cooperation on extradition and mutual legal assistance, but has not used these agreements for meaningful assistance and has refused to extradite its own nationals.

2. Supply Reduction

The United States provided significant assistance in 2014 to train and equip Kyrgyz law enforcement bodies. In 2014, thanks in part to effective cooperation with U.S. counterparts, Kyrgyz authorities seized 158.1 kilograms (kg) of opium, 464.2 kg of hashish, 285.5 kg of heroin, and 8.9 metric tons of cannabis (hemp). Kyrgyz authorities conducted nine international counternarcotics operations in 2014.

Law enforcement agencies reported investigating 1955 crimes related to drug trafficking in 2014. Of these cases, 676 individuals were prosecuted. Because the technology used by the SSDC to identify and weigh narcotics remains rudimentary, the UN Office on Drugs and Crime (UNODC) is currently partnering with the SDCS to improve the quality and capabilities of the

SSDC main laboratory. The United States also contributed \$263,000 to enhance the capacities of this laboratory in 2014.

No significant production of illicit drugs intended for international markets has been documented in Kyrgyzstan. The government has not passed legislation to prevent the diversion of precursor chemicals, but has cooperated with the EU Border Management Assistance Program to train law enforcement officers to detect and interdict precursor chemicals and illegal drugs. It was unclear at the end of the year whether this training would continue in 2015.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The Government of Kyrgyzstan pursues efforts to reduce demand for illegal drugs and improve treatment through partnership with international partners including the UNODC and the U.S.-sponsored Community Anti-Drug Coalitions. Programs are focused on improving the capacity of treatment professionals, as well as educating youth and communities on the dangers of illegal drugs. These programs are critical to the development of effective public health strategies. According to the UNODC, HIV rates continue to rise among intravenous drug users. This trend is most evident in the south where drugs are heavily trafficked and where prostitution and poverty loom large. Anecdotal information indicates that there are more than 50,000 drug users in Kyrgyzstan. The United States encourages the government to provide greater social services, including treatment centers, for both drug dealers and abusers. The Kyrgyz government does not fund needle-exchange programs or methadone substitution therapy for opioid addiction.

4. Corruption

As a matter of government policy, the Government of Kyrgyzstan does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. However, organized crime and corruption throughout the criminal justice system remain ongoing problems for the government. In recent years, several high ranking officials, primarily in the MVD, have been implicated in corruption cases. On June 9, U.S.-designated Kyrgyz drug kingpin Kamchy Kolbaev was released from a Kyrgyz prison in after serving 18 months of a three-year sentence for a non-drug related crime. He has not been prosecuted in Kyrgyzstan on narcotics charges.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

United States policy objectives in Kyrgyzstan are to strengthen the existing capacity of law enforcement bodies, expand its ability to investigate and prosecute criminal cases, enhance anti-corruption efforts, and increase overall security in the country. In January, the government adopted a SSDC-developed national counter-narcotics program. The United States supported the development of the national plan through consultations facilitated by UNODC. The U.S. Drug Enforcement Administration (DEA) is currently working with the State Security Service and the Customs Service to finalize memoranda of understanding with both agencies, which is expected to be completed in early 2015.

The United States funded four trips for officers from Kyrgyz law enforcement agencies to train abroad in 2014. These trips introduced Kyrgyz officials to the importance of interagency cooperation in drug enforcement and encouraged networking with international counterparts, particularly in neighboring Central Asian states. These professional development opportunities included training in the United States, where members of the Financial Investigative Unit were directly embedded in DEA operations. Operational cooperation on financial investigations improved between DEA and Kyrgyz authorities subsequent to these trainings.

The United States also provided approximately \$500,000 in equipment and \$1.5 million in facilities to strengthen capacities of Kyrgyz law enforcement authorities in 2014. More than \$1,000,000 worth of training was scheduled for FY2014, but due to the cancellation of the 2009 Defense Cooperation Agreement in July, only \$300,000 was expended on training. DEA has continued to staff an office within SSDC headquarters to enhance SSDC capacity. Since the opening of this office in 2012, DEA has actively worked over 45 narcotics investigations with SSDC members, and the State Security Service. The United States funded a three-year UNODC project in support of the SSDC in the amount of \$1,736,000 between 2012 and 2014.

In 2014, Kyrgyzstan also began a long-term project with the United States and UNODC to further professionalize all substance use treatment staff in the country through the dissemination of U.S.-developed treatment curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals.

D. Conclusion

Kyrgyzstan must address large drug trafficking networks operating within its borders or risk increased political influence by organized crime. The Prosecutor General and other government officials have requested assistance in their fight against criminal enterprises. In 2015, U.S. counternarcotics programs will continue to provide training to increase the capacity of the government to investigate high-level criminal groups domestically and abroad. U.S. funding for training and technical support is expected to remain stable in the upcoming year despite budgetary constraints.

Laos

A. Introduction

The Lao People's Democratic Republic is a major transport hub for amphetamine-type stimulants (ATS), opium, and heroin, and is a major producer of opium. Geographically, Laos sits at the heart of the regional drug trade in mainland Southeast Asia and shares remote and poorly-controlled borders with Burma, Thailand, Cambodia, Vietnam, and China. Economic development and the improvement of Laos' road, bridge, and communications networks have created opportunities for the illicit drug trade to grow.

The Lao government recognizes the threat posed by illegal narcotics production and trafficking and has well-articulated policies to address it. However, the Lao government possesses little ability to act independently of international donor support, since a high percentage of the government's budget comes from donor aid. Lao law enforcement has insufficient resources to combat internal drug crime. Additionally, Laos must police 3,000 miles of mountain and riverine borders exploitable by drug traffickers.

According to U.S. government estimates, opium poppy cultivation decreased 96 percent between 1998 and 2007 due to aggressive government action and international cooperation, particularly U.S. alternative development assistance. Cultivation, however, has rebounded recently, with 6,800 hectares (ha) reported in 2012 and an estimated 6,200 ha in 2014, according to the United Nations Office on Drugs and Crime (UNODC). In 2014, the United States resumed its support of alternative development programming the country. Although reporting does not indicate that ATS tablets are being produced in Laos except on a very small scale, drug seizures indicate that they are moving through Laos in increasing quantities.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Lao government's guiding drug control strategy document, the "National Drug Control Master Plan for 2009-2013," has been extended through 2015. The Master Plan provides a long-term vision and strategy to combat drug production, trafficking, and usage (as well as related criminal activities) by addressing the following nine elements:

- Trend analysis and risk assessment;
- Alternative development and poverty reduction;
- Drug demand reduction and HIV/AIDS prevention;
- Civic awareness and community mobilization;
- Law enforcement;
- Criminal justice and the rule of law;
- Chemical precursor control and forensics capacity;
- International and national cooperation; and
- Institutional capacity-building.

The Master Plan implements the country's National Drug Law (promulgated in 2008), and calls for a budget of \$72 million over six years, largely funded by international donors and UNODC. As of October 2013, only \$20 million of the total \$72 million had been raised by donors.

Since 1989, the United States has provided Laos with \$45 million in counternarcotics assistance, which helped to eliminate much of Laos' opium poppy cultivation. In 1989, the U.S. government estimated there was 42,130 ha of opium poppy cultivation. By 2007, that figure had dropped to an estimated 1,100 ha, though cultivation has since been slowly increasing.

The Lao National Commission for Drug Control and Supervision (LCDC) is the main coordinating agency for the implementation of the Master Plan, managing efforts to combat the trafficking and abuse of illegal drugs via demand reduction, crop control, alternative development, and law enforcement. The top policy-making body for counternarcotics is the National Steering Committee to Combat Drugs (NSCCD), chaired by the Prime Minister. The head of LCDC and the Minister of Public Security (MOPS) are co-chairs.

Lao drug police are organized into 17 provincial Counter Narcotics Units (CNUs), one for each province and Vientiane. Although Laos participates in regional conferences on counternarcotics cooperation, it rarely shares operational information.

Laos does not have a bilateral extradition or a mutual legal assistance agreement with the United States.

2. Supply Reduction

In 2014, the Lao government reportedly seized 181.79 kilograms (kg) of heroin, 12.76 kg of opium, 1,233.3 kg of marijuana, and 3,832,895 methamphetamine tablets.

In one of the largest narcotics seizures in 2014, the Lao Drug Control Police (DCD) arrested five drug dealers in Vientiane in October and seized 924,000 tablets of methamphetamine, 880.8 grams of crystal methamphetamine, approximately 1 kg of ATS powder, one set of tablet mixing and pressing machines, and five vehicles.

Most drug-related arrests in Laos in 2014 were for methamphetamine trafficking and use, reflecting an increase in the availability of synthetic drugs. ATS is the most commonly abused illegal drug in Laos. Supply of ATS is plentiful, and profit margins are higher than for other illegal drugs due to high volume and low production expenses. Ecstasy and crystal methamphetamine are available in Vientiane, major tourist destinations and in the southern provinces.

Laos continues to struggle against an upward trend in the supply of opium, the major narcotic produced in the country. Opium poppy cultivation occurs in provinces bordering China, Vietnam, and Burma, and most are grown in areas that have received little or no development assistance.

The Lao government continues to support longstanding efforts to assist former poppy-growing farmers by fostering alternative development, mostly financed by donors. Since 2013, major alternative development projects have included:

- A three-year, \$ 2.9 million project in Houaphan province to promote the production of licit crops, funded by the European Union;
- A two-year, \$1.2 million “alternative livelihood” project in Phongsaly province, funded by Luxembourg; and
- A \$3.15 million project to promote licit crop production in Oudomxay province and in Burma, funded by Germany in partnership with the Royal Project Foundation of Thailand.

In 2015, the U.S. government will launch an additional three-year, \$1.5 million program in Houaphan province which will consolidate and build upon prior achievements in Houaphanh province through the development and implementation of additional sustainable alternative livelihood practices. These programs seek to primarily introduce viable alternatives to growing opium poppy in the region and also to increase food security and general income of these communities.

Laos also experiences significant levels of heroin trafficking from Burma to markets in China, Vietnam and Thailand. Marijuana is also produced in Laos; commercial quantities of cannabis for regional export are grown in large plantation-type plots, sometimes financed by foreign customers, primarily in Thailand.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

According to the most recent available information from 2012, the Lao government estimated that approximately 10,000 of its citizens use opium and 44,000 were addicted to methamphetamine, out of a population of 6.6 million. In a related study in 2012, an estimated 55,000 people in Laos were categorized as at-risk of becoming addicted. LCDC estimated in 2012 that approximately 80 percent of drug users took amphetamines while 20 percent used opium, heroin, cannabis and other substances. An informed estimate puts intravenous drug users in the country at 1,500. Those addicted to methamphetamine are widely believed to be more likely to turn to crime to support their substance use disorder.

Government drug addiction treatment facilities lack the resources to provide evidence-based treatment and post-discharge follow-up. However, the Lao government has begun to introduce community-based treatment for users and actively coordinates with the donor community on improving conditions.

To support demand reduction efforts, the United States supports adoption of community based treatment and the study of best practices from different treatment modules for Lao consideration. The United States provides funding to UNODC and the World Health Organization (WHO) to develop treatment services for local communities, while concurrently working to integrate these services into Laos’ public health system. In conjunction with this effort, UNODC and WHO are also working to share evidence-based practices and the latest research on treatment of substance abuse with the government and treatment professionals. The U.S. government is additionally

funding vocational training for those recovering from substance use disorders to provide sustainable means of livelihood and recovery.

4. Corruption

As a matter of policy, the Laotian government does not encourage or facilitate the illicit production or distribution of narcotic or other controlled substances, or the laundering of proceeds from illegal drug transactions. However, salaries for police, military and civil servants are low, and corruption in Laos continues to plague law enforcement and government.

Laos has institutions in place to combat corruption, however. The Government Inspection and Anti-Corruption (GIAA) is the Lao government organization charged with fighting corruption; it conducts regular inspections of public agencies and officials and investigations of alleged cases. The Law on Anti-Corruption was enacted in 2005 and amended in 2012 to expand its reach from civil servants to include private enterprises.

Between October 2013 and October 2014, GIAA reports that it reviewed approximately 380 corruption cases, of which 104 were prosecuted, leading to the arrest of 50 government officials. The government also completed implementing a requirement for all civil servants and government leaders to declare their assets.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States signed initial agreements to provide international narcotics control assistance in Laos in 1989, and has since signed further letters of agreement and amendments to provide additional assistance for supply reduction, interdiction, and drug demand reduction cooperation annually.

Most U.S. counternarcotics assistance to Laos supports law-enforcement efforts to disrupt drug trafficking, improve drug treatment, and reduce poppy cultivation. Law enforcement assistance continues to support training and equipment for the Drug Control Department of MOPS, provincial Counter Narcotics Units (CNU), and Lao Customs. U.S. funding also supports a UNODC pilot project on community-based treatment for ATS users. In addition, U.S. programs are assisting to build the capacity of the justice sector and the implementation of the Legal Sector Master Development Plan.

The United States continues to raise the profile of money laundering and terrorist financing in Laos. In 2014, the Lao Law on Anti-Money Laundering was passed by the National Assembly. Also in 2014, 42 Lao officials participated in U.S.-funded regional training at the International Law Enforcement Academy in Bangkok. U.S. funding also supported three meetings on law-enforcement coordination between Lao officials and foreign counterparts.

D. Conclusion

Counternarcotics cooperation between Laos and the United States continues to evolve, but the significant gains in poppy eradication and crop substitution of the 1990s and 2000s are increasingly at risk due to factors that include high opium prices.

The increase in ATS trafficking and usage in Laos is also troubling. ATS addiction is exceedingly hard to treat and the effort is straining Laos' limited treatment resources. ATS also figures prominently in the rise in violence along the Laos borders with China, Burma, and Thailand.

Laos' justice, law enforcement and security systems lack the resources necessary to counter the rise in narcotics-related crime that has accompanied the country's growing economic development. Institution-building within the Lao government and basic law enforcement training are needed, emphasizing interdiction, investigation, prosecution, and corrections. Regional law enforcement cooperation among Vietnam, China, Burma, Thailand, and Cambodia is also vital to Laos' fight against drug trafficking.

The United States will continue to work on improving cooperation with Laos as it seeks to address these problems.

Lebanon

Lebanon is not a major source country for illicit drugs, but serves as a transit point for the trafficking of drugs such as heroin, hashish, and growing volumes of cocaine and fenethylline (an amphetamine-type stimulant). Small amounts of opium poppy and cannabis continue to be cultivated in the Bekaa region, and eradication efforts decreased significantly in 2014 from previous years due in large part to security forces shifting focus to increased instability along the border with Syria. Through the first seven months of 2014, security forces eradicated 1.2 hectares (ha) of opium poppy fields and none of an identified 2.7 ha of marijuana fields. There were reliable reports of multi-ton shipments of hashish produced in the Bekaa leaving Lebanon for Egypt.

Synthetic drugs are increasingly available in Lebanon, particularly fenethylline and ecstasy (MDMA), primarily from Eastern Europe. The volume of cocaine smuggled into Lebanon via commercial aircraft from countries in South America has also increased. Money laundering of drug proceeds from abroad is a continuing trend.

There are no reliable estimates of the number of drug users in Lebanon. The Internal Security Forces (ISF) reported 2,301 drug-related arrests over the first eight months of 2014, a slight increase from the same period in 2013. This number included 111 arrests for heroin, 272 for cocaine, 1086 for hashish and cannabis, and 246 for various synthetic drugs. During the same period, authorities seized 70 kilograms (kg) of cocaine (up from 32 kg in 2013); 2.78 metric tons of hashish (92 kg in 2013); three kg of heroin; and 35,276,219 fenethylline pills (up from 11,700,086 in 2013 and just 206,000 over the same period in 2012).

The main counter narcotics goal of the Lebanese government remains the eradication of illegally-cultivated drug plants in the Bekaa region, but a difficult security environment and the need for additional logistical support and equipment hamper its effectiveness. In 2014, 1.2 hectares (ha) of opium poppy was eradicated. Around 3,500 ha of cannabis had been discovered, but not eradicated due to the reasons mentioned above. There are several detoxification and rehabilitation programs, some of which receive support from the Ministries of Social Affairs and Public Health and the United Nations Office on Drugs and Crime.

The United States does not have a mutual legal assistance treaty or extradition agreement with Lebanon, although Lebanon has acceded to multilateral conventions that enable such cooperation. In July 2013, the United States discontinued all material assistance to Lebanon's Internal Security Force's counternarcotics unit, following a finding of credible reports of human rights violations. However, U.S. law enforcement entities have maintained excellent working relationships with Lebanese law enforcement.

Liberia

A. Introduction

Liberia is not a significant transit country for illicit narcotics, but the country's nascent law enforcement capacity, porous border controls, and proximity to major drug transit routes contribute to trafficking to and through Liberia. While Liberia is not a significant producer of illicit narcotics, local drug use, particularly of marijuana, is very common. Other drug usage includes heroin (mostly smoked) and cocaine (snorted). Local authorities have reported increasing prevalence of amphetamine-type stimulants and intravenous drugs. There is no reliable data on drug consumption or overall drug trends in country. Other than marijuana, locally consumed drugs enter Liberia via commercial aircraft, maritime vessels, and across land borders by foot and vehicle traffic. With U.S. training and support, the Government of Liberia successfully prosecuted and obtained its first illicit drug convictions in 2014.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Liberia now has established Nigerian criminal networks operating within the country, some of which are involved in narcotics trafficking. Local authorities are aware of the threat and are working with the United States to prevent illicit criminal networks from gaining a stronger foothold in the country. Several local law enforcement agencies work in concert to fight narcotics trafficking in Liberia, including the Liberia National Police, Coast Guard, National Security Agency, Liberian Drug Enforcement Agency (LDEA), and the Transnational Crime Unit (TCU).

In 2010, Liberia signed the "West Africa Coast Initiative (WACI) Freetown Commitment," a UN initiative to address the growing problem of illicit drug trafficking, organized crime, and drug abuse throughout the sub-region. A cornerstone of the WACI was the establishment of a Transnational Crime Unit in post-conflict states (including Liberia, Côte d'Ivoire, Guinea-Bissau, and Sierra-Leone) with the intent of preventing organized crime networks from working with weapons dealers. Liberia's nascent TCU, with U.S.-funded UN Office on Drugs and Crime (UNODC) assistance, is now running operations, including against trafficking of narcotics and wildlife, counterfeit money, and drug dealers. The United States also funds UNODC assistance to the LDEA to build capacity, transparency, and accountability.

The Ministry of Justice and LDEA, with support from the United States and the UNODC, held a stakeholders conference to review the draft LDEA Act and Anti-Drug legislation in June 2013. With strong support from the law enforcement community, the legislation was passed by the Legislature in June 2014, and signed into law by President Sirleaf in December. The legislation conforms to the UN drug conventions, and will provide a strong foundation for more effective law enforcement activities, as under the previous legislation, defendants could only be charged under public health laws. However, in 2014 the Solicitor General successfully used the public health law to prosecute six defendants and has 28 awaiting trial.

The Liberian Drug Enforcement Agency benefited from new leadership in 2012 and, in recognition of its growing effectiveness, began to receive international donor assistance from the United States and the UN for the first time. Other donors have expressed interest, but have not yet provided assistance.

The U.S.-Liberia extradition treaty dates to 1939 and is in effect. There is no mutual legal assistance treaty in force between Liberia and the United States, though mutual legal assistance is provided on a reciprocal basis through letters of request.

2. Supply Reduction

Local production of marijuana is not prioritized as a major concern by most of the public; however, local law enforcement authorities occasionally conduct eradication operations. To date, these sporadic efforts have not included provision for alternative livelihoods and have been largely ineffective. A U.S. Counternarcotics Advisor to LDEA is assisting with the development of a more effective eradication plan which will eventually provide alternatives for small, local farmers. Little information exists regarding the extent of local cannabis cultivation, or the networks responsible for local sales, but marijuana is clearly the most widely available drug in the country. LDEA is working on mapping the extent of internal cultivation and networks; however these efforts stalled in 2014 due to LDEA's assistance with Ebola security-related matters.

In 2014, Liberian authorities seized over 770 kilograms (kg) of marijuana, 2.5 kg of cocaine, and 1.9 kg of heroin, with 70 accompanying arrests. One of these cases involved a Nigerian courier with a Brazilian passport who transited Nairobi and Accra with over 50 bags of cocaine in his stomach. These seizures have raised concerns that Liberia is a growing transit point in West Africa.

The unprecedented Ebola epidemic prompted the Government of Liberia to close most of its land borders in mid-2014 and flights into the country were reduced dramatically, particularly within West Africa, where the majority of trafficking occurs. Many LDEA officers were assigned to work on Ebola-related checkpoints, rather than perform their normal duties. Even so, LDEA has managed to deploy to both Monrovia area airports, where the reduction in travelers and flights has resulted in easier detection of traffickers, slowing the influx of illicit drugs.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Consumption of cannabis is high within Liberia, including cannabis combined with other licit and illicit drugs. Marijuana is commonly mixed with cocaine, heroin, or pharmaceutical products. Psychotropic drugs are not common in Liberia, since the local population lacks the disposable income to buy them. Nevertheless, drugs are still easily accessible; cannabis is very inexpensive and the price of cocaine is decreasing. UNODC's 2012 Preliminary Drug Use Assessment Report indicated that drug use among youth, particularly ex-combatants from Liberia's 1989-2003 civil conflict, was rising. Drug use is also growing in the emerging middle class and common in the expat and Lebanese communities. Use of other illicit drugs, such as

cocaine and heroin, has been on the rise and UNODC also notes that their use is associated with very high levels of criminality and violence.

The government has conducted very little drug prevention, rehabilitation or treatment since the pre-war era, with addicts being referred to the only psychiatric hospital in Liberia or to one of the few NGOs working in the field. Liberia's unemployment rate also plays a role in its drug abuse problem, with only 15 to 20 percent of the workforce employed in the formal sector. In late 2012, the United States launched over \$1 million in drug demand reduction projects in Liberia, working with the Ministries of Education and Health, as well as NGOs such as Liberians United Against Drug Abuse and Teen Challenge, to build drug rehabilitation capacity and infrastructure, alert youth to the dangers of drugs, and set up drop-in clinics to provide assistance to addicts and those in recovery. These efforts are the first in post-war Liberia and while an excellent start, remain inadequate with extensive waiting lists which will take years to address.

4. Corruption

The Government of Liberia does not encourage or facilitate the production or distribution of illicit drugs, nor the laundering of proceeds from illegal drug transactions as a matter of policy. In 2013, upon notification that a politically appointed senior government official was engaged in such activity, the Minister of Justice immediately met with the President to have the individual removed from his position. An additional corrupt official at LDEA was removed from her position in early 2014. These leadership changes have enabled the LDEA Director to remove other known corrupt underlings, which is creating a slow paradigm shift towards greater accountability within the agency.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

In cooperation with UNODC, the United States is working with the Government of Liberia to fight international narcotics trafficking and reduce local demand. In 2012, the United States supported UNODC's special assessment of the Liberian Drug Enforcement Agency and introduced new demand reduction assistance, which includes integrating preventive drug education into school curriculum; creating outreach centers for drug addicts and those in recovery; professional training for addiction treatment providers; and increasing the capacity of governmental service-providers and NGOs to focus their demand reduction efforts on at-risk children and adolescents. In February 2013, a U.S.-funded Advisor for the LDEA began work. The United States vetted and trained approximately 75 LDEA officers in 2014.

The United States launched the West Africa Cooperative Security Initiative (WACSI) in 2011, a five-year initiative to increase global security by addressing transnational organized crime, particularly drug trafficking, in West Africa. Under WACSI, U.S. assistance to Liberia continues to focus on establishing functional and accountable institutions and building basic operational capacity.

As the LDEA restructures and rids itself of corrupt officers, it is starting to work on narcotics trafficking cases with international connections. While these efforts are in the early stages, U.S. assistance seeks to build the Government of Liberia's capacity to develop a criminal case against

the international trafficking organizations active in the country. Coordination with regional counter drug entities and other U.S. agencies is ongoing. The Ebola epidemic has impeded work on narcotics investigations and interdictions, with many LDEA officers assigned to Ebola checkpoints, rather than performing their regular duties.

D. Conclusion

The Government of Liberia is committed to preventing transnational criminal organizations from gaining a major foothold in its territory, but lacks the resources and capacity to respond adequately to this challenge. The Liberian government requires additional training and assistance to be able to successfully investigate and prosecute counternarcotics, financial crimes, and corruption. The United States will continue to support and assist Liberia's efforts to strengthen its law enforcement capacities and fulfill its international drug control commitments.

Malaysia

Malaysia is neither a significant source country nor a major transit point for U.S.-bound illegal drugs. Nevertheless, drug trafficking through the country to supply both domestic and regional markets remains a problem and transnational drug trafficking organizations continue to attempt to expand crystal methamphetamine production within the country. Illicit drugs smuggled into Malaysia include heroin and amphetamine-type stimulants from the “Golden Triangle” area (Thailand, Myanmar, Laos), as well as ecstasy, nimetazepam, and crystal methamphetamine from several countries, particularly Iran, Nigeria and India. Nigerian and Iranian drug trafficking organizations continue to use Kuala Lumpur as a trafficking hub, and Nigerian trafficking organizations continue to use commercial courier services to ship methamphetamines and heroin into and from Malaysia. There is no notable cultivation of illicit drug crops in Malaysia. Local demand and drug consumption is limited in Malaysia, but police officials have expressed concern about increased methamphetamine use. Ketamine from India and nimetazepam remain very popular drugs on the local market.

Malaysia's counternarcotics officials and police officers have the full support of senior government officials, but systemic problems with the legal system hinder the overall effectiveness of enforcement and interdiction efforts. Malaysian law stipulates a mandatory death penalty for conviction of drug trafficking and stipulates harsh mandatory sentences for drug possession and use. In practice, many minor offenders are placed into treatment programs instead of prison, and major traffickers are often arrested and held in preventive detention when there is insufficient evidence to charge and prosecute them with trafficking. In many cases, subjects charged with trafficking may have their charge reduced to a lesser charge, or, if convicted of drug trafficking, have their sentence commuted upon appeal.

With U.S. support, Malaysia is engaged in a long-term process to further professionalize all substance use treatment staff in the country through the dissemination of the U.S.-developed treatment curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals.

Overall cooperation between Malaysian authorities and the U.S. Drug Enforcement Administration on drug investigations is very good, with frequent exchanges of information. The U.S. Coast Guard continued its maritime law enforcement training program with the Malaysian Maritime Enforcement Agency (MMEA) by conducting training and curriculum development courses to further develop the MMEA's instructional capabilities. U. S. goals and objectives for 2015 are to continue coordination and communication between Malaysian and U.S. law enforcement authorities in counternarcotics efforts, including assisting in interdiction efforts, sharing intelligence, funding counternarcotics training for Malaysian law enforcement officers, and working to improve Malaysia's investigative and prosecutorial processes. Malaysia has both an extradition and a mutual legal assistance treaty with the United States.

Mexico

A. Introduction

Mexico remains a major transit and source country for illicit drugs destined for the United States and a center for money laundering. Narcotics trafficking and related violence in Mexico continue to pose significant problems to citizen security and economic development. The most recent available Government of Mexico statistics indicate that from 2012 to 2013, reported homicides decreased by approximately 14 percent. Nevertheless, reported kidnappings and extortions rose sharply by 25.7 percent and 29.1 percent, respectively. A survey published in September by Mexico's statistics agency (INEGI) found that 94 percent of total crimes and 99 percent of kidnappings went either unreported or uninvestigated in 2013.

Mexico actively combats drug trafficking organizations, and U.S.-Mexico cooperation in this area is substantial. The Merida Initiative is a major component of these efforts; since 2008, approximately \$1.3 billion in training, equipment, and technical assistance has been delivered to help strengthen Mexico's judicial and security institutions. U.S. and Mexican law enforcement counterparts cooperate on investigations and other criminal justice issues related to transnational criminal organizations. Such cooperation has boosted efforts to capture leaders of these groups. Notable law enforcement operational successes include the February 2014 arrest of Joaquin "El Chapo" Guzman, leader of the Sinaloa cartel, and in October the arrests of Hector Beltran Leyva, head of the Beltran Leyva cartel, and Vicente Carrillo Fuentes, leader of the Juarez cartel. These successes, however, have resulted in smaller, fractured groups that are violently attempting to consolidate their power.

Mexican consumption of illicit drugs is lower than U.S. levels, although insufficient data exists to determine longer-term consumption trends.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Mexico continues to strengthen its institutional capacity to confront organized crime. Since 2006, the Government of Mexico restructured and tripled the size of its Federal Police, including adding a 5,000 officer gendarmerie, launched in August. Many states are also rebuilding their police forces to reduce corruption, including establishing internal affairs units.

The Mexican customs service expanded its traditional focus on revenue collection to include enforcement of contraband and intellectual property laws. The Office of the Attorney General (PGR) restructured key investigative divisions, dismissed employees who failed internal vetting, and continued efforts to increase prosecution rates.

Mexico's 2015 budget for all security-related functions is approximately \$11 billion, an increase of 6.9 percent from 2014. Funding is used to combat organized crime, expand crime prevention programs, improve interagency coordination, consolidate police forces, support justice reforms, and encourage citizen participation in crime control.

Although Mexico passed a national code of criminal procedure in February, Mexico's transition to an accusatorial criminal justice system remains uneven. Twenty-six of Mexico's 31 states and the Federal District have adopted new criminal procedure codes, in compliance with a 2008 federal constitutional reform requiring such legislation by 2016; however, only Chihuahua, Mexico State, Morelos, and Yucatán have fully implemented required reforms. Other states have adopted patchwork accusatorial systems, utilizing the new system in certain municipalities or for certain types of crimes. Some states are using hybrid systems, trying cases grandfathered in under the old inquisitorial system and new cases under the accusatorial system.

Multilaterally, Mexico participates in the Inter-American Convention on Mutual Assistance in Criminal Matters, and subscribes to the 1996 Anti-Drug Strategy in the Hemisphere and the 1990 Declaration and Program of Action of Ixtapa. Likewise, Mexico plays a leading role as a regional observer in the Central American Integration System and as a collaborator with Central American countries to improve regional security.

In June, Mexico attended the 31st Annual International Drug Enforcement Conference, a forum for senior law enforcement officials from more than 100 countries. Mexico continues to participate with Canada and the United States in the North American Maritime Security Initiative, in which naval authorities meet regularly to share information, improve response to transnational threats, and develop protocols for maritime interdictions.

The current U.S.-Mexico extradition treaty has been in force since 1980. A 2001 protocol to the treaty allows for the temporary surrender of a fugitive wanted for prosecution by both parties, provided that the fugitive has been convicted and sentenced in all criminal cases in the country where the fugitive is located, and the extradition request of the other party has been granted. Moreover, a bilateral mutual legal assistance treaty in force since 1991 has fostered a broad range of cooperation in criminal matters.

2. Supply Reduction

Mexico cooperates with the United States on supply reduction. Maritime and land corridors through Central America and Mexico continue to be the most significant transit routes for cocaine from South America bound for the United States. While the United States remains the primary destination for illicit drugs trafficked via Mexico, trafficking routes through Mexico are diversifying to accommodate growing markets in Latin America, the Caribbean, Europe, and Asia.

Mexico is a major producer of heroin, marijuana, and methamphetamine destined for the United States. The Government of Mexico eradicated 21,425 ha of poppy in 2014, a significant increase from the 14,419 ha eradicated in 2013. The Government of Mexico eradicated 5,679 ha of cannabis in 2014, a slight increase over the 5,096 ha eradicated in 2013. Overall cultivation estimates for opium poppy and cannabis in 2014 were not available at the time of this report.

PGR reported Mexico seized 929.4 metric tons (MT) of marijuana in 2014, a decrease of 3.0 percent from 2013. PGR reported seizing 3.6 MT of cocaine and 1.4 MT of opium gum in 2014.

PGR also reported combined 2013 and 2014 data for seizures of liquid forms of cocaine and opium gum, totaling 2,377 liters (L) of liquid cocaine and 1,580 L of opium gum. U.S. law enforcement seizures of heroin along the U.S.-Mexico border have increased significantly over the past several years.

With respect to synthetic drugs, Mexican seizures of methamphetamine, which totaled 19.8 MT in 2014, increased 35.9 percent when compared to the year before. Seizures of clandestine drug labs rose slightly. The Mexican government seized 143 labs in 2014, an 11.7 percent increase compared to 2013.

PGR did not report on seizures of pseudoephedrine, a precursor chemical, in 2014.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Official statistics indicate illegal drug use in Mexico is lower than U.S. levels, although inconsistent survey methodologies among national consumption surveys prevent tracking long-term trends. According to the most recent official study conducted in 2011, prevalence of illegal drug use showed a statistically insignificant increase from 1.4 percent in 2008 to 1.5 percent in 2011. Marijuana remains the most commonly used illegal drug, and while overall prevalence rates stayed relatively stable, use among men showed a slight increase from 1.7 percent to 2.2 percent. Cocaine use showed a statistically insignificant increase from 0.4 percent to 0.5 percent. The 2011 national survey does not include a category for new or designer drugs, known as new psychoactive substances (NPS). The average age of first use has remained essentially stable at 18 years. Regionally, northern Mexico is the area with highest prevalence of illegal drug use (2.3 percent versus 1.5 percent nationally). Nevertheless, this study surveyed only individuals living in “households” and excluded groups such as the homeless and prisoners, suggesting that prevalence rates may be higher than reported. A bilateral U.S.-Mexico study of illicit drug consumption was successfully completed in May,

The National Commission against Addictions (CONADIC) coordinates and implements national drug policy. The Secretariat of Government has included demand reduction as a component of its National Program on Crime and Violence Prevention. The National Institute of Psychiatry leads addiction research. These offices liaise with the United States, the Organization of American States (OAS), and the United Nations Office on Drugs and Crime.

The Mexican government intended to implement the National Program against Addictions in 2014, but due to the July resignation of CONADIC’s director, the program is on hold. The new CONADIC Director, Manuel Mondragón y Kalb, assumed office in October.

Funding for addiction-related initiatives largely comes from the federal budget. In 2014, the budget for addiction-related initiatives was \$103.8 million, an 8.4 percent increase from 2013. The Government of Mexico’s political will to reduce drug use is evident from both this increased funding and its efforts to establish drug treatment courts (DTCs) throughout the country.

The first DTC in Mexico was established in Guadalupe, Nuevo León in 2009. Since then, six additional DTCs have been established as of November 7. The United States continues to fund

training and technical assistance by the Inter-American Drug Control Policy Commission of the OAS to establish DTCs in Mexico.

Additionally, the Community Anti-Drug Coalitions of America (CADCA) conducted U.S.-funded drug demand reduction training and technical assistance throughout Mexico in 2014. CADCA supports the formation and/or enhancement of effective drug-free community coalition programs, which assist civil society organizations in reducing drug use.

4. Corruption

As a matter of government policy, the Government of Mexico does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. Although federal anticorruption standards are improving, corruption continues to impede Mexican counternarcotics efforts. The Mexican government has taken significant steps to reduce corruption in law enforcement and has designated the National System for Public Security as the agency responsible for overseeing stronger vetting for law enforcement personnel.

The Mexican government reorganized the Federal Police's Internal Affairs Department so that its principal reports directly to the head of the National Security Commission, theoretically allowing the department to investigate anyone within the Federal Police. Ninety-seven federal police officers were arrested on corruption charges in 2014.

At the state and municipal level, law enforcement officials remain under-resourced, inadequately trained, and vulnerable to corruption. Each state and the Federal District have established centers responsible for vetting law enforcement officers. Progress has been uneven, but the centers have had some success identifying corrupt individuals, prompting the removal of officers and the rejection of some police recruits. The Mexican government and some state governors have conducted large-scale dismissals of police where corruption was endemic. Some Mexican law enforcement entities have also established, restructured, or augmented their internal affairs offices.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

U.S. assistance aims to help Mexico develop more effective and transparent security and rule-of-law institutions and to foster cooperation with international partners to reduce threats from transnational and domestic crime, improve border security, and protect human rights.

Since 2008, the United States has delivered approximately \$1.3 billion in assistance through the Merida Initiative. A government-wide effort involving numerous U.S. agencies, Merida has contributed to better law enforcement training, criminal justice reforms, crime prevention efforts, programs for at-risk youth, human rights initiatives, drug demand reduction projects, alternatives to incarceration, and border security programs. Merida trained joint intelligence task forces have led to more efficient and effective intelligence operations, canine unit and non-intrusive inspection programs have resulted in increased interdictions of illicit funds and narcotics, and

prison accreditation assistance has resulted in decreased violent prison deaths and outbreaks of violence.

Mexico extradited 66 people to the United States in 2014, representing a 22 percent increase from the 54 extraditions in 2013.

D. Conclusion

Mexico continues its efforts to disrupt or dismantle transnational criminal organizations, reform its judiciary and prisons, improve its police, and address money laundering. These efforts have strengthened Mexico's public institutions while helping to weaken organized crime. Available supply reduction data indicate that interdiction remains a major challenge for Mexico. Only a small portion of the cocaine, marijuana, methamphetamine, and heroin originating in or transiting Mexico is interdicted inside the country. With respect to drug demand, the limited official statistics indicate that illegal drug use among Mexicans remains stable.

Under the Peña Nieto administration's security strategy, future bilateral efforts will emphasize strengthening Mexican institutions, continued expansion of programs to states and municipalities, and further progress toward achieving the security goals shared by both nations. The focus of U.S.-Mexico cooperation has shifted from providing large-scale equipment to engaging in training and capacity building, and from focusing on federal institutions to building state and municipal capabilities. The United States will also continue programs to curb its own domestic drug demand and inhibit the illegal flow of arms and cash into Mexico.

Moldova

Moldova serves as a transit point for drugs destined for Western Europe, and small quantities of cannabis and opium poppy are cultivated within its borders. Moldova's proximity to Europe, limited law enforcement capacity, and lack of control of the separatist Transnistria region complicate drug control efforts. Counternarcotic activities are hampered by insufficient specialized police, inadequate training, and a lack of funding. The government has taken steps to address the situation in the context of ongoing police reform and wants to increase and reorganize specialized anti-drug units.

Moldovan authorities registered 957 drug-related cases over the first nine months of 2014, a 15 percent increase over the same period in 2013, with approximately 88 percent proceeding to prosecution. This increase can be largely attributed to the government's decision in 2014 to ban 30 new psychoactive substances and prescription drugs, mostly synthetic cannabinoids. Use of synthetic cannabinoids and cathinones represents a growing domestic drug problem, and the cannabinoid popularly known as "spice" and similar compounds are increasingly available. The government's decision to add these substances to the official list of narcotic and psychotropic substances represented an improvement in Moldovan drug control policy in 2014.

During the reporting period, Moldovan authorities dismantled 7 drug trafficking networks consisting of 40 persons. In July 2014, the Republic of Georgia seized 2,790 kilograms of liquid heroin in Batumi. According to Georgian authorities, the heroin was destined to be shipped across the Black Sea to Moldova and distributed from there to Western Europe.

Police, customs, and border officials continued to cooperate on counternarcotic activities in 2014. As in previous years, combating cultivation of cannabis and poppy was the most common challenge facing anti-drug units. The lack of forensic capabilities and sample narcotic substances continues to hamper the examination of newly-emerging synthetic drugs.

The National Anti-Drug Commission coordinates interagency cooperation among governmental institutions and liaises with civil society on matters relating to drug policy. The Moldovan government does not condone or promote drug trafficking. However, corruption, including drug-related corruption, remains a major problem in Moldova.

There is no bilateral extradition or mutual legal assistance treaty between Moldova and the United States. Regardless, Moldovan and U.S. authorities cooperated on criminal cases connected with transnational organized crime in 2014. The Moldovan constitution does not permit extradition of its nationals.

Montenegro

Montenegro is a transit country for illegal drugs entering Western Europe along traditional Balkan smuggling routes. The most prevalent drugs trafficked through Montenegro are marijuana (produced in Albania), heroin (from Afghanistan transiting through Kosovo and Albania), and cocaine. Authorities estimate that approximately 15 percent of the drugs trafficked through Montenegro are consumed locally.

The Criminal Police Anti-Narcotics Department has 52 law enforcement officers divided into five regional offices. On June 5, customs officers in Bar seized 250 kilograms (kg) of cocaine from a shipping container from Ecuador bound for Albania, the largest seizure in the country's history. Police estimate that 15 local gangs are involved in international drug smuggling, and have noted increased involvement of Montenegrins in organized criminal groups abroad. During the first 10 months of 2014, criminal charges were brought against 154 persons, connected to the seizure of 724 kg of marijuana, 1.2 kg of heroin, and 2 kg of other marijuana products.

Though the government has expressed its desire to address drug trafficking and abuse, efforts remain inadequate due to insufficient resources and capacity. A seven-year national narcotics control strategy for 2013 – 2020 was introduced in 2013, as well as an accompanying action plan. The government rejected an initiative to allow morphine substitution therapy for opioid addiction. According to research conducted by the Institute for Public Health, drug use among secondary school students is increasing. Awareness-raising activities on the danger of drugs were conducted in schools and at the local level. There are no authoritative statistics on the number of drug users in Montenegro. Authorities believe that Montenegro has between 2,500 to 5,000 addicts, but non-governmental organizations estimate that the actual number may range from 10,000 to 15,000.

The independent press has actively pursued allegations of corruption involving government authorities. There was no evidence in 2014 to suggest senior government officials were engaged in drug-related corrupt activity.

The United States, the UN Office on Drugs and Crime, and European countries continue to provide counternarcotics assistance to Montenegrin law enforcement agencies, which have become increasingly capable of working closely with international counterparts in spite of resource constraints. The National Police Directorate is currently in the process of a reorganization. In April 2014, the Montenegrin Deputy Prime Minister, Minister of Interior, and the Director General traveled to the United States as part of a study visit in support of the reorganization and met with senior U.S. law enforcement officials.

The United States and Montenegro enjoy excellent counternarcotics cooperation, sharing information and coordinating joint criminal investigations. Montenegro cooperated with the U.S. Drug Enforcement Administration and various European Union law enforcement coordination bodies including Europol on several major joint investigations in 2014 targeting transnational organized crime networks. Montenegro is now able to contribute undercover agents, trained investigators, and electronic surveillance in support of international investigations. The United States anticipates that this level of cooperation will continue into 2015.

Morocco

Morocco ranks second to Afghanistan in the cultivation and production of cannabis resin (hashish). Through Spain, Morocco continues to be the main supplier of hashish to Europe and source of origin for most hashish seized on the continent. However, according to the 2014 World Drug Report by the United Nations Office on Drugs and Crime (UNODC), Moroccan cannabis production may be stabilizing or decreasing as the popularity of locally-cultivated cannabis increases in Europe.

Economic hardship drives Morocco's cannabis cultivation. The Rif Mountain area produces most of the country's hashish and its GDP per capita is 50 percent lower than the country's national average. In recent years, parliamentarians have intermittently debated whether to legalize Morocco's cannabis production. In 2014, Morocco's Independence Party Istiqlal and its Authenticity and Modernity Party submitted a draft law to legalize cannabis cultivation for medicinal and industrial purposes while keeping marijuana consumption illegal.

Although aggregate statistics were not available at the time of this report, Moroccan authorities seized multi-ton volumes of cannabis at airports in Casablanca, Fes, and Marrakech, and the ports in Tangier and Casablanca in 2014. Authorities have waged an aggressive multi-year campaign against cannabis cultivation, reducing planted areas to 47,000 hectares in 2010 from 137,000 hectares in 2003, according to UNODC. In August 2014, the Minister of Interior said this number would drop to 34,000 in the near future as the government continues its anti-drug efforts.

Over the past decade, the flow of cocaine from South America to West Africa, and subsequently through North Africa to Europe and the Middle East has expanded rapidly. UNODC estimates that 20 to 40 metric tons of cocaine transits the region each year in route to Europe. In 2014, a new direct flight from Sao Paulo, Brazil, to Casablanca began operating, and the Moroccan press reported several seizures of cocaine via human couriers. Moroccan police achieved a record seizure of 226 kilograms of cocaine in September in Marrakech. Moroccan press and the Ministry of Interior also reported increasing seizures of psychotropic drugs, primarily from Algeria, in 2014.

Allegations of military and police corruption and their involvement in drug trafficking continued to persist throughout 2014.

The Netherlands

A. Introduction

The Netherlands is a significant transit country for narcotics. A significant percentage of cocaine consumed in Europe enters via the Netherlands. It remains an important producer of synthetic drugs, such as MDMA (ecstasy). The Netherlands has a large legal chemical sector, making it an opportune location to illegally obtain or produce pre-precursor chemicals. Cannabis cultivation is extensive, with a high percentage believed to be for export.

The government views domestic drug use primarily as a public health issue. The Dutch Opium Act prohibits the possession, commercial distribution, production, import and export of all illicit drugs. The act distinguishes between “hard” drugs that have “unacceptable” risks (e.g., heroin, cocaine, ecstasy), and “soft” drugs (cannabis products). Sales of small amounts of cannabis products (under five grams) are “tolerated” (i.e., illegal but not prosecuted) in establishments called “coffee shops” which operate under regulated conditions. Cannabis cultivation and distribution remain illegal and are prosecuted.

Bilateral cooperation with the United States is excellent. Dutch and U.S. law enforcement agencies maintain close operational cooperation, with principal attention given to South American cocaine trafficking organizations and drug-related money laundering activities.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Dutch Ministry of Health, Welfare and Sport (MOH) coordinates drug policy. The Ministry of Security and Justice (MOSJ) is responsible for law enforcement and criminal prosecution. An interagency, integrated approach to disrupt cannabis plantations is run through regional expertise centers. The National Police, which falls under the MOSJ, is divided into ten regions and one national unit. The Prosecutor’s Office shares the same regional and national set up. In counter narcotics investigations, law enforcement agencies have prioritized cases involving money laundering cases or synthetic drugs.

The national government continues to fight drug tourism (foreigners visiting the Netherlands solely to buy marijuana at “coffee shops”). National policy dictates that only residents can buy from coffee shops, though local governments decide on enforcement. There were multiple court rulings in 2014 in which a supplier or owner of a coffee shop did not receive a prison sentence after being found guilty of drug-related crimes due to judicial ambiguity towards the “toleration” policy. In November, the Dutch equivalent of the U.S. Senate approved the criminalization of preparatory acts for cannabis cultivation.

The United States and the Netherlands have fully operational extradition and mutual legal assistance agreements. The Netherlands also has a maritime shiprider agreement with the United States, and is a member of the Maritime Analysis and Operation Centre-Narcotics. The Netherlands is a party to the Caribbean Regional Maritime Agreement (CRA) and a partner in

the U.S. Joint Interagency Task Force South, both aimed at combating narcotics trade in the Caribbean. By extension, the Caribbean countries within the Kingdom of the Netherlands are also members of the CRA. The Netherlands is party to the Council of Europe's Illicit Traffic by Sea Agreement, and the Dutch Navy patrols the Caribbean part of the Kingdom of the Netherlands for narcotics.

2. Supply Reduction

The Netherlands is a significant producer of cannabis and ecstasy, most of which is believed to be destined for foreign markets. Since 2007, police have disrupted approximately 5,000 to 6,000 cannabis plantations annually. Ecstasy production has increased since producers switched to chemical "pre-precursors" following a shortage of traditional chemicals in 2008. The number of ecstasy laboratories dismantled has risen steadily, from 29 in 2012 to 57 in 2013, and probably increased again in 2014 based on partial year data.

The National Taskforce on Organized Hemp Cultivation, with the help of various government agencies, continues to fight criminal organizations behind cannabis plantations. The government prioritizes efforts against such criminal organizations, though capacity issues hampered investigations into non-synthetic drugs gangs. The government continued its policy of 100 percent security checks on inbound flights from Kingdom Caribbean countries, Suriname, and some West African countries. There were also extensive customs checks in place for imports via the Port of Rotterdam.

After khat was added to Schedule 1 of the Dutch Opium Act in January, legal importation was replaced by illegal maritime trafficking, mainly from the United Kingdom. According to the MOSJ, there were approximately 17,500 drug-related offenses registered by the police in 2013, equaling previous years. In 2013, drug-related cases constituted 8.1 percent of the total number of criminal cases handled by the courts. The average prison sentence for a drug offense in 2013 was 209 days (230 for hard drugs, 102 for soft drugs), slightly below the average for the prior five years.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

According to the most recent data (2009), despite a reputation for tolerance of "soft drugs," the share of the Dutch population abusing drugs was on par with the rest of Europe. Narcotics users tended to favor "traditional" drugs over recent synthetic narcotics or new psychoactive substances. There was an uptick in the use of the internet for purchases.

Local governments are responsible for prevention programs, with the national government offering best practices. Approximately 70 percent of schools participated in the main national awareness program for students aged 12 and above, with updated modules being released over time. Online health services (including chat sessions with experts) and warning systems grew in popularity. A national multidisciplinary program to help local governments respond to public health emergencies in bars and at large events started in April.

Treatment programs are the responsibility of insurance companies and the individual facilities. There is no differentiation between gender and age groups. The number of individuals seeking treatment for drug addiction in care centers increased, marking a return to 2011 levels, due to various changes in the health care system. Exact information on budgets for prevention is not available, but estimates of the prevention budget range in the tens of millions of dollars, while the treatment budget is estimated to be around \$500 million.

4. Corruption

The Dutch government does not encourage or facilitate illegal activity associated with drug trafficking. No senior official has been found to engage in, encourage or facilitate illegal drug trafficking. Press reports of low-level corruption appear sporadically, but the problem is not widespread or systemic.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

U.S. and Dutch law enforcement agencies maintained excellent operational cooperation in 2014, with principal attention given to South American cocaine trafficking organizations and the production of synthetic drugs, although there are some differences in approach and tactics. The United States and the Netherlands have a memorandum of understanding allowing the U.S. Coast Guard to operate Maritime Law Enforcement teams from Dutch naval vessels in the Caribbean region. There is close cooperation between the National Crime Squad and the U.S. Drug Enforcement Administration. In 2007, the Netherlands became a full member of the International Drug Enforcement Conference (IDEC), which continues to assist ongoing efforts to increase communication and cooperation in large and complex drug investigations. The Netherlands is also an active participant in the International Narcotic Control Board's Project PRISM taskforce, a multilateral synthetic precursor chemical control enforcement effort.

D. Conclusion

The Dutch government takes a serious approach to drug trafficking. Shifting priorities have hindered investigations against cocaine traffickers. Although the Netherlands is hampered to some degree by domestic legal restrictions on the extent to which it can cooperate bilaterally, the United States anticipates that the Netherlands will remain a close bilateral partner in counternarcotics efforts.

Nicaragua

A. Introduction

Nicaragua remains a major transit route for cocaine flowing from South America to the United States. The United States estimated that approximately 83 percent of the cocaine trafficked to the United States through the first six months of 2014 first transited through the Mexico/Central America corridor. Nicaragua also faces continued growth in both the domestic consumption of drugs and marijuana production. Nicaragua's interdiction capacities are challenged by limited law enforcement capabilities and sparsely populated regions that are difficult to police. Judicial corruption and political interference remain impediments to meaningful prosecution of narcotics trafficking. Long-term unemployment on the Caribbean Coast of Nicaragua, comprised of the North and South Caribbean Autonomous Regions, is 55 percent. These factors provide a favorable environment for drug trafficking organizations to smuggle drugs, weapons, and currency.

Although the volume of cocaine seized in 2014 by Nicaragua's civilian and military law enforcement agencies increased from 2013, seizure totals remained well-below historical norms. According to Nicaraguan law enforcement authorities, this two-year pattern has been due to a shift in Nicaraguan counternarcotics strategy away from seizing drugs to disrupting and dismantling drug trafficking cells.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

While no new specific counternarcotics legislation was introduced in 2014, the National Assembly passed a law reorganizing the National Police.

The Cooperating Nation Information Exchange System, signed in 2004 between the United States and Nicaragua, expired on September 30, 2014. It has been replaced by the Cooperative Situational and Information Integration System, which enables greater international law enforcement intelligence sharing. The Maritime Counterdrug Bilateral agreement signed between the United States and Nicaragua in November 2001 remains in effect.

The Inter-American Convention on Mutual Legal Assistance in Criminal Matters, to which Nicaragua and the United States are both parties, facilitates the sharing of legal information between countries and facilitates cooperation with U.S. requests for evidence sharing. The Government of Nicaragua satisfies U.S. requests for legal assistance as they are written, but rarely within requested timeframes.

The United States and Nicaragua are parties to an extradition treaty dating back to 1905 and ratified in 1907, but the Nicaraguan constitution bars the extradition of Nicaraguan citizens. Unless an International Criminal Police Organization Red Notice exists for wanted individuals, the Government of Nicaragua does not cooperate with the United States in cases of money laundering, fraud, or other white-collar offenses. The Government of Nicaragua does cooperate

in cases of criminal acts against women and children or where the fugitive poses a serious risk to the public, and has expelled U.S. nationals that are fugitives.

The Nicaraguan National Police underwent training to increase professional development in 2014. The Permanent Commission on Human Rights and the National Police agreed to provide joint human rights and ethics training in at least nine police stations. In partnership with the National Autonomous University of Nicaragua, 30 police officers received diplomas in ethics and internal control in public administration. Through its own training program, the National police graduated 133 officers in a six-month “train the trainer” program. In addition, the Attorney General’s Office trained 30 police officers on crimes against public administration in an effort to strengthen the fight against corruption.

The Nicaraguan Government signed a loan for \$16.3 million with the Central American Bank for Economic Integration to strengthen public safety. The loan will provide for the construction of 15 police stations, including one on the Caribbean Coast, 1,426 communication units, 245 transportation units, and other means to enhance the capacity of the National Police.

Funded by the European Union, 11 officials from the Nicaraguan Customs, Immigration, and National Police agencies were trained to have access to the global database of the International Criminal Police Organization as part of the Central America Security Strategy. The European Union also signed an agreement with the National Police to provide approximately \$13 million in funding to support the fight against organized crime and drug trafficking in the North and South Caribbean Autonomous Regions. The European Union also committed to continue supporting the enforcement of Law 735, which regulates the prevention, investigation, and prosecution of organized crime, as well as the administration of seized, forfeited, and abandoned assets.

As part of a 2013 cooperation agreement with Russia, 61 Special Agents from Nicaragua and other countries in the region were given counternarcotics training by the Russian Federation.

Police forces from Honduras and Nicaragua met in May 2014 to strengthen their partnership and increase public safety along their shared border.

2. Supply Reduction

In 2014, Nicaraguan authorities seized approximately 5.11 metric tons (MT) of cocaine in 3,828 drug operations, up from the three MT seized in all of 2013. In addition, Nicaraguan authorities arrested 218 people and seized \$2,721,894 in U.S. currency, along with approximately \$2.2 million in assets, 12 “go-fast” boats, 6.4 kilograms of amphetamines, and approximately 1.7 MT of marijuana.

While the Nicaraguan Navy conducted some successful counternarcotics operations, there was a significant reduction in the quantities of drugs seized during maritime interdictions. During six seizures, the Nicaraguan Navy seized approximately 1.9 MT of cocaine, considerably less than the 2.5 MT seized in 2013, and far below the average of six MT seized annually over the previous decade. This decline can be attributed in part to a reduction in U.S. counternarcotics

assets operating near the Nicaraguan littorals, which play a critical role in supporting Nicaraguan interdiction efforts, and in part to the Nicaraguan Navy's decision to patrol Nicaragua's expanded Exclusive Economic Zone. Lack of dedicated air assets and insufficient coordination between the Nicaraguan Navy and the Nicaraguan Air Force also contributed to the decline. Currently, the Nicaraguan Navy has a fleet of eight U.S.-donated boats for interdiction operations.

The United States supported the Nicaraguan National Police's Mobile Inspection Units by funding 20 land interdiction operations in 2014 that focused on drug smuggling along the Pan-American Highway, and coordinated with the National Police for its participation in two regional interdiction enforcement actions.

There was no evidence of increasing synthetic drug production in 2014. The seizure of plants used to produce illegal drugs (mainly cannabis growing in the Jinotega Department and Caribbean Coast regions of Nicaragua) decreased from 264,933 to only 1,000 plants destroyed as of September 2014. This decrease can be attributed to a shift in the Government of Nicaragua's focus from seizing drugs to disrupting and dismantling drug trafficking cells.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The Government of Nicaragua's 2014 National Citizen Security Strategy includes drug awareness-raising among its objectives. The Government of Nicaragua's 2014 cooperative agreement with the European Union to increase security in the North and South Caribbean Autonomous Regions includes plans to build new Nicaraguan National Police youth centers in Puerto Cabezas and Bluefields, provide vocational training for at-risk youth, and support additional capacity building within the Nicaragua National Police.

The Nicaraguan National Police Juvenile Affairs Division runs a national prevention and intervention program that works with government institutions, religious leaders, local municipalities, community organizations, and parents to help at-risk youth become valuable members of society. The Juvenile Affairs Division conducted 49 after school, home intervention programs in 2014, which counseled 10,697 at-risk youth and their parents. The Juvenile Affairs Division also held 1,628 social activities for 89,429 youth, and 6,024 sport activities. Using the Drug Abuse Resistance Education and Gang Resistance Education and Training methodologies, the National Police graduated 22,489 and trained 3,915 at-risk youth.

The Juvenile Affairs Division Youth Center graduated 131 youth from its vocational training program, which offers nine professional development courses, among them baking, computer science, mechanics, and residential electricity. In addition, Juvenile Affairs Division Officers received capacity building workshops that focused on employment opportunities for at-risk youth and their integration into society. Finally, in partnership with the Juvenile Affairs Division, the Andalusian Agency for International Cooperation invested approximately \$420,000 to develop 10-day technical soccer courses taught by 65 athletes to help at-risk youth in Managua.

Non-governmental organizations continue efforts to prevent drug abuse and provide treatment to drug addicts. The United States provided close to \$4 million to fund programs focused on citizen security and drug prevention in 2014, including a grant to the non-governmental Fenix Foundation that organized a drug prevention campaign for 1,600 at-risk youth, as well as teachers and parents.

Private treatment centers in Nicaragua offer two models of patient service: out-patient and residential. Free treatment centers are becoming less common in Nicaragua; some treatment centers charge a monthly fee between \$2,000 and \$3,000 per patient.

Narcotics Anonymous and the Government of Nicaragua's Public Defenders Office joined forces to advocate against substance abuse via a voluntary 90-day program. The process of rehabilitation includes at least two hours of group therapy per day and legal assistance.

4. Corruption

As a matter of policy, the Government of Nicaragua does not encourage or facilitate the illicit production, processing, or distribution of narcotics, psychotropic drugs, and other controlled substances, or condone drug-related money laundering activities. The Supreme Court of Justice publicly upheld as a disciplinary model the 2014 dismissal of a judge who "counseled" the relatives of drug traffickers in exchange for large sums of money, alerted drug dealers to search warrants, and released drug traffickers whenever he handled their cases. Also in 2014, the Supreme Court of Justice dismissed an entire court staff that had granted a national identification card to a drug trafficker from Venezuela. However, Nicaraguans continue to perceive their government as highly corrupt.

The judicial system remains a major impediment to effective counternarcotics enforcement in Nicaragua. While specific legislation (Laws 735 and 745) prohibits early release and sentence reductions for drug trafficking cases, these practices still occur, and the judicial system struggles with corruption.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports a wide range of efforts designed to address citizen security in Nicaragua. Beginning in late 2013, the United States shifted close to \$4 million in previously-programmed counternarcotics assistance towards drug eradication and non-governmental drug demand reduction programs due to restrictions on certain direct government support over fiscal transparency issues. These programs have expanded community security, youth leadership, drug prevention training, vocational training, and alternative education intervention programs for at-risk youth.

In 2014, the United States enhanced the maritime interdiction capacity of the Nicaraguan Navy by providing intelligence information for interdiction operations, supporting training opportunities, and implementing approximately \$4 million in capacity-building projects. U.S.-supported projects included the construction of a headquarters building and access road, the donation of two boats and trailers, and four thermal binoculars.

D. Conclusion

Nicaragua continues to face many challenges related to illegal narcotics, including the need to combat corruption, improve judicial independence, reduce drug demand, and combat drug trafficking. Drug demand reduction and treatment efforts remain inadequate for the country's needs. Institutions within the Government of Nicaragua must continue to strengthen its efforts to combat international drug trafficking. Efforts to combat organized crime within the vulnerable Caribbean coast regions of Nicaragua must also be strengthened, as these areas remain the primary routes for international drug trafficking.

Nigeria

A. Introduction

Nigeria is a transit country for heroin and cocaine destined for Europe, and to a lesser degree, the United States. The National Drug Law Enforcement Agency (NDLEA) frequently arrests drug couriers at Murtala Mohammed International Airport (MMIA) in Lagos. Traffickers are increasingly exploiting the country's seaports and land borders to avoid the risk of detection traveling through MMIA. Nigerian traffickers are increasingly using "relay couriers" that meet in intermediate countries to circumvent law enforcement profiling of travelers originating from recognized source countries.

Nigerian organized criminal networks remain prolific traffickers of cocaine and heroin worldwide, and have begun to produce and traffic methamphetamine to and throughout Southeast Asia. In addition to drug trafficking, some of these criminal organizations also engage in other forms of trafficking and fraud targeting U.S. citizens. Widespread corruption in Nigeria facilitates criminal activity, and, combined with Nigeria's central location along major trafficking routes, enables criminal groups to flourish and allows Nigeria to operate as an important trafficking hub.

The only drug cultivated in significant amounts domestically is marijuana. Nigerian-grown marijuana is the most commonly abused drug domestically. Traffickers also export marijuana throughout West Africa and to Europe through Nigeria's porous borders.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The NDLEA enforces laws against drug trafficking and abuse and plays the lead role in demand reduction and drug control policy development. Weak inter-agency cooperation, combined with a lack of criminal enterprise investigative capacity and the absence of an electronic intelligence program, contributes to the dearth of apprehensions of major traffickers. Although all law enforcement elements have representatives at Nigeria's ports of entry, joint operations are rare. No single law enforcement agency has adequate resources to combat sophisticated international criminal networks.

In 2012, the NDLEA and the U.S. Drug Enforcement Administration (DEA) signed a memorandum of understanding to establish a vetted unit of 20 officers to exclusively work with DEA. In May 2014, the vetted unit was converted to a full-fledged Sensitive Investigative Unit (SIU).

Nigeria's counternarcotics policy derives from a 1998 National Drug Control Master Plan (NDCMP). However, the NDLEA's budget is inadequate to implement the plan. The last implemented NDCMP expired in 2011. In 2014, the European Union funded a project led by the UN Office on Drugs and Crime to draft a 2015 -2019 NDCMP for Nigeria. At the conclusion of 2014, the plan was in the final stages of the Inter-Ministerial Committee (IMC) review prior to

its ultimate submission to National Assembly for approval. In fiscal year 2014, the Government of Nigeria allocated \$54.7 million for NDLEA's budget, which represented a decrease of approximately \$6 million from fiscal year 2013.

The 1931 U.S.-United Kingdom Extradition Treaty, made applicable to Nigeria in 1935, remains the legal basis for U.S. extradition requests. A mutual legal assistance between Nigeria and the United States has been in force since 2003.

The NDLEA cooperated with international drug enforcement efforts during the reporting period, including participating in multiple joint operations with DEA. Two of these joint operations resulted in the largest marijuana farm seizures in the history of the agency. The largest of these was estimated to be at least 25 square kilometers in size. DEA estimated that there were at least 8 million fully grown plants, yielding a potential total of 6,000 metric tons of cultivated marijuana. Nigerian authorities also arrested and extradited two drug trafficking barons to the United States, and dispatched a team of native Igbo-speaking NDLEA Officers to Turkey, Greece and India that resulted in the dismantling of drug cartels in each of the respective countries.

2. Supply Reduction

The NDLEA has made good use of U.S.-provided technology and training. Most of the organization's drug seizures occur at airports using U.S.-donated body scanners, with the vast majority occurring at MMIA in Lagos. The NDLEA faces challenges with arresting higher-level drug traffickers and financiers who organize the regular traffic of low-level drug couriers. As a result of NDLEA's successful interdictions at MMIA, Nigerian drug barons have diversified alternate routes and means to transport drugs in and out of the country.

Although there have been some reports of asset seizures since 2010, authorities do not systematically use asset seizure as an enforcement tool against traffickers and money launderers. The NDLEA reported one money laundering conviction during the reporting period. Asset forfeiture remains challenging in Nigeria, which lacks non-conviction based forfeiture or plea bargaining laws. Without an appropriate plea bargaining mechanism, the NDLEA encounters difficulty winning cooperation from low-level couriers to build cases against criminal gang bosses. Corruption and intimidation within Nigeria's judicial system remain significant concerns.

Marijuana is the most common illicit drug produced in Nigeria. Traffickers sell marijuana in Nigeria and export it through West Africa and into Europe, but little reaches the United States. The NDLEA continues to pursue an aggressive eradication campaign, which destroyed 3,908 hectares of marijuana cultivation between November 2013 and September 2014, an increase of almost 700 percent over the previous reporting period.

Methamphetamine production is a growing concern in Nigeria. Since 2011, the NDLEA has discovered and dismantled five clandestine methamphetamine laboratories in Nigeria. During the current reporting period, the NDLEA discovered two additional clandestine laboratories. Nigerian methamphetamine is produced in large quantities throughout the country; mostly in

Lagos and increasingly in Anambra state where the (majority Igbo) drug trafficking organizations are relocating their laboratories. These drug trafficking organizations started methamphetamine production by bringing South American “cooks” to Nigeria, but have steadily learned the production methods and have weaned themselves off of their teachers. Precursors – mainly ephedrine – are imported from India and China then diverted to the laboratory operators. A kilogram of 99 percent pure locally-produced methamphetamine sells for as little as \$7,500 in Lagos and over \$150,000 in Southeast Asian countries such as Malaysia.

Despite the trafficker’s efforts to circumvent NDLEA’s profiling techniques and/or avoid MMIA, NDLEA’s seizures of hard drugs at MMIA increased by 70 percent in 2014. Between November 2013 and September 2014, the NDLEA Command at MMIA seized 68.53 kilograms (kg) of cocaine, 50.1 kg of heroin, 146.69 kg of methamphetamine, and 10.83 kg of ephedrine.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Cocaine and heroin use increased in 2014. As in many other drug transshipment countries, traffickers have encouraged greater domestic consumption in Nigeria by offering drug supplies to local distributors in lieu of cash payment. The NDLEA’s Demand Reduction Directorate has reinvigorated its school-oriented programs and other programs targeting youth, professional truck and bus drivers, sex workers, community leaders, and transport workers. In 2014, the NDLEA counseled and rehabilitated 6,344 drug addicts (an increase of 53percent over the previous year), most of whom were marijuana users.

4. Corruption

The Government of Nigeria does not encourage or facilitate illicit production or distribution of narcotics, or the laundering of proceeds from illegal drug transactions. However, corruption plays a major role in drug trafficking in Nigeria. Nigeria has anti-corruption laws, but has secured only a few notable convictions, including that of a former NDLEA chief. This high level of impunity encourages narcotic trafficking in Nigeria.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The NDLEA budget has remained flat or decreased in recent years, and Nigerian government funding for law enforcement agencies remains insufficient. Unless the Government of Nigeria remedies this situation, little progress will be made over the medium to long term.

The United States works closely with the NDLEA and other law enforcement agencies to strengthen capacity. The United States also promotes greater cooperation between the Nigeria Customs Service (NCS) and the NDLEA to improve interdiction at the vulnerable seaports and porous land borders. In 2014, the United States continued funding a counternarcotics advisor, while DEA converted its vetted unit into a Sensitive Investigation Unit and raised the profile of its investigations. The United States provided training in Intelligence Led Investigations to the top echelon of the NDLEA management and all of its State Commanders. The United States also helped the agency develop and train a cadre of Intelligence Analysts to enhance its law

enforcement and intelligence development capabilities. These measures have helped to improve the NDLEA's ability to conduct complex cases.

D. Conclusion

The United States will continue to engage the Government of Nigeria to combat drug trafficking, corruption, money laundering, and other criminal issues. The institutional and societal factors that contribute to these criminal activities remain deeply rooted and will require a comprehensive and collaborative effort. Progress will require sustained Nigerian government resources, effort and political will.

Pakistan

A. Introduction

Pakistan is one of the world's top transit corridors for opiates and cannabis, which are pervasively trafficked through the country's porous borders with Afghanistan and Iran and globally distributed through Pakistan's seaports, airports, postal services, and unpatrolled coastal areas. The United Nations Office on Drugs and Crime (UNODC) estimates that 40 percent of the drugs (heroin and marijuana) originating in Afghanistan are routed through Pakistan enroute to China, the Gulf States, Africa, and Europe. Additionally, poppy cultivation in some areas of Pakistan increased in 2014. Pakistan is also a major transit country for precursor chemicals used to produce heroin and methamphetamine.

In 2014, Pakistan's progress toward building a resilient, effective, and self-sustaining counternarcotics capacity saw success in the form of multiple noteworthy seizures and positive anti-drug awareness activities. However, budget limitations and fragile political will continued to hinder counternarcotics efforts, while law enforcement agencies remained largely preoccupied with more urgent threats to national security such as violent extremism.

Domestic drug consumption remains an ongoing problem. In 2013, UNODC released the results of a nationwide drug user survey, revealing that Pakistan is home to 6.5 million drug users who consume 59 MT of heroin and cannabis annually. After studying the data further, UNODC revised these figures in 2014 and now estimates that there are actually 6.7 million drug users in Pakistan with the same consumption rate. UNODC also reported that Pakistan lacks the capacity to treat drug addiction and to properly educate its populace about the menace of illicit narcotics.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In 2014, Pakistan continued its participation in the Paris Pact and Triangular Initiative, two UNODC-led mechanisms promoting international counternarcotics coordination. Pakistan's Anti-Narcotics Force (ANF) conducted joint counternarcotics operations with foreign counterparts, including the United Kingdom, Germany, Canada, Kenya, and Italy. Pakistan continued to host over 32 foreign drug liaison officers as part of its Paris Pact obligations. In addition to working with international drug liaison officers based in Pakistan, the ANF hopes to begin placing officers within the embassies of important drug destination countries.

Staffed at senior levels by Pakistan Army officers, the ANF is a civilian law enforcement agency constitutionally mandated to serve as Pakistan's lead counternarcotics entity. The ANF's 2014 federal budget of \$14.82 million was insufficient to operate and maintain vehicles, equipment, and office space donated by foreign partners. Nearly 80 percent of the ANF budget is used to pay salaries. Moreover, the ANF's 3,100 employees were thinly deployed across some 40 stations and field offices spanning every province and administrative territory except the Federally Administered Tribal Areas (FATA). The ANF has not operated in the FATA since mid-2012, when a court injunction challenged its jurisdiction. Pakistan Customs is the only law

enforcement agency conducting routine counternarcotics operations in every province and territory, including the FATA.

In 2013, the Ministry of Narcotics Control merged with the Ministry of Interior (MOI), placing the ANF under the oversight of Pakistan's largest internal security bureau. Though the move caused some friction with senior ANF commanders accustomed to operating more autonomously, MOI oversight has the potential to improve long-term strategic and operational coordination among Pakistan's 27 law enforcement agencies holding counternarcotics mandates. During 2014, ANF chaired the Inter-Agency Task Force biannual meeting on counternarcotics, which is composed of these 27 agencies. ANF also partnered with the U.S. Drug Enforcement Administration (DEA) and the UK's National Crime Agency to operate Special Investigation Cells (SICs). In 2014, the ANF Academy provided instruction to over 575 trainees from across Pakistan's law enforcement community. As part of UNODC's Container Control Program, the ANF and Pakistan Customs jointly operated nine Port Control Units (PCUs), while Pakistan Customs continued to host regional training courses on risk profiling of containerized cargo at Port Karachi.

Extradition between the U.S. and Pakistan is governed by the Extradition Treaty Between the United States and the United Kingdom, which entered into force in 1935 and was adopted by Pakistan upon independence. While there is no bilateral mutual legal assistance treaty between the United States and Pakistan, both countries are parties to several multilateral conventions which call for international cooperation. Extradition between the United States and Pakistan has been problematic in recent years. No narcotics traffickers have been extradited to the United States for many years, including 2014. Mutual legal assistance in such cases remains equally challenging.

2. Supply Reduction

Pakistan's main opium poppy growing areas remain in Khyber Pakhtunkhwa (KP), FATA, and northeastern Balochistan. Insecurity in these regions has prevented reliable ground surveying, thereby making it difficult to determine precise cultivation levels. In 2014, the ANF reported 1,227 hectares (ha) of poppy under cultivation and eradicated 1,010 ha, leaving a balance of 217 ha that were not eradicated. U.S. government estimates for 2014 are not yet available. However, 2013 estimates indicated a significant increase in poppy cultivation, with 4,300 ha in traditional growing areas like KP, FATA, and Balochistan. Economic substitution mechanisms – such as alternative livelihood and development programs for farmers (including distribution of seeds, agricultural training, and construction of “small-scheme” irrigation mechanisms) – continue to effectively discourage poppy cultivation in some communities of KP and the FATA. However, Pakistan depends heavily on foreign assistance to implement and monitor such programs.

According to UNODC, 160 to 200 mt of Afghan heroin have been annually trafficked through Pakistan in recent years, including 2014. The ANF reported that over the first eight months of 2014, it seized 2.48 metric tons (MT) of heroin, 18.32 MT of opium, four kilograms (kg) of cocaine, and 38.52 MT of hashish. In October, the ANF confiscated 108 kilograms of heroin from the Lahore Airport, which was destined for Malaysia. Furthermore, Pakistan Customs

seized 66 kilograms of heroin, 13.3 MT of opium, 38.53 MT of poppy seeds, 1.34 MT of hashish, and 1.5 kg of amphetamine crystals from January to August 2014.

From January to September 2014, Pakistani authorities arrested over 31,481 suspects on drug charges. Law enforcement agencies registered over 30,588 cases, with ANF registering 668 cases with a 90 percent conviction rate. However, almost the same percentage of cases is overturned on appeal. The vast majority of these cases involved low-level possession or small quantity courier trafficking. Suspects arrested by ANF – mostly small-time traffickers – were tried in special narcotics courts that only hear cases put forth by the ANF, and the ANF employed its own prosecutor corps to prosecute the cases.

On April 24, one of the largest hauls of heroin in international waters was seized based upon information provided by ANF to the United Kingdom. Working in tandem, the British and Australian Navies confiscated 1032 kg of heroin from the MV Laxmi Narayan cargo ship off the coast of East Africa in Kenyan waters.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

UNODC's 2013 nationwide drug user survey indicated that 6.5 million Pakistanis aged 15 to 64 – about 5.8 percent of the population – used drugs for non-medical purposes at least once in the 12 months preceding questioning. In 2014, UNODC revised their results and now estimate that there are 6.7 million drug users throughout Pakistan, more than three percent of the country's total population. Cannabis and opioids were the most prevalent drugs consumed, with four million and 2.7 million users, respectively. However, the 2014 updated survey results also tallied 1.6 million users of painkillers, 1.5 million users of synthetic tranquilizers/sedatives, and 93,000 users of amphetamine-type simulants (ATS). In total, the survey classified 4.1 million drug users aged 15 to 64 as drug addicts.

Pakistan's police officers and teachers have historically lacked knowledge about the harmful physiological properties of drugs, or their destructive effects on society. In 2014, Pakistan intensified efforts to raise public awareness about drug abuse. The ANF lectured frequently at universities, colleges, and schools about drug awareness. Additionally, the ANF sponsors a bicycle race from Karachi to Islamabad and drug awareness walks in Islamabad, Peshawar, Lahore, Karachi, and Rawalpindi throughout the year. Furthermore, the ANF is currently working with local television stations to begin airing a television series and commercials focused on drug demand reduction.

In 2014, Pakistan's drug treatment capacities remained insufficient to meet demand, with fewer than 100 clinics operating nationwide. Very few public hospitals offer drug addiction treatment services, though Khyber Pakhtunkhwa was the first province to take steps to integrate basic addiction counseling into its public health apparatus. Lacking government funding, over 90 percent of Pakistan's detoxification centers are operated by non-governmental organizations (NGOs). As a result, cost remains the primary obstacle preventing widespread access to treatment, leaving 75 percent of opiate addicts without an avenue to seek help. Fewer than 30,000 drug users received detoxification therapy in 2014, the majority of whom were women due to a lack of institutional capacity to serve women.

An increasing number of Pakistan's addiction centers are providing evidence-based treatment. In 2012, the Colombo Plan, a multinational organization promoting development in the Asia-Pacific region, launched a "train-the-trainer" program for NGOs and government treatment specialists with INL assistance. During 2014, the Colombo Plan International Centre for Certification and Education of Addiction Professionals (CP ICCE) held two national-level trainings in Pakistan. These efforts could reduce remission rates, which currently approach 80 percent.

4. Corruption

The Government of Pakistan does not facilitate the illegal production or trafficking of illegal drugs, nor the laundering of the proceeds. However, corruption remains a major challenge to the practice of law enforcement. Although parliamentary oversight committees, an independent judicial system, and a critical free press exposed corrupt practices in 2014, the consequences for perpetrators were rarely severe. Accordingly, corruption continues to facilitate the movement of contraband, including in the form of bribes to public servants. Additionally in 2014, the Narcotics Control Division (NCD) discovered that members of their staff had embezzled funds. NCD referred the case to the Federal Investigative Authority and subsequently suspended the responsible employees.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States remains strongly committed to a holistic approach to counternarcotics assistance in Pakistan. U.S. supply-side assistance builds Pakistani capacity to interdict contraband and dismantle crime rings. The United States helps Pakistani law enforcement entities develop their capacity for conducting semi-sophisticated operations, such as controlled deliveries, financial crime investigations, and intelligent container profiling. The United States aims to help Pakistan cultivate a model for collaborative, intelligence-driven, and corruption-free law enforcement by directing assistance through elite units such as SICs and PCUs. The United States also promotes initiatives that reduce demand, supporting Pakistan's efforts to treat drug addiction and prevent its spread as a public health menace. Finally, the United States provides alternative means for farmers to grow licit crops instead of poppy, including the distribution of seeds, the construction of small roads, and irrigation projects.

Over the past five years, U.S. supply-side assistance has mainly funded poppy reduction programs and ANF interdiction activities. In 2014, bilateral cooperation on interdiction programs improved between the U.S. government and the ANF. In an effort to promote an effective and self-sustaining interdiction capacity, the United States took steps to diversify Pakistan's counternarcotics programming in 2014 by strengthening cooperation with the MOI and Pakistan Customs.

The ANF is responsible for conducting complex narcotics investigations with a small staff, while working within a judicial system where prosecutors and judges are overworked, underpaid, and ill prepared to successfully prosecute cases that involve modern investigative techniques. Since the passing of the Fair Trial Act in 2013, the ANF can submit evidence gathered from telephone

intercepts so long as they first receive permission from a judge to conduct the wiretap. In order for the ANF to meet its mandate, the Government of Pakistan should provide greater funding to the ANF and elements of the judicial system that try narcotics cases. As a result of recent changes to the law in 2013, the ANF does not have the ability to purchase information from confidential sources. This severely hampers the capabilities of the ANF to develop information on the most complex criminal organizations operating in the country, which narcotics proceeds often fund.

On the demand-reduction side, the United States expanded and diversified funding for various drug treatment and practitioner training programs, most notably the Colombo Plan's Master Trainer initiative. In 2014, the U.S. government has continued its assistance to NGOs operating drug treatment facilities and mass awareness activities, prioritizing the funding of projects benefitting women. Additionally, the U.S. government continued working with UNODC, the ANF, and the NCD to promote drug awareness throughout Pakistan.

D. Conclusion

Although Pakistan continues to face enormous economic and security challenges that often exceed narcotics trafficking in national security priorities, many of these challenges are interconnected. Pakistan could more effectively reduce drug trafficking if its law enforcement agencies coordinated more closely, shared information more readily, and expended limited resources more efficiently. Increased public awareness about the drug trade and its negative societal influences would further solidify concerted government action across law enforcement agencies.

Panama

A. Introduction

Panama remains a transshipment crossroads for illicit drug trafficking due to its geographic location and the presence of the Panama Canal. The United States estimated that approximately 83 percent of the cocaine trafficked to the United States first transited through Central America during the first half of 2014. Transnational drug trafficking organizations, including Mexican and Colombian groups such as the Revolutionary Armed Forces of Colombia (FARC) and Bandas Criminales (BACRIM), move illegal contraband through Panama's remote Darién region and along its coastline and littoral zones. Drug traffickers also exploit Panama's transportation infrastructure, including the second largest free trade zone in the world, the Panama Canal, four major container seaports, the Pan-American Highway, and the fourth busiest airport in Latin America. The United States enjoys a strong partnership with all Panamanian security services.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Developments

In 2014, Panama built on past efforts to strengthen and improve its security institutions, enhance interdiction capacity and ensure citizen security. While government agencies in the justice sector continued to suffer cutbacks in the 2015 fiscal year budget, the Ministry of Public Security's budget increased by 10 percent over 2014 levels, the sixth straight year of increase. The Panamanian National Police (PNP), with U.S. assistance, began implementing a comprehensive modernization program in August through the introduction of modern policing strategies and integration of the COMPSTAT (comparative statistics) model, allowing real-time mapping and analysis of criminal activity. After an initial training and implementation phase, COMPSTAT has led to more effective police enforcement in 2014, with a decrease in major crimes in zones where the model has been fully implemented. Additionally, reform of the Police Academy curriculum led the Ministry of Education to certify it as an accredited academic institution, enabling it to offer two university-level degree programs, which is projected to grow to seven degree programs in 2015.

Since 2010, Panama has undertaken a whole-of-government strategy to improve governance in the Darien province. Working closely with the Panamanian Secretariat for Development in the Darien and Annexed Comarcas (SEPRODACAN), the Panamanian National Border Service (SENAFRONT) remains the operational mainstay of this strategy, performing humanitarian assistance and community policing missions in addition to its regular duties. SENAFRONT exercises territorial control over the region's population centers and recruits from the local Darien indigenous and non-indigenous communities. There is no longer a permanent presence of the FARC in Panama, a success which is largely credited to SENAFRONT. Through the Regional Border Protection Training Program, the United States is providing training to SENAFRONT and other security services in the region on border security operations at and between ports of entry. Thanks to "train-the-trainer" cooperation with the United States and Colombia, SENAFRONT is now capable of conducting various levels of training on its own and

has begun to offer and provide such training to regional partners including Costa Rica, Belize, and Honduras.

Panama is replacing its inquisitorial justice system through a phased transition to a faster and more transparent accusatory justice system, which the United States is supporting through training throughout the country. Despite a two-year delay, the system has been implemented in four of Panama's ten provinces. In these four provinces, case processing times have been reduced. Nevertheless, the government has consistently under-delivered on the required budget allocation for implementing the system and will need to commit additional resources as the system spreads to the remaining heavily populated, higher-crime provinces. Despite this measure of progress, justice sector institutions have difficulty pursuing money laundering, complex financial crimes, and criminal forfeiture cases and remain susceptible to corruption.

A mutual legal assistance treaty and an extradition treaty are in force between the United States and Panama. Although the Panamanian Constitution does not allow extradition of Panamanian nationals, Panama will prosecute those fugitives in Panama in lieu of extradition. Both countries signed the Salas-Becker Agreement in 2002, enabling cooperation on bilateral maritime interdiction, including the use of shipriders allowing Panamanian security officers to deploy aboard U.S. air and maritime patrol assets. The program has enhanced the effectiveness of counter-trafficking operations in and around Panama by improving detection, monitoring, interdiction and apprehension of illicit traffickers.

2. Supply Reduction

Panama reported seizing 35.1 metric tons (MT) of cocaine in 2014, largely in cooperation with U.S. law enforcement. This includes cocaine captured by Panamanian authorities, but does not include 3.9 MT of cocaine seized by U.S. Coast Guard (USCG) assets in or near Panamanian territorial waters, or cocaine jettisoned by traffickers under pursuit and not recovered. Panama cocaine seizures decreased in 2014 by a factor of 14 percent from 2013 in concert with a 54 percent decline in reported maritime incidents transiting in the vicinity of Panamanian territorial waters. The decline in maritime cases in the vicinity of Panama coincides with an overall decline in flow, first noted in 2013. This may reflect a shifting in traffickers' routes away from littoral waters. Panama continues to enjoy a high pursuit to interdiction ratio of 81 percent (January-September 2014), capturing 32 of the 43 maritime targets that were pursued. Additionally, Panamanian authorities seized 3.1 MT of cannabis, 1.1 kilograms (kg) of chemical precursors, 41.6 kg of heroin, and \$7,422,475 in drug-related cash.

With U.S. assistance, Panama's Air Naval Service (SENAN) continues to address in earnest many shortcomings that were hindering its operational effectiveness. Many problems persist, including poor logistics and maintenance systems, inadequate human resources, a shortage of maritime mid-grade and senior officers, limited intelligence collection capability, and insufficient operational intercept assets. The United States is working jointly with the Colombian Navy to help SENAN develop organic and sustainable maintenance and operational capacities. SENAN continues to support joint counternarcotics operations, including interdiction, patrolling, providing liaison officers aboard U.S. maritime vessels and patrol aircraft, photographing suspect areas, and identifying suspect aircraft. While funding for

additional training, equipment, and personnel is improving, the development of a professional cadre will take years. The United States introduced an aviation program over the latter part of 2014 to enhance Panama's whole-of-government efforts to strengthen the rule of law and government services to populations in remote areas of the country, while assisting to deter and counter illicit activities. The program also provided valuable skill transfer to SENAN pilots and air crews through formal and on-the-job training, which will enhance the operation of Panamanian aviation resources.

Several local drug trafficking organizations in Panama continued to provide logistical support to international trafficking organizations smuggling cocaine into Panama for further distribution northward in Central America. These organizations, based along Panama's Caribbean coast, coordinate the receipt of "go-fast" vessels from several organizations in Colombia. Once in Panama, these vessels are re-fueled and the drugs stored in remote locations along the coastline, from where they will subsequently be transported farther north.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Panama funds a number of drug demand reduction programs and benefits from other funding sources, including donations from civil society groups and international cooperation. The Ministry of Education provides drug prevention programs in schools and the Ministry of Health supports a drug-counseling program. The last drug demand study was conducted in 2008, making it difficult to assess current trends. Panama has not updated its written strategy on drug demand reduction since 2007. The United States, in collaboration with the Organization of the America States' Inter-American Drug Abuse Control Commission, funds drug treatment and prevention training for treatment service professionals in Panama.

The Government of Panama devised a National Citizen Security Strategy which aims to coordinate a whole-of-government approach to combatting crime, and includes joint efforts on prevention and demand reduction programs. The United States partnered with the PNP to implement programs such as Drug Awareness and Resistance Education (DARE) and the PNP's new Community Policing Strategy to help at-risk youth.

With assistance from the United States and the United Nations Office on Drugs and Crime, Panama is beginning to reform its prison system by implementing programs to professionalize staff, reduce corruption, create more humane conditions, reduce overcrowding, promote post-incarceration inmate reintegration into society, and lower recidivism rates. The United States and Panama are also partners on a project with a local non-governmental organization to implement a rehabilitation program for juveniles within the prison system.

4. Corruption

As a matter of policy, the Government of Panama does not encourage or facilitate illicit production or distribution of narcotics or the laundering of proceeds from illicit drug transactions. However, corruption remains a concern throughout the security services, customs, and justice sector. Drug trafficking organizations have penetrated the security services and several security-service members involved in trafficking were detained in 2014. However,

Panama did not adjudicate any significant cases of corruption in 2014, in part due to poor investigative capacity, a lengthy investigative process, and a weak judicial system.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports citizen security, law enforcement, and rule-of-law programs in Panama, mainly through the Central America Regional Security Initiative (CARSI). These programs aim to expand Panamanian capabilities to interdict, investigate, and prosecute illegal drug trafficking, money laundering, and other transnational crimes, while strengthening Panama's justice sector, including its prisons.

Through CARSI, the United States trains and equips Panamanian police to perform anti-gang law enforcement. The United States also supports community policing in Panama with equipment, training, communications, and social and economic programs.

In 2014, the United States continued to provide assistance to modernize and maintain SENAN, SENAFRONT, and PNP vessels and facilities in support of interdiction efforts. The United States helped to improve the professionalism and effectiveness of Panama's security services by providing technical training in areas such as small boat operations, small unit tactics, maritime interdiction, equipment, and logistics support. Additionally, Panama participates in the annual U.S. Coast Guard-sponsored Multilateral Counterdrug Summit, which enhances bilateral cooperation in combating maritime drug trafficking and improving prosecution of maritime trafficking cases.

The United States continues to support trilateral cooperation with Panama and Colombia, through which Colombian law enforcement, justice sector and military experts train members of Panama's security services. The United States continues to transition its assistance programs into more advanced areas, such as developing a strategic budgeting and project management capacity for SENAN, institutionalizing education and training within the various security services, fostering more joint work among those services, as well as greater inter-agency coordination between the Ministry of Security and its governmental counterparts.

United States and Panamanian law enforcement units collaborate closely on counternarcotics efforts, which in 2014 included high-profile investigations involving a nexus to U.S. cases. Panamanian vetted units, working in partnership with U.S. law enforcement agencies, conducted sensitive investigations and operations related to counternarcotics, money laundering, human smuggling, and other transnational crimes. For example, Panamanian authorities dismantled a local drug trafficking organization responsible for multi-ton cocaine shipments and indicted 25 members of the organization, including four corrupt Panamanian law enforcement officials. These individuals were implicated in drug trafficking charges connected to over seven MT of cocaine seized in Panama since 2010.

In 2013, the United States and Panama signed an asset-forfeiture case sharing agreement that will provide \$36 million to the Panamanian government to fund jointly-approved projects supporting anti-money laundering efforts. The United States also supports institutional and legislative reform aimed at anti-money laundering and combating the financing of terrorism.

D. Conclusion

The Government of Panama continued its support for joint counternarcotics operations and investigations in 2014, while continuing to invest in building its own capacity. Panama remains one of the regional leaders in narcotics interdiction and seizures. To maintain the momentum of improvements, SENAN's institutional capacity will have to keep up with the demanding pace of its expansion, which includes an increase in the number of helicopters, maritime vessels, and radars, coupled with the qualified personnel required to operate these new assets. The United States will continue to assist Panama in implementing reforms to ensure that the PNP, SENAFRONT, and SENAN become strong, professional security services and Panama's justice sector can capably overcome the corrosive effects of transnational crime. The United States welcomes Panama's renewed efforts to prevent, detect, investigate, and prosecute financial crimes and money laundering. Nevertheless, the United States urges the Government of Panama to devote more resources to the modernization of its justice sector institutions to bolster citizen security.

Paraguay

A. Introduction

Paraguay faces various challenges to its efforts to reduce narcotics trafficking and production. The country's proximity to major source countries for cocaine, as well as institutional challenges within its law enforcement agencies and courts, continue to impede counternarcotics efforts.

Paraguay produces one of the largest marijuana crops in the Western Hemisphere, largely for export to Brazil and Argentina. It is also a transit country for Andean cocaine, most of which is destined for Paraguay's neighbors or to Europe, Africa, and the Middle East. Drug traffickers exploit the landlocked country's porous borders, extensive internal waterways, and law enforcement and judicial institutions. Arms trafficking, money laundering, counterfeiting, and other illegal activities linked to narcotics trafficking and other forms of transnational crime are prevalent, with the proceeds contributing to corruption. These activities increasingly involve international criminal organizations operating along the Paraguay-Brazil border.

Despite these challenges, the Government of Paraguay expanded its efforts in 2014 to disrupt the activities of drug traffickers through interdiction, eradication, and demand reduction efforts. Paraguay's primary counternarcotics agency, the National Anti-Drug Secretariat (SENAD), with approximately 230 agents, leads these efforts along with the Paraguayan National Police (PNP) and the Customs Administration. These agencies, along with the Attorney General's Office, the Anti-Money Laundering Secretariat (SEPRELAD), and the Supreme Court, all welcome cooperation with the United States in fighting drug trafficking.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In 2014, SEPRELAD continued to implement the National Plan for Anti-Money Laundering and Countering Terrorist Finance (AML/CTF). Both SENAD and the PNP made progress in strengthening their financial crimes investigation and canine units. Since 2011, SENAD has served as the country coordinator for a multi-agency and multi-country program led by the UN Office on Drugs and Crime (UNODC) to address illicit trafficking and promote demand reduction and treatment initiatives. SENAD's budget is expected to increase to \$12.3 million in 2015, from \$11.8 million in 2014 and \$9.7 million in 2013.

Paraguay is a party to the Inter-American Conventions Against Corruption and Against Terrorism. Paraguay is also a signatory to the Organization of American States Inter-American Drug Abuse Control Commission Hemispheric Drug Strategy and to the 1992 Inter-American Convention on Mutual Assistance in Criminal Matters.

U.S. and Paraguayan law enforcement authorities cooperate in extradition matters pursuant to a 2001 extradition treaty. The United States and Paraguay extended the 1987 bilateral letter of agreement providing counternarcotics assistance in 2004 and have amended it annually through 2014.

2. Supply Reduction

The sum total of SENAD and PNP seizures of marijuana and other cannabis products increased significantly in 2014 compared to 2013, but cannabis eradication and seizures of cocaine and precursor chemicals decreased. The 896 metric tons (MT) of marijuana seized in 2014 surpassed the 2013 figure of 461 MT. In addition, 2014 seizures of 5.8MT of cannabis products (seeds and wax) were above the 2013 figure of 4.6 MT. The 2,145 hectares (ha) of cannabis eradicated in 2014 was slightly less than the 2013 figure of 2,295 ha. In addition, precursor chemical seizures decreased to 1.6 MT. Seizures of cocaine amounted to 2.9 MT, less than the 2013 figure of 3.8 MT. There were 361 drug-related arrests in 2014 (567 in 2013); one airplane seized (two in 2013); and 864 firearms seized (45 in 2013).

SENAD and PNP achieved multiple noteworthy enforcement successes and drug seizures during the year. In March, SENAD, working with the Brazilian Federal Police, seized 178 kilograms (kg) of cocaine, 308 kg of marijuana, two vehicles, two guns, and arrested two persons. In April, SENAD conducted simultaneous operations which resulted in the seizure of 309 kg of cocaine, the seizure of 22 vehicles, and the arrest of one person. In the lead-up to the World Cup in April, SENAD dismantled a laboratory in Ciudad del Este that produced Lysergic acid diethylamide (LSD) and ecstasy intended for Brazil. In August, PNP officers working with customs officials conducted the third largest cocaine seizure in the history of Paraguay, seizing 847 kg of cocaine that had been camouflaged in a shipment of rice to be sent to the Democratic Republic of the Congo. The cocaine was connected to Brazilian drug lord Jorge Rafat Toumani, a fugitive who was sentenced by a Brazilian court to 47 years in prison for drug trafficking and money laundering.

Paraguay is one of the largest marijuana producers in the hemisphere, with cultivation taking place primarily in northeastern departments near the Brazilian border. Various methods are used to smuggle narcotics through Paraguay to regional and international markets, including containerized cargo, cargo trucks, passenger buses, small airplanes, and human couriers. Towns along the Brazilian border such as Pedro Juan Caballero, Salto del Guairá, and Ciudad del Este are known transit centers for narcotics, arms, and other contraband. Vehicular, riverine, and pedestrian traffic routinely cross the border unchecked by authorities on either side. Due to a limited law enforcement presence and lack of radar coverage, traffickers use large farms in the northwestern Chaco region along the Bolivian border as bases of operation for aerial cocaine shipments originating in Bolivia.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

SENAD sponsored 103 workshops to promote awareness on the dangers of illegal drugs that reached 3,764 students, parents, and teachers in 57 different educational institutions. The agency distributed 2,400 informational pamphlets and 345 DVDs to students, teachers and counselors, and conducted 12 drug abuse awareness radio broadcasts.

The Ministry of Health's National Addiction Control Center, located in Asuncion, is the only public drug treatment facility in Paraguay. It offers in-patient, out-patient, and walk-in

assistance to all patients seeking treatment regardless of gender or age. However, the Center's 30-bed capacity for inpatient treatment is insufficient to meet the country's needs. The Center also conducts drug addiction prevention programs and training for health professionals throughout the country. There is only one private rehabilitation center in Paraguay.

4. Corruption

The Government of Paraguay neither encourages nor facilitates illegal activity associated with drug trafficking, and no senior government official was implicated in such activity in 2014. There were cases of lower level officials, including mayors, police chiefs and police officers implicated in such activities. Members of Congress were accused of involvement in drug trafficking. Widespread corruption, impunity, and a lack of resources in the law enforcement and judicial systems often prevented the effective prosecution of narcotics producers and traffickers.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The Administration of President Horacio Cartes has placed a high priority on counternarcotics efforts, as demonstrated by increased seizures and the appointment of qualified leadership in SENAD. Paraguay's Congress echoed this support by increasing funding for SENAD in 2014 by 21.3 percent over 2013 and again in 2015 by 2.7 percent over 2014. The United States works closely with the Government of Paraguay to disrupt drug trafficking organizations and to strengthen legal and regulatory frameworks in a joint effort to combat drug trafficking and associated crimes, such as money laundering and arms trafficking. U.S. operational support, including support for joint investigations, resulted in increased numbers of drug seizures, arrests, and the presentation of cases for prosecution.

D. Conclusion

The Government of Paraguay continued to advance its counternarcotics capacity as evidenced by large drug seizures, budget increases and collaboration with the Brazilian Federal Police on select narcotics cases. Nevertheless, enhancing Paraguayan interagency coordination, improving the judicial system's ability to prosecute narcotics cases quickly and effectively, and strengthening law enforcement efforts, would help to further deter narcotics producers and traffickers.

The United States encourages Paraguay to continue to institute measures to address corruption across all levels of government and to develop a comprehensive approach to combating the production and trafficking of precursor chemicals, including chemicals that could be used to produce synthetic drugs. The Government of Paraguay should consider taking measures to increase its capacity to treat and rehabilitate drug users. The United States also encourages Paraguay to strengthen its asset forfeiture law and to implement the law effectively.

Peru

A. Introduction

Peru remained the world's top producer of cocaine and was the second-largest cultivator of coca, with an estimated 59,500 hectares (ha) of coca under cultivation in 2013, the most recent year for which data is available. The majority of cocaine produced in Peru is transported to South American countries for domestic consumption, or for onward shipment to Europe, East Asia, and Mexico via private and commercial aircraft, and land and maritime conveyances. Peru is a major importer of precursor chemicals used for cocaine production.

President Ollanta Humala's administration has dedicated substantial resources to implement Peru's 2012-2016 counternarcotics strategy. The strategy calls for a 200 percent increase in 2014 in the eradication of illicit coca from the 2012 baseline. The Government of Peru remains on pace to meet its ambitious targets in this area. Sendero Luminoso (SL or Shining Path) operating in the Apurimac-Ene-Mantaro River Valley (VRAEM) relied on cocaine trafficking for funding, and killed and wounded five police and military personnel during counternarcotics operations in 2014.

Domestic consumption of illicit drugs is growing, particularly in mid-sized cities east of the Andes where much drug production occurs. The number of treatment centers falls short of what is needed to treat the estimated 32,000 to 60,000 cocaine addicts and an even larger number of marijuana addicts nationwide. Abuse of the low-priced and highly addictive coca paste is also increasing. Peruvians are increasingly concerned about the impact of drug trafficking and abuse on citizen security, political stability, and the nation's youth; the environmental damage of illicit drug production; and the impact of corruption on democratic institutions.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Peruvian government's counternarcotics strategy includes ambitious goals for eradication, interdiction, and alternative development, and addresses associated issues such as the control of precursor chemicals, organized crime, money laundering, and the rule of law. The Humala administration increased its counternarcotics budget from \$145 million in 2012 to over \$165 million in 2014. Peru contributed \$25.4 million towards eradication efforts and concomitant aviation support in 2014, more than doubling its 2013 contribution and nationalizing a program that had historically been funded by the United States.

To counteract the increasing use of private aircraft transporting drugs, the police and armed forces continued to target clandestine runways for destruction, destroying 263 clandestine runways throughout the country in 2014, compared to 110 clandestine runways in 2013. Law enforcement operations resulted in the seizure of approximately eighteen aircraft. Law enforcement sources estimate that each illicit flight transports between 250 and 400 kilograms (kg) of cocaine.

A 2013 law combatting organized crime became effective in July 2014. The government continues to make efforts to complete implementation of its 2012 National Plan to Combat Money Laundering and Terrorist Financing.

The Public Ministry, Peruvian National Police (PNP), and Judiciary provide limited training on the New Criminal Procedure Code (NCPC), which transitions the legal system from an inquisitorial to an accusatory system. No new judicial districts implemented the NCPC during 2013; the number of districts operating under the NCPC remained at 23 of an overall 33. Nationwide implementation is expected by the end of 2016, with Lima anticipated to be the final (and largest) judicial district to implement the code.

The bilateral extradition treaty between the United States and Peru entered into force in 2003. Peruvian law requires individuals to serve sentences and probation in Peru before becoming eligible for extradition. Nevertheless, cooperation is strong.

2. Supply Reduction

The U.S. government estimates that 59,500 ha of coca were under cultivation in Peru in 2013, an 18 percent increase from the 2012 estimate of 50,500 ha. The United Nations, using a different methodology, estimated 49,800 ha of cultivation in 2013, a 17.5 percent decrease from its 2012 estimate of 60,400 ha. The UN assesses that Peru is the largest cultivator of coca and producer of cocaine. The U.S. government's 2013 estimate for potential pure cocaine production was 305 metric tons (MT), a six percent increase from 2012; the 2013 estimate of potential export-quality cocaine was 390 MT, a six percent increase from 2012.

In 2014, the Peruvian government eradication agency, CORAH operated in Peru's San Martin, Huánuco, Pasco, Loreto, and Ucayali regions. Peru eradicated 31,242 ha of coca, exceeding its goal of eradicating 30,000 ha of illicit coca in 2014 as well as the previous national record of 23,785 ha eradicated in 2013. Although the Government of Peru had planned to eradicate in the VRAEM, a region accounting for an estimated 50 percent of Peru's total 2013 potential pure cocaine production, it revised its approach in favor of a "productive reconversion" strategy to encourage farmers to voluntarily cease coca cultivation.

DIRANDRO, the police anti-drug unit, received a \$12 million budget in 2014, up from \$11 million in 2013. This unit reported a slight increase in drug seizures in 2014 compared to 2013 – 30 MT of cocaine (including 11.1 MT of cocaine base and 18.7 MT of cocaine hydrochloride). DIRANDRO also seized 4 MT of marijuana, destroyed 625 cocaine laboratories, and seized 18.4 MT of coca leaf. Peru produces precursor chemicals, such as sulfuric acid, and is a major importer of other essential chemicals for cocaine production. DIRANDRO's Precursor Chemical Unit, DEPCIQ, reported slight increases in the seizure of precursor chemicals – from 2,240 MT in 2013 to 2.56 MT in 2014. The government has implemented permanent road interdictions on some roads using five backscatter x-ray scanners, two of which were donated by the United States. Sustained interdictions and surveillance against known chemical trafficking routes have led to changes in transportation modes and trafficking routes.

Small aircraft carrying shipments of cocaine from Peru to Bolivia constitute the primary method of transporting cocaine. Based on registered air cocaine smuggling events through the first 10 months of 2014, U.S. and Peruvian law enforcement authorities estimated that 52.8 MT of cocaine was smuggled using small aircraft, although based on the frequency of flights, the actual amount could be as high as 180 MT. U.S. and Peruvian law enforcement also estimate that maritime smuggling through the Eastern Pacific continues to account for roughly 115 MT annually.

Peruvian, Colombian, and, increasingly, Mexican traffickers maintain sophisticated networks to ship cocaine to Europe, East Asia, Mexico, the Caribbean, the United States, and other Western Hemisphere countries. Peru and the United States exercise maritime operational procedures that enable U.S. authorities to board Peruvian flagged vessels in international waters. In joint investigations with U.S. law enforcement, DIRANDRO identified and disrupted major international cocaine trafficking organizations using maritime and air conveyances to ship cocaine for export.

With support from the U.S. Drug Enforcement Administration (DEA), the PNP carried out the largest single drug seizure in Peru's history on August 26, when 8.5 MT of cocaine were seized in Trujillo. The cocaine was under the control of a Mexican drug cartel. PNP officers also seized 740 kg of cocaine at Lima's principal seaport on October 5. U.S. Customs and Border Protection evaluated the port's security infrastructure in July and issued recommendations, some of which were implemented and contributed to the operation's success.

The PNP also conducted successful investigations resulting in the seizure of financial assets. Two cases resulted in total seizures of \$9.3 million in assets from known drug traffickers. In addition, Peru made strides in asset forfeiture and combatting money laundering. On July 9, the Attorney General and the Superintendent of Banking for Peru signed a Memorandum of Understanding with DEA to establish a Formal Vetted Money Laundering Unit in concert with the PNP and the United States. This unit will address technical aspects of money laundering and will consist of Peruvian prosecutors, financial analysts, and officials from both Peruvian police and DEA.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Drug abuse in Peru is increasing, particularly along drug trafficking routes in mid-size cities east of the Andes. The most recent study from DEVIDA, Peru's counternarcotics policy agency, indicates that between 80,000 and 90,000 youth use an illicit substance for the first time each year. Marijuana accounts for the majority of drug use, with cocaine paste and cocaine hydrochloride a distant second and third.

DEVIDA continues to provide a drug counseling services hotline and implement its "Strong Families Program," an awareness program for parents and children aged 10-14. DEVIDA has a budget of \$7.9 million for drug abuse prevention and rehabilitation, and provides funding to local governments for drug awareness and prevention campaigns nationwide.

Public treatment facilities in Peru provide 160 beds for drug addicts requiring services. There are private treatment centers in urban areas, but many suffer from a shortage of trained staff. Peru has approximately 300 “therapeutic community centers” (a group-based approach to drug addiction treatment) nationwide, but the majority of these centers are unregulated and often run by former addicts with no formal training. Only 43 such centers are registered. There are no rehabilitation centers or clinics specifically designed to treat adolescents, women, or their children. Only 15 of 80 prisons nationwide offer treatment programs for inmates.

4. Corruption

As a matter of policy, the Government of Peru does not encourage or facilitate the illicit production or distribution of drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. Nonetheless, corruption remains a serious concern.

The World Economic Forum’s 2013-2014 Global Competitiveness Report cited corruption as the second most-mentioned obstacle to economic growth, and listed the judiciary and police as the most perceived corrupt government institutions by 80 percent of Peruvians. The media’s wide coverage of corruption scandals, including former presidents and other high level officials, contributes to a general sense of distrust of public officials.

In Peru’s October regional and municipal elections, the press highlighted the candidates with alleged links to corruption or drug trafficking. Of the 13 first-round winners of regional elections, one is currently in jail awaiting the outcome of a corruption investigation against him, and four others are under active investigation for corruption and/or money laundering.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States funds projects to support the Peruvian counternarcotics strategy through training, technical assistance, intelligence, and the targeted provision of equipment through international organizations, non-governmental implementers, and the Government of Peru. A primary focus of U.S. support is to enhance the capacity of the Peruvian police and military to effectively counter drug trafficking and terrorist activities in the VRAEM.

Peru regularly participates in the U.S.-sponsored Multilateral Counterdrug Summit. The goal of these summits, which include 12 participants from Central and South America, is to identify and implement cooperative measures to combat maritime drug trafficking and improve prosecution of maritime trafficking cases.

To reduce dependence on illicit coca cultivation, the United States partners with Peru to implement alternative development projects in recently eradicated areas.

The U.S. Agency for International Development (USAID) coordinates the U.S. approach and promoted farmer participation in the cacao and coffee industries, helping increase productivity and quality to raise incomes in San Martín, Huánuco, and Ucayali regions. This assistance supported more than 32,000 families with the cultivation of more than 53,000 ha of alternative crops in 2014.

Additionally in 2014, Peru initiated a long-term project with the United States to further professionalize all substance use treatment staff in the country who work with women who have substance use disorders. This project will disseminate U.S.-developed curriculum through coordination with DEVIDA and a local Peruvian NGO.

D. Conclusion

The Government of Peru has demonstrated increasingly strong political will to address drug production and trafficking in Peru, including through funding a substantial share of eradication operations and through successful law enforcement operations in the Upper Huallaga Valley, the VRAEM, and the tri-border region with Colombia and Brazil. The U.S. partnership with Peru and its support in implementing the government's counternarcotics strategy remain critical in combating the production and trafficking of cocaine.

Philippines

A. Introduction

The Philippines remains a transshipment point and destination country for large shipments of methamphetamine. Known locally as “shabu,” methamphetamine continues to be the primary drug consumed and trafficked within the country. Philippine authorities also seized two new psychoactive substances (NPS) for the first time in 2014. Despite a Philippine government budget reduction for counter-drug activities, Philippine law enforcement conducted numerous successful law enforcement operations that led to large drug seizures and arrests in 2014. This success was partly due to intensified interagency cooperation and partnership with non-governmental organizations (NGOs). Increased bilateral cooperation also led to successful enforcement operations against international drug syndicates operating in the Philippines.

However, Philippine law enforcement remains unable to effectively identify and prosecute high-level leaders of trafficking organizations due to legal restrictions that prevent the use of judicially authorized interception of criminal communications.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Philippine Drug Enforcement Agency (PDEA), the lead counternarcotic enforcement agency in the Philippines, is responsible for pursuing anti-illegal drug investigations and operations nationwide. Founded in 2002, PDEA continues to develop as an organization with an emphasis on core values and training. PDEA removed 16 agents for a variety of offenses in 2014, including corruption and grave misconduct. Due to budget decreases, no new agents were added in 2014. Four regional laboratories are in place for rapid analysis of drug evidence. PDEA acquired 15 canines to assist in the search for illegal drugs during operations in 2014, and established a canine training facility to increase its canine capacity.

PDEA promotes interagency coordination to supplement its limited staff. In a nation with over 106 million people and with only 35 agents per region, PDEA concentrates on high-value targets, leaving the Philippine National Police (PNP) regional offices to focus on street-level pushers and rehabilitation assistance. The number of Airport Inter-Agency Drug Interdiction Task Groups (IADITG) increased from one to six in 2014. The IADITG is composed of officers from PDEA, PNP, National Bureau of Investigation, Philippine Bureau of Customs, and Philippine Bureau of Immigration. The Clark International Airport Inter-Agency Anti-Drug Interdiction Task Group (CRK task Group) office was inaugurated in August.

Acknowledging its limited human and financial resources, PDEA welcomed the support of, and approved the accreditations of, 11 NGOs as official anti-drug partners as the first step in a plan to establish a national federation of NGOs to support demand reduction efforts.

In June, legislation was amended to make anti-drug operations, specifically in the chain of custody requirements, more realistic and simple to law enforcers and prevent widespread

dismissal and acquittal of drug suspects. The amendment boosted the morale and motivation of counternarcotics officers.

The Philippines provides mutual legal assistance and extradition in criminal matters, including drug cases, to the United States pursuant to bilateral treaties.

2. Supply Reduction

According to PDEA, Philippine authorities conducted 11,066 counternarcotic operations resulting in the arrest of 8,428 suspects and 9,844 cases filed during the first nine months of 2014. There were 42 arrests of elected government officials. In one of the quickest drug cases ever prosecuted, a Provincial Board Member was found guilty and sentenced to life imprisonment in 2014. There were 37 arrests of law enforcement officers, including a Police Chief Inspector.

Philippine authorities conducted several noteworthy drug seizures during the year and seized 660 kilograms (kg) of methamphetamine. Chinese drug trafficking organizations continue to dominate the methamphetamine trade in the Philippines. However, there are continued indications of the presence of Mexican drug trafficking organizations operating in the Philippines as well as other parts of East Asia. During follow-up investigations to the December 2013 seizure of 83 kg of Mexican-sourced methamphetamine, PDEA officials conducted several multi-kilogram methamphetamine seizures which chemical analysis determined to be from the same Mexican origin. African drug trafficking organizations remain primarily engaged in the use of air passengers to move illegal drugs into and through the Philippine airport system. However, authorities reported they detected a decrease in their activities.

Philippine authorities also seized 69 kg of cocaine and a small amount of ecstasy in 2014, along with two new NPS known locally as “fly high” and “green apple.” One clandestine methamphetamine laboratory was captured.

The Philippines produces and consumes marijuana. Authorities seized 717 kg of marijuana along with cannabis plants and seedlings. Cannabis cultivation occurs in the remote, mountainous regions of Luzon and Mindanao. The government conducted 43 manual eradication missions, eradicating 324 cannabis plantations as of October.

The use of mail and parcel services in transporting illegal drugs has been increasing. There were 32 mail and parcel interdiction operations and 20 arrests in 2014.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

According to the Philippine Dangerous Drugs Board (DDB), methamphetamine is the most abused drug in the Philippines, followed by marijuana and the illicit use of inhalants. The DDB leads Philippine government preventive education programs aimed at promoting self-awareness and explaining the repercussions of drug dependency.

DDB conducted a series of seminars and workshops to increase public awareness on the perils of using illegal drugs in 2014. Representatives from law enforcement agencies and civil society organizations held a workshop aimed at reducing drug use and HIV incidence among people who inject drugs. In a National Work Conference on the National Drug Education Program, educators discussed ways to incorporate a preventive drug education program in the school curriculum and guidelines for taking custody of children found to be violating provisions of the anti-drug law while in school. The Colombo Plan Drug Advisory Program trained prevention practitioners on the new development in preventive drug education. Four trainers will be certified with formal treatment credentials in 2015. DDB launched a poster-making contest for students. Every design depicts how students interpret the campaign message against illegal drugs.

There are 41 accredited drug rehabilitation centers of which 15 are owned and managed by the government. There was an increase of enrollment in rehabilitation centers from 2,744 to 3,266 patients in 2014. DDB claims that the increase of admissions may be attributed to the parents or guardians becoming more supportive of dependents with substance use disorders seeking treatment, as well as improved rehabilitation programs, greater awareness of the people on anti-drug laws, and increased local anti-drug campaigns.

4. Corruption

Although Philippine law mandates criminal penalties for corruption by public officials, corruption remains endemic throughout the country. Media and law enforcement officials continued to allege in 2014 that some local politicians and other government officials received support from drug traffickers, though no criminal cases were filed. As a matter of policy, the Government of the Philippines does not facilitate drug trafficking or the laundering of proceeds of drug trafficking, and no senior government official has been convicted for conducting such activities.

Without effective investigative tools critical to combatting drug-related corruption, such as judicially authorized telephone wiretapping, Philippine law enforcement lacks the capacity to effectively investigate and prosecute officials engaged in drug related corruption

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States continues to assist in the development of the NAIA Task Group and CRK Task Group. In 2014, the United States provided basic investigative equipment and training to PDEA to support these task groups. Additionally, the Community Anti-Drug Coalitions of America conducted U.S.-funded drug demand reduction training and technical assistance in several neighborhoods surrounding Manila.

D. Conclusion

Philippine drug law enforcement officials continued to make progress in promoting interagency coordination in 2014, as well as cooperation with international enforcement partners. This increased cooperation led to numerous successful operations which highlighted the high volume

of methamphetamine being smuggled into the Philippines for local consumption, as well as onward shipment to other regional destinations. However, the lack of progress in approving pending legislation that would authorize judicial wiretapping for drug cases and the lack of reform in the criminal justice system will continue to hamper Philippine efforts to combat international drug trafficking organizations from exploiting the Philippines as a transshipment point and market for illegal drugs.

Portugal

Portugal is neither a center of illicit drug production nor a significant source of drugs destined for the United States. Rather, it largely represents a transshipment point for South America- and western Africa-origin drugs bound for other European countries. Revenues garnered from the narcotics trade in Europe often also cycle back to Brazil and other South American nations through Portugal. In addition to direct shipments from South America, traffickers consistently use former Portuguese colonies Guinea-Bissau and Cabo Verde as transshipment, refueling and storage points for cocaine-laden vessels traveling from South America en route to Europe, often via the Iberian Peninsula. In 2014, Portuguese authorities continued to combat the transshipment of cocaine and other illicit drugs across the country's borders. While cocaine remains the most significant drug threat in Portugal, ecstasy, heroin and cannabis products are also readily available.

Portugal's law enforcement cooperation with the United States and other international partners to combat drug trafficking continues to be outstanding. The U.S. Drug Enforcement Administration and the Portuguese Judicial Police (PJ) conducted multiple, highly successful joint investigations throughout 2014.

The Government of Portugal vigorously investigates and prosecutes drug traffickers traversing Portuguese soil. It also continues to enforce and update 2013 legislation criminalizing the possession and sale of new psychoactive substances, commonly referred to as "bath salts." A customs mutual assistance agreement is in force between Portugal and the United States, as are protocols to the 2003 U.S.-EU extradition and mutual legal assistance agreements. Portugal is also a member country of the Maritime Analysis and Operations Center-Narcotics (MAOC-N), headquartered in Lisbon. The United States is a permanent observer to MAOC-N.

Drug use in Portugal has remained stable and below the EU average. Drug trafficking of any amount is illegal. However, since 2001, "personal use" quantities of drugs have been decriminalized. Drug possession is still prohibited, and those individuals found by law enforcement to have "personal use" amounts are referred to the Drug Addiction Dissuasion Commission, consisting of multi-disciplinary teams charged with assessing users and deciding the appropriate sanction and referral to educational or treatment programs. The Portuguese Ministry of Health's Institute on Drugs and Drug Addiction (IDT) operates numerous drug treatment centers nationwide. The IDT further offers prevention programs that include training sessions, awareness-raising activities and dissemination of informational pamphlets. Universal drug use prevention is part of the Portuguese school curriculum. In addition, law enforcement entities patrol the areas surrounding schools to prevent and protect students from criminal activities, such as drug trafficking, as part of the "Safe Schools" initiative. Law enforcement also actively participates in community awareness and training activities.

Romania

Although not a significant source country for illicit drugs, Romania remains a major transshipment point for drugs along both the Southern and Northern Balkan routes. Significant volumes of precursor chemicals originating mainly in China also transit Romania for Western Europe. Romania continued to improve its investigatory capacities in 2014, despite resource challenges due to the lingering effects of the global economic crisis.

Due to its borders with non-EU countries and large commercial port on the Black Sea, Romania is a gateway for heroin originating from Afghanistan and cocaine from Central and South America destined for Western Europe and Turkey. Amphetamine-type stimulants and other synthetic drugs from Western Europe move through Romania's southwest into Turkey and the Middle East. The volume of marijuana seized by Romanian authorities increased in 2014, although comprehensive statistics were not available at the time of this report. The growth in seizures may reflect increased availability of locally-grown cannabis, as well as significant trafficking operations by regional organized crime networks. During 2013, Romanian authorities seized a total of 111.56 kilograms (kg) of heroin, 53.34 kg of cocaine, 164.76 kg of cannabis, 27,506 MDMA (ecstasy) tablets, and 4,908 methadone tablets, along with several other smaller quantities of drugs.

Drug use inside Romania remains stable. There are between 28,000 and 30,000 reported drug abusers in Bucharest, but this may not include the thousands of people living in Bucharest's underground economy addicted to heroin, cannabis and various over-the-counter products. Marijuana and hashish are more widely used than heroin and cocaine, mainly because it is cheaper and more readily available. Use of amphetamine and MDMA (ecstasy) remains steady. New Romanian laws initiated in 2012 targeting the "effects" of new psychoactive substances (NPS) in lieu of their chemical structure have had some impact in reducing the availability of these drugs, though NPS abuse by young people remains a challenge.

Despite ongoing challenges with corruption, there is no evidence that senior Romanian officials or the Romania government engages in, encourages, or facilitates illicit production or distribution of narcotics, psychotropic drugs or other controlled substances or the laundering of proceeds from illegal drug transactions.

The United States and Romania are parties to an extradition treaty that entered into force in 2009. In accordance with the treaty, Romania regularly extradites both Romanian nationals and non-nationals to the United States. A U.S.-Romanian mutual legal assistance treaty has been in force since 2001. Romania continues to work closely with the United States and regional counterparts on successful criminal investigations.

Russia

Russia remains a major destination country for Afghan opiates. In 2009, the UN Office on Drugs and Crime estimated that between 75 and 80 metric tons (MT) of heroin was consumed annually within the country. Illegal narcotics enter through Russia's Baltic and Black Sea ports and by extensive land and rail routes to the south. In the first half of 2014, the Federal Drug Control Service (FSKN) seized 2.5 MT of opiates (including 1.7 MT of Afghan heroin), as well as three MT of synthetic drugs, as compared to 18 MT of illegal drugs over the same period in 2013. The FSKN is responsible for the majority of large-scale drug seizures in Russia.

Russia estimates its population of regular or occasional drug users at 8.5 million, a significant increase from an estimated 670,000 in 2011, but stable from 2013. According to the FSKN, youth mortality related to drug addiction has decreased by 30 percent since 2000, when 130,000 deaths were registered. Nevertheless, the FSKN has reported a 35 percent increase in usage by minors in Moscow, while the Ministry of Health claims a 6.5 percent increase by youth across the country.

In May 2013, Russia terminated its letter of agreement with the U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs that had funded bilateral engagement including for counternarcotic capacity building programs. FSKN Director Victor Ivanov was among the Russian officials sanctioned by the United States in 2014 as a result of the illegal Russian annexation of Crimea. While the FSKN initially stated that this would cause a de facto disruption of anti-narcotics cooperation with the United States, Ivanov has subsequently stated publicly that cooperation would continue. There is a bilateral mutual legal assistance treaty between Russia and the United States, though it has rarely been used for cooperation on drug trafficking.

There were no changes in legislation affecting illegal narcotics transport, sales, or use in 2014. However, the Duma proposed new legislation that would establish penalties of up to six months imprisonment for drug addicts who avoid treatment at yet-to-be established state drug treatment centers. The current statute authorizes fines of five thousand rubles or up to 15 days in jail. Separately, President Putin submitted a bill to allow the FSKN to unilaterally but temporarily impose a ban on distribution of new psychoactive substances, which the FSKN claims appear at a rate of one new chemically unique drug every two days. Adding new substances to Russia's prohibited substance list otherwise takes 12 to 18 months. This initiative was prompted by a series of synthetic marijuana poisonings and deaths in several Russian regions.

Senegal

Senegal's location and transportation infrastructure make it an enticing transit point for drug traffickers moving cocaine from South America to Europe. Cocaine is trafficked into Senegal by land and sea from neighboring countries, particularly Guinea-Bissau and Guinea-Conakry, and then on to Europe by sea and air. Cannabis is cultivated in the southern Casamance region for local use and regional trafficking. The United States is not a destination point for drugs cultivated in or trafficked through Senegal.

Senegal's 1997 Drug Law was amended in 2006 with tougher penalties for drug trafficking. Senegal's national counternarcotics plan, drafted in 1998, seeks to control the cultivation, production, and trafficking of drugs, inform the population of the dangers of drug use, and rehabilitate drug addicts. Senegal's government lacks the resources for border controls to reliably identify and seize narcotics.

Senegal works with partners in the Economic Community of West African States to combat narcotics trafficking. Senegal has several bilateral agreements to combat narcotics trafficking and has signed mutual legal assistance agreements with the United Kingdom and France to facilitate the exchange of enforcement information on narcotics trafficking and other transnational crimes. In 2011, the United States and Senegal signed a bilateral agreement that strengthens Senegal's capacity to counter maritime drug trafficking through joint U.S.-Senegalese operations.

In June 2014, the West Africa Commission on Drugs recognized Senegal's establishment of a National Drug Observatory, which will produce factual data on the national drug problem and inform policymakers about appropriate responses. Also in 2014, Senegal was the only government in West Africa to offer public-health interventions to address the consequences of drug use. These measures included needle and syringe programs, treatment for drug dependence, and overdose prevention. The U.S. Drug Enforcement Administration established a permanent office in Dakar in June and provided training for 40 Senegalese law enforcement officers in basic drug enforcement techniques. With this increased focus, the volume of drugs seized and incinerated in Senegal has increased by four-fold over 2013. Twenty metric tons (MT) of cannabis were seized in 2014; 15 MT of that amount were seized by the Gendarmerie. Law enforcement officials destroyed over eight metric tons of cannabis and 15 kilograms of cocaine through the first six months of the year.

Serbia

Serbia is a transit country for illicit narcotics, mainly heroin originating from Afghanistan and marijuana smuggled along the traditional Balkan corridor to Europe. Serbian organized crime groups also ship cocaine directly from South America to Europe. The majority of drug seizures in Serbia result from intelligence sharing abroad and interagency cooperation domestically. Serbia is not a major producer or consumer of illicit drugs, or of precursor chemicals.

In 2014, Serbia began drafting a seven-year counternarcotics strategy. The government also made progress on establishing a national coordination body and national monitoring center, intended to increase interagency cooperation and facilitate a centralized response to the issue. Serbia places a priority on international cooperation, and Serbian law enforcement agencies routinely interact and exchange information with U.S., European, and South American counterparts. Serbian police worked closely with partners in neighboring countries to break up smuggling networks shipping cocaine to European markets. Serbia participates in regional and international cooperation bodies. Serbia does not recognize the independence of Kosovo, but continues to work toward the normalization of relations under an EU-brokered agreement. Serbia participates in regional fora with Kosovo under certain conditions and engages in regional law enforcement capacity-building programs that include Kosovar counterparts. Serbia legally succeeded the State Union of Serbia and Montenegro on June 3, 2006. All international treaties and agreements continue in force, including the 1902 Extradition Treaty between the United States and the Kingdom of Serbia.

As a matter of policy, the Serbian government does not facilitate the illicit production or distribution of narcotics or launder proceeds from illegal transactions. Senior government officials do not encourage or facilitate illicit drug production or distribution. Despite government efforts to combat corruption, it remains a serious concern. Drug abuse prevention and treatment capacity are limited.

Serbia works closely with the United States, the Organization for Security and Cooperation in Europe, and other European countries to improve law enforcement capacity. The United States has provided technical assistance to police, customs, border police, prosecutors, and the judiciary to professionalize these services, and to improve domestic capacity to prosecute corruption and organized crime. The Serbian National Police is creating a dedicated counternarcotics service within the agency and has requested U.S. support and guidance to implement this reform. In March 2014, the Serbian Security–Information Service located and captured Darko Saric, a major international drug kingpin and the most wanted fugitive in the Balkans, with U.S. assistance.

Increased law enforcement cooperation with Kosovo is critical to improving counternarcotic efforts in Serbia. The United States will continue to support Serbian law enforcement and judicial institutions through training and capacity-building and to encourage normalization of law enforcement relations with Kosovo.

South Africa

South Africa is the largest market for illicit drugs within sub-Saharan Africa, and a transshipment point for cocaine and heroin. Cocaine primarily arrives from South America (commonly Brazil) via air transport to Johannesburg's O.R. Tambo International Airport and subsequently trafficked by land across international borders destined primarily for Europe.

Heroin, primarily of Afghan origin, typically arrives in ports in Tanzania, Kenya, and Mozambique from South West Asia and subsequently transported by land to South Africa, often transiting Zambia and Botswana. Some of the heroin is then trafficked via air to Europe.

Cannabis is the most commonly used illicit drug in South Africa. Although South Africa is not a large transshipment point for trafficking to the United States, it is a large source of herbal cannabis for the United Kingdom and continental Europe.

Methamphetamine (known locally as "tik"), methcathinone ("cat"), and methaqualone (mandrax) are synthesized from precursors imported primarily from India and China. A recent trend in poorer communities is the use of a combination of heroin and marijuana called "nyope" or "whoonga." Such drugs are often adulterated with antiretroviral drugs, or other substances dangerous to the users' health. Recently, South African police seized approximately \$4.8 million worth of heroin as a nyope mixture from a Pakistani national believed to be part of an international syndicate. Nigerian nationals residing in the Johannesburg area have also been involved in the distribution of these drugs in the surrounding communities, and are often linked to international trafficking and the recruitment of drug couriers.

There were numerous successful counternarcotics operations in 2014 involving cooperation between units in the South African Police Services (SAPS) and international partners, including U.S. law enforcement. However, quantification of domestic drug use is difficult. The SAPS annual crime statistics indicate that drug-related crime continued to rise in 2014 despite a comprehensive National Drug Master Plan (NDMP) and department specific operational plans, called mini-NDMPs. Factors such as insufficient resources and limited state capacities continue to hinder implementation.

In 2014, South Africa initiated a long-term project with U.S. support to further professionalize all substance use treatment staff in the country through the dissemination of U.S.-developed curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals. Further efforts to improve underlying socio-economic conditions that influence illegal drug use could have a positive impact in reducing demand, in coordination with ongoing law enforcement activity. U.S.-supported training workshops have helped enhance South Africa's interagency cooperation and investigatory capacities.

Spain

Spain remains an important transit point in Europe for cocaine originating in Latin America and for hashish from Morocco, especially via Spain's North African exclaves of Ceuta and Melilla. A shift continues away from large containerized shipments from Latin America to smaller more dispersed shipments. According to the Guardia Civil, enforcement actions have stemmed the use of small aircraft to move hashish shipments as an alternate to maritime conveyance. Spanish law enforcement efforts continued to be effective through a robust combination of border control and coastal monitoring, sophisticated geospatial technology, domestic police action, and international cooperation.

The United Nation's "2014 World Report on Drugs" reported that usage and treatment demand rates of cannabis and cocaine among Spanish citizens declined modestly, although rates remain amongst the highest in Europe, especially among the 15-34 age group. Despite drastic cuts in the 2014 national budget, funding for counter-narcotics programs was only reduced by one percent. Thirty percent of assets seized in counternarcotics operations continued to go towards supply reduction programs, supplementing operational budgets.

Domestic drug production is minor, although marijuana production multiplied five-fold between 2009 and 2013. There are a small number of labs involved in cutting, mixing, and reconstituting cocaine products. In 2013, the most recent year for which data is available, law enforcement seizures of cocaine jumped by 28.6 percent, from 20.75 metric tons (MT) in 2012 to 26.7 MT in 2013. Heroin seizures increased by about 3.2 percent, from 282 kilograms in 2012 to 291 kilograms in 2013. Hashish seizures declined by about 2.4 percent, from 327.2 MT in 2012 to 319.26 MT in 2013. MDMA (ecstasy) decreased about 44.7 percent, from 279,652 units in 2012 to 154,732 units in 2013.

Spain enjoyed excellent bilateral and multilateral law enforcement cooperation with international partners in 2014. Cooperation on EU operations in the Mediterranean improved, as the EU paid for the construction of an EU command and control center to oversee maritime operations. Spain also provides 22 law enforcement liaisons to three EU operational platforms: Dakar, Senegal; Accra, Ghana; and Bogota, Colombia. Additionally, Spain improved law enforcement cooperation with Latin America. U.S. law enforcement agencies maintained strong working relationships with Spanish police services, resulting in multiple significant cocaine seizures in 2014. In an August joint operation with the U.S. Drug Enforcement Administration, authorities seized 240 kilograms of cocaine and arrested six people.

Suriname

A. Introduction

Suriname is a transit zone for South American cocaine in route to Europe, Africa and, to a lesser extent, the United States. Suriname's sparsely populated coastal region and isolated jungle interior, together with weak border controls and infrastructure, make narcotics detection and interdiction efforts difficult. Traffickers are able to move drug shipments into and through Suriname by land, water, and air with little resistance. There is little evidence of drug production in Suriname, although national police officials ("Korps Politie Suriname" in Dutch, or KPS) have advised U.S. law enforcement officials of increased cultivation of cannabis and sought assistance with cannabis eradication efforts.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

As a matter of official policy, the Government of Suriname is committed to combating illegal narcotics trafficking. However, Suriname's practical ability to apprehend and prosecute narcotics traffickers remains inhibited by drug-related corruption, bureaucratic hurdles, and inadequate legislation.

Under the coordination of the Office of the President, the National Anti-Drug Council and the Ministries of Health, Justice/Police, and Education drafted the National Drug Master Plan for 2011-2015, which remains in effect. Suriname is a party to the Inter-American Convention against Corruption and Migrant Smuggling and the Inter-American Convention on Mutual Assistance in Criminal Matters. Since 1976, Suriname has been sharing narcotics information with the Netherlands pursuant to a mutual legal assistance agreement. In 1999, the United States and Suriname completed a comprehensive bilateral maritime counternarcotics enforcement agreement that remains in force. Suriname also has signed bilateral agreements to combat drug trafficking with Brazil, Venezuela, and Colombia. Extradition cooperation between Suriname and the United States is governed by the 1904 Convention Between the United States of America and the Kingdom of the Netherlands for the Extradition of Criminals.

Suriname has two memoranda of understanding (MOU) with the U.S. Drug Enforcement Administration (DEA) that provide for a DEA presence in Suriname and the establishment of the Narcotics Intelligence Unit (NIU), a vetted unit of five to eight officers. In 2012, Suriname signed a MOU with the United Nations Office on Drugs and Crime (UNODC) to participate in their Container Control Program, a global initiative to improve port interdiction capacities. In 2013, Suriname installed the automated biometrics border control management system that will identify and record people traveling to and from Suriname at the principal airport and border crossings. In 2014, Suriname installed an Automated Fingerprint Identification System (AFIS) in four police stations around the country, and also amended the criminal code to allow DNA as evidence in criminal cases. The Government of Suriname expressed interest in obtaining the Federal Bureau of Investigation (FBI) Laboratory's Combined DNA Index System (CODIS) software for the DNA laboratory.

2. Supply Reduction

KPS counternarcotics units reported incinerating 319.6 kilograms (kg) of cocaine, 51.5 liters of liquid cocaine, 375.4 kg of marijuana, 42 grams of heroin, 600 grams of hashish, and 27,764 ecstasy tablets seized by Surinamese authorities during the first 11 months of 2014. However, the United States could not verify these figures.

In late 2013, Surinamese authorities began drafting legislation to control precursor chemicals. In 2014, the drafting commission held a series of stakeholder meetings to broaden support for the final legislation and its implementation.

Top managers at Suriname's Johan Adolf Pengel International Airport continue to work with the Government of Suriname and a Canadian commercial partner to implement an automated air-traffic radar and control system installed in 2010, but still not operational. Interdiction efforts at the airport are run by the Combating International Drug Trafficking (BID) team composed of approximately 32 KPS members. The team focuses almost exclusively on searching passengers and cargo on flights bound for the Netherlands, where it is believed the majority of narcotics trafficked from Suriname is destined.

Much of the cocaine smuggled from Suriname to Europe and Africa occurs via container cargo. Smaller fishing vessels also carry drugs out to sea for transfer to large freight vessels in international waters. In 2013, the UNODC-sponsored Port Container Control Unit (PCCU) began operation at the Port of Nieuw Haven. The operating protocol does not permit the unit to perform inspections without the permission and oversight of the Customs "Recherche," which limits the operation's effectiveness. However, UNODC advisors reported that in 2014, Suriname's PCCU provided information for the first time that directly led to drug seizures at a foreign port.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Established in 2012, the National Anti-Drug Council works to raise drug awareness through prevention meetings with children, parents, and teachers. The Council focuses its efforts on educating dropouts. There is one government-run detoxification center that is free of charge; other treatment centers are run by non-governmental organizations. A change to the criminal code in June 2014 introduced the option of court-ordered treatment for drug addicts. The Government of Suriname is working on decrees and protocols to fully implement a Drug Court.

4. Corruption

Corruption remains pervasive throughout all levels of government and there was evidence of drug-related corruption among government officials in 2014. Two high-level officials within the Suriname government have convictions for drug trafficking: President Desire Bouterse and Member of Parliament Ronnie Brunswijk have been convicted in absentia in separate court cases in the Netherlands. France has an outstanding arrest warrant for Brunswijk on similar charges.

In August 2014, Dino Bouterse, son of President Desire Bouterse, pled guilty in a U.S. District Court to charges of attempting to aid a U.S.-designated terrorist group and conspiring to import cocaine into the United States.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports a wide range of efforts designed to address crime and violence affecting Surinamese citizens, primarily through the Caribbean Basin Security Initiative (CBSI). CBSI is a security partnership between the United States and Caribbean nations that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice. CBSI programming in Suriname focuses on law enforcement and military capacity building, juvenile justice, and demand reduction.

In 2014, the United States provided training, technical assistance, and material support to several elements of the KPS, as well as the Suriname military and other authorities. The operational effectiveness of Suriname's law enforcement institutions remains hampered by government reorganization efforts within the law enforcement structures and unfilled vacancies within law enforcement units.

D. Conclusion

The United States encourages the Government of Suriname to increase efforts to pursue major narcotics traffickers, dismantle their organizations, and strengthen regional and international cooperation. Additionally, the United States encourages Suriname to work to eliminate bureaucratic obstacles that limit law enforcement's effectiveness and to continue to develop the capacity of its counternarcotics-focused units. The United States also encourages Suriname to increase monitoring and protection of porous borders and the interior.

Tajikistan

A. Introduction

Tajikistan sits astride one of the highest volume illicit drug trafficking routes in the world. Its 749-mile contiguous border and linguistic ties with Afghanistan, accommodates the annual transit of what the United Nations Office on Drugs and Crime (UNODC) estimated in 2009 to be 75-80 metric tons (MT) of heroin and 30-35 MT of opium destined for the Russian Federation and Eastern European markets. Given there has been no significant reduction in the heroin consumer market, there is little reason to believe these numbers have been substantially reduced over the years. Despite the considerable volume of opiates believed to be entering the country, Tajikistan seized a small fraction of the heroin crossing its borders in 2014. Arrests and prosecutions of major traffickers remained few.

Many observers believe that domestic drug consumption is a growing problem. There were 7,184 officially registered addicts in 2014, but the Red Cross and UNODC have estimated the number of addicts in the country at about 100,000.

Tajikistan has the organizations in place and resources needed to confront drug trafficking within its borders, but sustained commitment is needed.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Laws, institutions, and authorities are in place to adequately address drug trafficking in Tajikistan, but are not given sufficient priority when measured against the volume of illicit drugs believed to be transiting the country. The 2010 National Border Management Strategy and the Interagency Secretariat provide a framework for coordination and the administrative architecture for effective action on strengthening border security. However it remains unclear if coordination between government institutions on border security and law enforcement has improved.

The United States and other donor nations have made considerable investments in border facilities, outposts, and equipment in recent years; but concrete results in terms of arrests and notable drug seizures have not been forthcoming.

The Drug Control Agency's (DCA) Vetted Unit, with support from the U.S. government, is in its second year of operation and is making progress in developing more complex investigations. In 2014, the Unit completed its first international controlled delivery of trafficked heroin to identify members of smuggling organizations in another country. The DCA has plans to expand the Unit to regional centers in Tajikistan.

There is no formal extradition agreement between the United States and Tajikistan. Tajikistan does not have an extradition treaty or mutual legal assistance agreement with the United States, but is a signatory to the 1988 UN Drug Convention and obligated to assist in accordance with its provisions.

2. Supply Reduction

According to DCA, Tajikistan's law enforcement agencies seized a total of 6,214 kilograms (kg) of illicit drugs during 2014. That number includes 508 kg of heroin, 990 kg of opium and 4,716 kg of cannabis (including hashish). When viewed against the 75-80 MT of heroin suspected of being trafficked through the country and 30-35 MT of opium, opiate seizures are extremely low.

When compared with the same period in 2013, cannabis seizures declined by 13 percent; however, seizures of heroin and opium increased by five and 28 percent respectively. Overall in 2014, the volume of illicit drug seizures declined by seven percent when compared to those of 2013.

By agency, the Ministry of Internal Affairs and the State Committee on National Security (which includes the Border Guard Service) contributed the largest seizures to the total. Contributing factors as to why these agencies had higher seizure rates could be their larger manpower resources (as compared to the DCA) and in the case of the Border Guard Service, proximity to points of entry into the country where larger seizures should be expected. The DCA saw a five percent increase in total seizures over 2013.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

According to the Ministry of Health (MOH), there were 7,279 persons officially registered as "addicted" in Tajikistan as of July 1, 2014, of which approximately 200 are female. For every 100,000 people in the country there are 90 registered drug addicts. The Red Cross and UNODC believe the actual number of persons with substance use disorders to be higher, at about 100,000. There are no independent statistics for prescription drug abuse.

The MOH provides drug treatment services through a national rehabilitation center in Dushanbe and four regional centers which employ 67 therapists. Psychological care and specialized outpatient drug treatment facilities exist in urban areas, but in rural areas only primary care is available.

4. Corruption

As a matter of policy, the government of Tajikistan does not encourage or facilitate illegal activity associated with drug-trafficking. Many believe, however, that significant amounts of narcotics move through Tajikistan with the support of corrupt law enforcement and government officials. Extremely low salaries for state officials, the scale of the profits to be made from drugs, and the dearth of other profitable activities in the country make drug trafficking an attractive undertaking for those positioned to facilitate it. For example, in September two police officers were detained in Dushanbe when 17 kg of heroin were found hidden in the personal vehicle of the officer.

Arrests and prosecutions of traffickers remained relatively few, and those that did take place were presumed to target small independent operators rather than major traffickers.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The U.S. government continued a 15-year history of aiding Tajikistan in its counternarcotics efforts in 2014. This assistance comes in the form of funding for the DCA's Vetted Unit, training, infrastructure development, payment of salary supplements to DCA personnel, and, when needed, equipment.

Cross border liaison is important for any effective interdiction effort. To support this concept, the United States funds a DCA Drug Liaison Office in Taloqan, Afghanistan. In 2014, the DCA officers in Taloqan provided information to their Afghan counterparts that resulted in the destruction of a heroin processing laboratory in Afghanistan and the seizure of 358 kg of opium. U.S. government assistance to the Border Guard Service through training and infrastructure helps to build its counternarcotics capacity. The United States provided communities in a number of districts with training to implement their own, locally developed, drug-demand reduction strategies. Tajikistan also initiated a long-term project with U.S. and UNODC support to further professionalize all substance use treatment staff in the country through the dissemination of U.S.-developed training curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals. Additionally, the Community Anti-Drug Coalitions of America conducted U.S.-funded drug demand reduction training and technical assistance in Tajikistan.

D. Conclusion

Developing and sustaining interagency coordination is a challenge in any country, even when it is not hindered by corruption. Nonetheless, sufficient organizational structures exist for cooperation in Tajikistan but aggressive use of those structures to target transnational narcotics traffickers is lacking. The five percent increase in heroin seizures reverses a decline seen in Tajikistan over recent years, but in real terms it represents an additional 24 kilograms interdicted. Coming years will determine if this increase constitutes a change in the trajectory of seizures. An overall drop of seven percent in illicit drug seizures, when compared to 2013, highlights the need to commit to implementation of the goals set out in the National Border Management Strategy. However, Tajikistan's acceptance of the Vetted Unit concept and the Unit's continued, albeit slow, development remain steps in the right direction.

Tanzania

Tanzania is a significant transit country for illicit drugs, including cocaine and heroin, with a growing domestic user population. Tanzanian drug trafficking organizations and courier networks operate globally with cells throughout Africa, Asia, Australia, Europe, North America, and South America. These Tanzanian drug trafficking organizations play a prominent role in the Southwest Asian heroin trade. Tanzania also produces cannabis both for domestic consumption and international distribution.

Tanzania's geographical location presents considerable challenges to supply reduction strategies. Traffickers exploit Tanzania's 854 mile coastline along the Indian Ocean. There is inadequate security at Tanzanian seaports, specifically those in Dar es Salaam's Kinondoni District and the Tanga Region in the north. Southwest Asian heroin is transported in multi-hundred kilogram quantities by dhows, small oceangoing vessels, across the Indian Ocean to the Tanzanian coastline. Once the heroin arrives in Tanzania, it is distributed to retail markets and user populations throughout Africa, Europe, and North America. South American cocaine is brought into Tanzania by commercial air couriers arriving on international flights to Dar es Salaam for further distribution to other African locations and Europe. South American cocaine is brought into Tanzania by commercial air couriers arriving on international flights to Dar es Salaam for further distribution to other African locations and Europe.

The Tanzanian Drug Control Commission (DCC), the Tanzania Intelligence and Security Service (TISS), and the Tanzanian Police Service's Anti-Narcotics Unit (ANU) each contribute to their government's fight against illicit drug trafficking. These agencies also work jointly with foreign law enforcement partners to include those from the United States. Extradition between Tanzania and the United States is governed in principle by the 1931 U.S.-U.K. Extradition Treaty. There is no mutual legal assistance treaty in force between Tanzania and the United States, though mutual legal assistance is provided on a reciprocal basis through letters of request.

There have been several recent successes targeting illicit drug trafficking organizations operating in and through Tanzania. In February 2014, major drug kingpin Ali Khatib Haji Hassan was arrested by Tanzanian law enforcement prior to his departure from Dar es Salaam for Johannesburg, South Africa. Operation Rip Tide, a joint maritime drug interdiction force operating in the Indian Ocean and comprised of international partner countries including the United States, has also experienced numerous successful seizures since 2012. These interdiction operations have resulted in the seizure of approximately 5.76 metric tons (MT) of heroin, 22.44 MT of hashish, and 685 kilograms of methamphetamine.

The Government of Tanzania does not encourage or facilitate the illicit production or trafficking of illicit narcotics or other controlled substances as a matter of policy. However, corruption remains an enormous barrier to effective narcotics enforcement. Drug traffickers use their considerable financial resources to influence politicians, law enforcement officers, and others in positions of power.

The United States seeks promote improved interdiction operations and limit the corrosive effects of drug-related corruption in Tanzanian institutions through law enforcement cooperation and by

encouraging a strong Tanzanian government commitment to narcotics interdiction and criminal justice capacity building.

Thailand

A. Introduction

There were no significant quantities of opiates, synthetic or other drugs cultivated or produced in Thailand in 2014. Various transnational criminal organizations supply Thailand's domestic market for illicit drugs and use the country as a transshipment point for trafficking to international markets. Domestic drug use continues to remain a serious problem, particularly of amphetamine-type stimulants (ATS). Use of ATS continues to rise, and its growing availability is primarily due to increasing levels of importation of methamphetamine from neighboring Burma.

Heroin, cocaine, MDMA (ecstasy), crystal methamphetamine, and methamphetamine tablets ("yaa-baa") were all seized in significant quantities by Thai authorities in 2014. Cultivation of opium poppy and cannabis, as well as domestic ATS production, remained minimal. According to the most recent statistics available to the UN Office on Drugs and Crime (UNODC), Thai authorities eradicated 264 hectares (ha) of poppy in 2013, an increase of 28 percent from 2012 (205 ha eradicated). The small quantities of opium produced in Thailand are primarily intended for local consumption by hill tribe growers.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Responding to the growing and widespread problem of methamphetamine abuse, the Thai government implemented a comprehensive anti-drug campaign in 2011 that remains ongoing. The national policy aims to reduce drug-related social problems, drug addiction, and recidivism, and to increase awareness of the dangers of drug use.

Thailand's counternarcotics assets are insufficient to patrol the long and remote borders with Laos, Burma, and Cambodia, where most drugs enter the country. Thailand continues to increase its efforts to coordinate with neighboring law enforcement entities, assisted by U.S. support for equipment and training.

The United States and Thailand have extradition and mutual legal assistance treaties in force. Thailand is among the most effective and cooperative partners of the United States in Southeast Asia, with U.S. assistance facilitating and enhancing that cooperation.

2. Supply Reduction

Significant drug seizures by Thai law enforcement agencies continued throughout 2013 and into 2014. The U.S. Drug Enforcement Administration (DEA) has worked closely with Thai law enforcement on joint investigations, resulting in the successful disruption of several international drug trafficking organizations.

The use and trafficking of heroin continues remains a challenge for Thai law enforcement agencies. According to Thailand's Office of Narcotics Control Board (ONCB), Thai authorities seized 210.22 kilograms (kg) of heroin through the first six months of 2014; this volume represented a decline from 2013 (784.6 kg of heroin for the year) but above 2012 (127.5 kg for the year). In March 2014, officers in Surat Thani raided two warehouses and seized 147 kg of heroin destined for Malaysia.

Methamphetamine trafficking and use continues to be the primary drug concern in Thailand. Thailand remains one of the largest markets for methamphetamine pills – known locally as "yaa-baa " or "crazy medicine." Most methamphetamine pills entering Thailand are manufactured in Burma and believed to be consumed domestically, with unknown quantities transported onward to other regional markets. The majority of crystal methamphetamine ("ice") seized in Thailand is destined for regional markets. The production of methamphetamine by the United Wa State Army (UWSA) in Burma and other local producers remains an issue of great concern to Thailand. Through June 2014, ONCB seized 457.9 kg of crystal methamphetamine and 5.06 metric tons (MT) of methamphetamine tablets, compared to 1.4 MT of crystal methamphetamine and 11.45 MT of methamphetamine tablets in all of 2013.

The amount of Africa-sourced crystal methamphetamine entering the country was down by approximately 50 percent during this reporting period, and 12 couriers of African trafficking networks were arrested transiting through or destined for Thailand.

Thailand has a small domestic market for ecstasy and cocaine, largely among affluent residents in large cities, as well as tourists and expats. Ecstasy arrives in Thailand from a variety of sources and routes including overland from Cambodia, Malaysia, and Burma, and via commercial flights from Europe and Canada. Lesser quantities of cocaine continue to be imported into Thailand, mostly destined for transshipment to international markets. In Thailand, the cocaine market is still largely controlled by African drug syndicates. However, South American and Chinese trafficking groups are also involved in bulk cocaine smuggling, typically for export to China, Hong Kong, and Australia. During the first six months of 2014, 11.9 kg of cocaine were seized, compared to 69.8 kg during all of 2013 and 17.9 kg of cocaine in 2012.

Marijuana remains less visible, but is readily available in Thailand and throughout the region. Cannabis is domestically cultivated in limited quantities, with bulk shipments imported from Laos for domestic use and regional export. Kratom (*mitragyna speciosa*), a local drug with modest psychotropic properties, is grown locally and consumed primarily in Thailand's southern provinces. During the first six months of 2014, 16.77 MT of marijuana was seized, compared to 26.32 MT in 2013.

Ketamine use appears to be limited to use as an alternative to methamphetamine tablets. Through the first six months of 2014, seizures of ketamine (27.1 kg) were slightly ahead of the volume seized in 2013 (31.4 kg for the year). Most of the ketamine destined for Thailand is transshipped through India, Malaysia, and Singapore. Thailand-based enterprises continue to market steroids and human growth hormone for worldwide sale.

Thailand's penalties for drug-related offenses are severe, and can include the death penalty for those convicted of possession of more than 20 grams of Schedule I substances with "intent to sell," a punishment reportedly last used in 2009.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Thailand carries out comprehensive demand reduction programs, combining drug abuse prevention programs with treatment for addicts. According to ONCB, drug treatment programs have reached over 700,000 drug addicts since the government announced its counter-narcotics priorities in September 2011. The Thai government also invests in building awareness of the perils of drug addiction, but the effectiveness of these awareness programs is difficult to gauge, with the methamphetamine problem growing rather than shrinking. Heroin and opium usage remain relatively low and stable.

4. Corruption

As a matter of policy, the Thai government does not permit, encourage, or facilitate illicit production or distribution of narcotic/psychotropic drugs or other controlled substances, or the laundering of drug proceeds, by individuals or government agencies. However, corruption among working-level officials remains a problem in Thailand, and some officials are susceptible to bribery. No current senior Thai government official is known to have engaged in those types of activities.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Thailand and the United States enjoy a strong cooperative relationship. U.S. law enforcement agencies receive willing cooperation from their Thai counterparts and support from the highest levels of the Thai government. Thailand is one of several countries in which DEA maintains Sensitive Investigative Units (SIUs). Thai SIU participants receive specialized training and undergo a rigorous vetting process.

Additionally, the United States provides a stream of training and assistance to Thai law enforcement and criminal justice entities on some of Thailand's top priorities, including counternarcotics. Through the U.S.-funded International Law Enforcement Academy and other programs, including the U.S. Joint Interagency Task Force West, the United States and Thailand cooperate on a variety of counternarcotics training activities and work to enhance regional cooperation against transnational crime. The United States is also supporting Thailand in a long-term project to further professionalize all substance use treatment staff in the country through the dissemination of a U.S.-developed Universal Treatment Curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals.

D. Conclusion

The U.S. government enjoys a particularly close and collaborative relationship with Thai law enforcement. The U.S. government has encouraged laws and regulations more closely aligned

with international standards, and helped Thailand develop more consistent adherence to rule of law principles. All such activities contribute to the fight against illicit drug trafficking and other transnational crime.

Timor-Leste

A. Introduction

Timor-Leste remains a minor market for illegal drugs, but international trafficking networks appear to be increasingly exploiting the country as a transshipment zone. Timorese authorities believe that drug couriers are taking advantage of Timor-Leste's porous borders and insufficient law enforcement capacities to transport illegal narcotics through Timor-Leste to customers in Indonesia and elsewhere in the region. According to Timorese officials, the bulk of drugs transiting their way to Indonesia are an unknown quantity of methamphetamine, heroin, marijuana and cocaine. The Timorese government is aware of the problem and is trying to enhance its counternarcotic capabilities in the face of significant challenges.

Existing data collection efforts are insufficient to accurately measure the scope of drug trafficking throughout the country. Timor-Leste is a prime target for development of drug trafficking due to its strategic location between source countries like Indonesia, China, and Thailand and consumer countries like Australia and New Zealand.

According to available information, there is little, if any, organic narcotics production in Timor-Leste. Methamphetamine precursor chemicals pseudo-ephedrine and ephedrine are readily available in numerous Dili pharmacies and there is no purchase limit, nor any requirement for customer information at the time of purchase.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Law enforcement officials from both Timor-Leste and Indonesia have publicly noted improved levels of bilateral cooperation against drug trafficking. The full extent of drug traffic in Timor-Leste remains unknown. The handful of arrests made by Timorese law enforcement in 2014 was based primarily on intelligence from Indonesian officials. In 2014, one Timor-Leste narcotics investigation of note involved the seizure of 1.5 kilograms of methamphetamine destined for Indonesia. Many Timorese and international observers fear those arrests are barely scratching the surface of a much deeper problem.

Numerous Timorese officials, from the Prime Minister to senior police officers, have commented publicly about the serious need for increased counternarcotic efforts. One of the biggest obstacles to combating illegal drugs in Timor-Leste is the lack of trained, experienced prosecutors and law enforcement officers. There is a pervasive need, throughout the Timorese law enforcement and judicial community, for basic instruction in narcotics recognition and smuggling techniques. Timorese authorities currently lack the ability to analyze the organizational structure and business operations of drug syndicates. The Timorese government understands its weak analytical capabilities and is eager to accept relevant training.

The Timorese Customs Directorate also lacks basic capabilities to combat narcotics trafficking. Very few customs officers possess the training to detect narcotics, either on an x-ray machine or

in plain view. The Customs Directorate lacks capacity in other areas that hinder effective counter-narcotic efforts, including an inability to operate a fleet of intercept boats and the inoperability of some x-ray machines. Customs officials have plans to reorganize their operations, pending broader government approval and funding.

The Border Police Unit (BPU) of the National Police (PNTL) generally acknowledges its weak border control performance, blaming deficiencies on the personnel assigned to border duty. Border police live in poor conditions and lack basic tools and equipment for law enforcement duties, such as access to radios or boots. The lowest-ranking and least capable police recruits are “punished” with border assignments. With respect to drug trafficking, many border officers lack training to perform proper searches for narcotics and recognize contraband.

2. Supply Reduction

Timorese law enforcement made very few drug arrests in 2014. The majority of arrested suspects were handed over to Indonesia for prosecution, mainly because the Timorese lack the means to test or verify substances suspected of being illegal narcotics, as well as the fact that most of the arrests were only possible due to information provided by Indonesian law enforcement. Timor-Leste’s prosecutorial framework for trying and convicting alleged drug traffickers is only beginning to mature into a functional criminal justice system.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Although no official surveys of drug use have been conducted, Timorese officials and other contacts widely maintain that illegal narcotics consumption in Timor-Leste is very low. At the present time, nearly all of the narcotics in Timor-Leste are in transit to Indonesia via the land border. There are no known drug treatment or rehabilitation programs in Timor-Leste.

4. Corruption

As a matter of government policy, the Government of Timor-Leste does not encourage or facilitate illicit drug production or distribution, nor is there any evidence that it is involved in laundering the proceeds of the sale of illicit drugs. In 2009, the Timorese National Parliament approved the creation of an Anti-Corruption Commission. The government has also taken steps to develop the legislative framework necessary to combat corruption. However, the application and enforcement of legislation is hampered by limited institutional capacity. Weak institutions, high levels of poverty, large public spending, and the dominance of a cash economy have contributed to a growing concern about corruption. Allegations of potential involvement of security personnel in illegal activities raise the risk that elements of the security services could be co-opted by narcotics traffickers.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The Government of Timor-Leste recognizes that it has a growing narcotics problem and is taking some steps to counter it. In April 2013, the PNTL signed a memorandum of understanding with Indonesia on counternarcotics cooperation. In November 2013, the PNTL, in cooperation with

the Indonesian Embassy, organized a two-day seminar on narcotics and human trafficking. In opening remarks, the Prime Minister emphasized the importance of international intelligence cooperation in combating drugs and human trafficking, especially between Indonesia and Timor-Leste. Although Timor-Leste does not have extradition or mutual legal assistance treaties with the United States, in 2013, the country acceded to the 1988 UN Convention on Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which should provide a basis for strengthening the legal framework and help facilitate international cooperation. In August 2013, the United States provided a three-day counternarcotics training event for 52 Customs officers, Border Patrol agents, PNTL Criminal Investigators and prosecutors.

Foreign development partners are interested in engagement with Timor-Leste on issues such as counternarcotics and customs enforcement, but many initiatives have shown slow progress. The Ministry of Justice, with assistance from Japan, is working on a new Narcotics Law that the Timorese government hopes to finalize in 2015. Cooperation with Australia on airport security continues to grow, although significant improvements to Dili's airport security will probably take years to materialize.

The United States has provided \$1.1 million through the United Nations Office on Drugs and Crime (UNODC) to fortify border police units with training, equipment, and resources. An additional course was conducted by U.S. Customs and Border Protection on International Border Interdiction in October 2014.

The United States Naval Criminal Investigative Service sponsored twenty members of the PNTL Maritime Patrol Unit for a Vessel Boarding Training Program at the Federal Law Enforcement Training Center in Charleston, South Carolina. The students successfully completed the program in September 2014 and have begun to use their training in maritime patrols.

D. Conclusion

Timor-Leste is only beginning to focus on narcotics issues. There is political will to combat drugs, but the legal and investigative framework needed to mount an effective home grown counternarcotics strategy remains in its very early stages. While Timor-Leste is presently used as a transit point for narcotics trafficking, its permissive environment could also open the door for other illegal drug activity, such as production.

Trinidad and Tobago

A. Introduction

Trinidad and Tobago's porous borders and direct transportation routes to Europe, Canada, and the United States make it an ideal location for cocaine and marijuana transshipment, though precise information on transshipment trends is unavailable. Marijuana is produced in Trinidad and Tobago and is the most widely used drug domestically, but other drugs, including cocaine, heroin, and ecstasy are also available.

Interdiction efforts continued to be robust in 2014. Though overall drug seizures for the year decreased from 2013 and challenges persist, the Government of Trinidad and Tobago is improving its ability to investigate and prosecute complex counternarcotics cases that target networks. Rehabilitation capacity is insufficient and under-resourced to meet local demand for treatment. Corruption and gaps in legislative and organizational implementation are challenges to the country's efforts to curb the trafficking and use of illegal narcotics.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Trinidad and Tobago continues to demonstrate a high level of commitment to drug control through bilateral cooperation and intelligence sharing with countries of origin, transit and destination. The Government of Trinidad and Tobago regularly interfaces with local, regional and international organizations to translate international obligations into national priorities. Trinidad and Tobago's drug control institutions, however, are challenged by deficiencies in staffing for some units, and funding for others. Distrust within and between certain units of law enforcement, the military, and the intelligence community impedes more effective interagency information sharing and collaboration.

Counternarcotic units continue to receive support from international donors in specialized training and equipment. Improvements in investigating and prosecuting counternarcotics cases that target networks illustrate the effectiveness of international support, and the growing ability of Trinidad and Tobago's law enforcement to innovate and keep pace with highly flexible criminal organizations.

Trinidad and Tobago has mutual legal assistance treaties with the United States, Canada, and the United Kingdom. Trinidad and Tobago also maintains a narcotics control and law enforcement letter of agreement with the United States and also maintains a maritime law enforcement agreement that enables the United States to patrol Trinidad and Tobago's waters, overfly territorial sea and detain vessels suspected of trafficking drugs. There is an extradition treaty between Trinidad and Tobago and the United States, but the judicial process to request extraditions often involves lengthy delays.

2. Supply Reduction

Marijuana is the only known locally-produced illicit drug. Production is concentrated in small farms in the heavily forested, mountainous regions. Local producers compete with imports from St. Vincent and the Grenadines, Jamaica, Guyana, and Venezuela.

Other illicit drugs – primarily cocaine, but also small amounts of heroin and ecstasy – are trafficked through the country by transnational organized crime groups operating in Trinidad and Tobago, exploiting its close proximity to Venezuela and vulnerabilities at ports of entry. The main destination for these substances is the European market.

Jamaican nationals within Trinidad and Tobago barter shipments of marijuana or cocaine for re-export. Increased government eradication efforts have driven up the local price of marijuana, encouraging more domestic farmers to plant marijuana, and causing some traffickers to shift their focus from cocaine to marijuana.

In collaboration with several international partners, law enforcement entities in Trinidad and Tobago seized slightly over 1.25 metric tons (MT) of illegal drugs in 2014, a significant decline from the more than 3.8 MT seized in 2013. In September, the Trinidad and Tobago Transnational Crime Unit played a key role in the interception and detection of 1.1 MT of cocaine seized from a yacht off the coast of Ireland.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Most information on drug-use trends in Trinidad and Tobago is anecdotal, as empirical evidence on usage is limited. However, it is widely accepted that drug use occurs across all socio-economic classes in Trinidad and Tobago. The primary drug used in Trinidad and Tobago is marijuana, with cocaine, including “crack” cocaine, the second-most frequently used drug. Ecstasy, solvents, pharmaceuticals, and heroin are also readily available. Drug treatment professionals estimate that as many as one in 10 males and one in 25 females have an illicit substance use disorder, either as drug dependents or abusers.

There are approximately 29 drug treatment programs in Trinidad and Tobago supported by the government, non-governmental organizations, religious groups, and hospitals. These include 10 substance abuse residential rehabilitation programs, providing fewer than 200 beds for the national population. Treatment efforts for cocaine addiction, including crack cocaine, place the greatest burden on rehabilitation facilities. There are still many challenges to integrate existing criminal justice, healthcare, welfare and education systems to effectively treat drug use disorders, and a need to train more prevention specialists and treatment service providers to accredited standards. Trinidad and Tobago successfully piloted an alternative drug treatment sentencing program in 2014 that produced its first graduates and expanded the program to a second district.

There is no residential rehabilitation program specifically designated for minors, so most are placed in delinquent youth facilities or receive out-patient treatment. As treatment providers report a younger average age of drug usage, most institutions are not equipped and lack the capacity to treat youth.

Drug prevention efforts include school-based education programs; training for educators; anti-drug media campaigns; and special outreach events. Outreach programs are implemented by the National Alcohol and Drug Abuse Prevention Program in conjunction with rehabilitation facility counselors and members of the police service. The government continues to strengthen its programs with the assistance of the Organization of American States' Inter-American Drug Abuse Control Commission.

4. Corruption

The Government of Trinidad and Tobago neither directly encourages nor facilitates the illicit production or distribution of drugs nor the laundering of proceeds from the sale of illicit drugs. No charges of drug-related corruption were filed against senior government officials in 2014. Media and anecdotal reports of drug-related corruption in the ranks of the Police Service, Defense Force, Customs and Excise Division, and port employees are common.

The Police Complaints Authority, an independent law enforcement oversight body, recorded 19 complaints of perverting the course of justice, fraud, corruption and extortion in 2014. The status of these complaints at the end of 2014 was unknown. The country's Police Service's Professional Standards Bureau also has 25 officers before the Courts.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States supports a wide range of efforts designed to address crime and violence affecting citizens in Trinidad and Tobago, primarily through the Caribbean Basin Security Initiative (CBSI). CBSI is a security partnership between the United States and Caribbean nations that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote social justice. CBSI programming in Trinidad and Tobago focuses on law enforcement and military capacity building, juvenile justice, and demand reduction.

CBSI regional projects are also underway in maritime and aerial domain awareness; law enforcement information-sharing; law enforcement capacity-building; corrections reform; criminal justice reform; preventing financial crimes; demand reduction; and reducing illicit trafficking in firearms. The Government of Trinidad and Tobago is an active partner in CBSI programs.

D. Conclusion

The entities and individuals working to combat narcotics trafficking in Trinidad and Tobago face considerable institutional challenges. However, there were considerable accomplishments in 2014 that included robust marijuana eradication operations, successful investigations, and improved international cooperation. In order to continue its success and to raise conviction rates and deter traffickers, the Government of Trinidad and Tobago should implement reforms to expedite prosecutions, revise outdated laws and standard operating procedures, and persist with a more evidence-based criminal justice system.

Turkey

A. Introduction

Turkey remains a significant transit country for illicit drugs destined for European markets. Turkish law enforcement authorities seized significant volumes of heroin and other opiates originating from Southwest Asia in 2014, along with large quantities of cannabis products. New psychoactive substances including synthetic cannabis (known locally as “bonsai”) and synthetic cathinones (“bath salts”) are becoming more widespread in large urban areas such as Istanbul. The availability and use of methamphetamine and amphetamine-type stimulants (ATS), however, appeared to decline significantly in 2014.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Turkish National Police (TNP) is the country’s most proactive counterdrug force and has jurisdiction for drug-related crimes in urban areas. The Jandarma, a branch of the Turkish Armed Forces responsible for rural areas outside the jurisdiction of the TNP, also plays a significant role. TNP intelligence frequently develops leads that relate to rural areas, in which case the two agencies conduct investigations and seizures together. Turkey’s Coast Guard, under the Ministry of Interior, has some counternarcotics responsibilities, and the Turkish National Police’s Organized Crime and Anti-Drug Department is the primary counterpart of the U.S. Drug Enforcement Administration (DEA). DEA also teams with the Turkish Jandarma as well as the Ministry of Customs and Trade. The Ministry of Health (MOH) is responsible for issues relating to importation of chemicals for legitimate use. The Ministry of Finance oversees the financial intelligence unit, which investigates potential money laundering activities.

The Turkish International Academy Against Drugs and Organized Crime (TADOC) is an important resource for providing advanced training to law enforcement professionals from within Turkey and across neighboring states. The UN Office on Drugs and Crime (UNODC) sponsors training sessions at TADOC for narcotics police from Central Asia and other states. TADOC also partners with DEA, the Organization for Security and Cooperation in Europe, the Turkish International Cooperation and Development Agency and other mutual security organizations in the planning and execution of training projects, instructor fellowship exchanges, and workshops throughout the region.

U.S.-Turkey extradition and mutual legal assistance relations are governed by the 1981 U.S.-Turkey extradition and mutual legal assistance treaty.

2. Supply Reduction

Turkey is located along well-established trafficking routes from Afghanistan through Iran and onward through the Balkans, Black Sea, and eastern Mediterranean region. Most heroin trafficked via Turkey is marketed in Western Europe where Turkish-based traffickers control much of the heroin market. Some criminal elements in Turkey reportedly have interests in

heroin laboratories operating in Iran near Turkey's border. Heroin increasingly arrives as a finished product from Afghanistan, though Turkish authorities reported that one small, primitive heroin lab was seized in southeast Turkey during 2014.

Turkey acts as a transit route for opium and heroin smuggled overland from Afghanistan primarily by Iran but also through Turkmenistan, Azerbaijan, and Georgia in route to Western Europe. While the Balkan Route into Western Europe remains heavily used, traffickers also use the more northerly route through Azerbaijan, Georgia, Russia, and Ukraine. Turkey and India are the only two licit traditional poppy-growing countries recognized by the United States and the International Narcotics Control Board, and produces concentrate of poppy straw under strict domestic controls and international treaty obligations. The Turkish Grain Board strictly controls licit opium poppy cultivation and pharmaceutical morphine production, with no apparent diversion into the illicit market.

Turkey also serves as a transit route for methamphetamine smuggled by air from Iran, bound for markets in the Asia-Pacific region, though domestic methamphetamine consumption and street availability appeared to decline in 2014. ATS from Eastern Europe is also trafficked through Turkey bound for countries in the Middle East, particularly fenethylamine, though seizures of this drug also decreased dramatically in 2014. Cocaine arrives from either South America or via trans-shipment locations in West Africa, mostly via couriers onboard commercial aircrafts, though there was a spike in cocaine seizures concealed within cargo containers in 2014. Cannabis, primarily as hashish, is typically cultivated and produced in Turkey for domestic consumption.

The TNP uses TADOC to train officers on interdiction and investigation techniques to fight drug trafficking. Border control initiatives and upgrades include the deployment of x-ray machines and ion scanners to Turkey's Eastern borders.

Many major drug traffickers in Turkey are ethnic Kurds or Iranians. According to the National Police, approximately one out of every three persons arrested for drug trafficking in 2014 was of Iranian nationality, with the majority remaining Turkish nationals.

Drug proceeds are often moved to and through Turkey informally, despite the fact only banks and authorized money transfer companies can legally move money. Money exchange bureaus, jewelry stores, and other businesses believed to be part of the hawala banking system are investigated only if the business is directly tied to an existing drug or other criminal investigation.

Between January and October of 2014, Turkish authorities seized approximately 8.73 metric tons (MT) of heroin, a 9.2 percent uptick from the pace of seizures over the same period in 2013. The volume of hashish that was seized during this period (67.26 MT) decreased substantially from 2013 (approximately 133 MT), and seizures of methamphetamine plunged by over 52 percent (46 kilograms, or kg, from 96.5 kg). Fenethylamine seizures fell even more dramatically, from over 4.3 million pills in 2013 to nearly 140,000. Seizures of other synthetic drugs, however, particularly the synthetic cannabinoid known locally as "bonsai," sharply increased to 504.3 kg – a more than 200 percent spike from 2013.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The Turkish Science Committee for Methods of Drug Addiction is responsible for the national coordination of treatment. Its main tasks are to monitor, accredit and evaluate treatment services. Drug-related treatment is provided mainly by public agencies, private entities and non-governmental organizations (NGOs), funded by the state and private health insurance.

Most Turkish treatment services deal with addiction in general and not specifically for users of illicit drugs. These programs include psychotherapeutic and supporting methods, with the majority of drug-related treatment services taking place within inpatient settings.

While abuse remains modest in scale in Turkey compared to other countries, the number of addicts seeking treatment is increasing. Ministry of Health agencies responsible for drug awareness and treatment remain under-funded and do not conduct regular, periodic drug abuse surveys. Demand reduction activities include the production and dissemination of seminars, short video clips, pamphlets and other informational material, and sport activities. The TNP deploy approximately 150 demand reduction experts to work collaboratively with schools, students, families, health and social services, the press, NGOs, and the private sector to raise awareness on the dangers of illegal drug use. These TNP activities reached nearly 400,000 participants in 2014.

4. Corruption

As a matter of government policy, Turkey does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions. There was no evidence of drug-related senior level government corruption in 2014.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States works closely with Turkey to offer regional training opportunities to Turkish Law Enforcement officials throughout the country and at the TADOC center to provide additional tools to Turkish officials and their international counterparts. Turkey hosts several international counter drug forums with goals to enhance investigative abilities, cooperation, and relationships between international law enforcement agencies.

D. Conclusion

Turkish law enforcement agencies remain strongly committed to disrupting illicit drug trafficking. The United States will continue to work with Turkish law enforcement agencies to strengthen Turkey's ability to combat drug trafficking, money-laundering and other financial crimes, and reduce the flow of Afghan heroin to international markets. The United States will also continue to support Turkey's work as a regional leader in counternarcotics training and education.

Turkmenistan

A. Introduction

Turkmenistan is a transshipment route for narcotics trafficked from Afghanistan to Turkish, Russian, and European markets, either directly or through Iran. It is not, however, a major producer or source country for illegal drugs or precursor chemicals. Most illegal drug seizures occur along Turkmenistan's rugged and remote 446-mile border with Afghanistan and its 595-mile frontier with Iran.

Counternarcotics efforts continue to be a government policy priority. Although reliable statistics remain difficult to secure, internal narcotics sales have reportedly dropped since the government stopped the practice of granting pardons to prisoners previously convicted of drug-related crimes.

Major developments during 2014 included the officially reported arrest of a suspected opium trafficker in Dashoguz Province; continuation of the major annual interdiction operation to identify and destroy domestic poppy production; and a notable expansion of the government's counternarcotics public information campaign. According to official statistics, the total volume of illegal drugs seized in Turkmenistan continued to decline in 2014 for the second consecutive year.

Turkmenistan continues to cooperate on a limited basis with international organizations and diplomatic missions, but its law enforcement agencies are still hampered by a lack of resources, training and equipment.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The government directs the bulk of its law enforcement resources and manpower towards stopping the flow of drugs either directly from Afghanistan or via Iran. Common methods of transporting illegal narcotics include concealment in cargo and passenger vehicles, deliveries by pedestrian carriers, and in some cases, by concealment in the stomach or body cavities of humans and animals. Commercial truck traffic from Iran continues to be heavy, and Caspian Sea ferry traffic from Turkmenistan to Azerbaijan and Russia continues to be an opportune smuggling route.

President Berdimuhamedov continued to stress at government meetings that the war against drugs should be a consistent and uncompromising priority for his administration. The price of heroin, opium, and marijuana continues to be the highest in the region, reflecting limited supply. The State Service to Protect the Security of a Healthy Society (SSPSHS - former State Counter Narcotics Service) held a "drug burn" ceremony destroying 232 kilograms (kg) of narcotics in June, an event that coincided with the UN International Day against Drug Abuse and Illicit Trafficking.

In March, the Government of Turkmenistan launched an annual operation (Opium Poppy 2014) to destroy naturally growing and in some cases illegally cultivated narcotic plants. The interagency operation included special task forces from the Ministries of Internal Affairs and National Security and the SSPSHS.

Turkmenistan does not have an extradition treaty or mutual legal assistance agreement with the United States, but is a signatory to the 1988 UN Drug Convention and obligated to assist in accordance with its provisions.

2. Supply Reduction

According to information provided by the SSPSHS, 187.6 kg of illegal drugs were seized during the first nine months of 2014. This is substantially down from what was seized during 2013 (440.7 kg), and well below the pace of seizures recorded in 2012, when 752.2 kg were seized. Most seizures in 2014 (139.4 kg) were of raw opium, and the volume of seized heroin (600 grams) was very low.

The only significant drug seizure in 2014 that can be established from official Turkmen media sources occurred in June, when the “Neytralny Turkmenistan” newspaper reported the arrest of a 26-year-old male resident of the Akdepe district of Dashoguz Province for possession of 10.21 kg of opium in the basement of his house. The black market value of this seizure was estimated at \$700,000-800,000. However, unofficial reports suggest seizures of significant volumes of drugs occur frequently and may not be reflected in official reports

There is no evidence of synthetic drug production in Turkmenistan, and the Government of Turkmenistan reported no seizures of synthetic drugs. The weekly newspaper "Adalat" ("Justice") continues to report occasionally on law enforcement activities combating narcotics trafficking and on drug-related crimes.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The Ministry of Health operates six drug treatment clinics, one out-patient facility for drug addicts in Ashgabat, a Psychological and Narcological Hospital in the Ilyaly district of Dashoguz province, and a Psychological and Narcological Hospital in each of the other four provincial administrative centers. Substance abusers can receive free detoxification treatment at these clinics without revealing their identity, as clinic visits are kept confidential. Additionally, each of the hospitals has fee-based treatment facilities that cost approximately \$10 per day. The Government of Turkmenistan has not published any drug-abuse related statistics since 2006. Local law enforcement entities possess broad authority to initiate drug-related cases and send individuals to rehabilitation. There have been indications that officials have occasionally abused this authority.

4. Corruption

The Government of Turkmenistan does not encourage or facilitate the illicit production or distribution of narcotics or other controlled substances. Nevertheless, law enforcement officials'

low salaries and broad powers foster an environment in which corruption occurs. A general distrust of the police by the public, fueled by evidence of police officers soliciting bribes, indicates a problematic level of corruption in law enforcement. Payments to junior officials at border crossing points to facilitate passage of smuggled goods have been reported frequently. However, during 2014, there were no official reports of prosecution of law enforcement or other government officials for narcotics-related corruption.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

In February, the United States launched the eighth round of English Language Training (ELT) classes for law enforcement officials. Twenty-two officers graduated from the course in September.

In September, the United States launched the Forensic program by sending the Forensic and Toxicology Advisors to Ashgabat to conduct in-country consultations and promoting training opportunities in forensics in the United States.

In October, the United States funded a joint U.S.-UNODC anti-money laundering workshop in Ashgabat where officials from the Financial Intelligence Unit and law enforcement agencies of Turkmenistan participated along with international participants. October, the United States funded the participation of three officials from the Ministry of Health's Central Medical Examination Bureau in the 20th World Meeting of the International Association of Forensic Sciences (IAFS 2014) in Seoul. In 2014, Turkmenistan also initiated a long-term project with U.S. support to further professionalize all substance use treatment staff in the country through the dissemination of U.S.-developed treatment curriculum and international credentialing through the Colombo Plan's International Centre for Certification and Education of Addiction Professionals.

D. Conclusion

The Turkmen government has begun to acknowledge openly the country's narcotics trafficking and drug abuse problems. Law enforcement efforts targeting drug cultivation and drug trafficking receives high profile coverage in state-controlled media. The Turkmen government's efforts to provide some drug seizure reports seem to indicate a desire for enhanced cooperation with international donors.

U.S. engagement with Turkmenistan's counternarcotics enforcement agencies remains important to promoting further reforms. The United States plans to expand counternarcotics law enforcement agency training, in particular by providing further assistance to the Medical Examination Bureau (MEB) Pathologists and Toxicologist through training and advance study tours to the United States. The U.S. government will also encourage the Government of Turkmenistan to intensify long-term demand reduction efforts and to continue its partnership with Drug Enforcement Administration's Regional Training Team platform in Almaty, Kazakhstan and international organizations such as the UNODC and regional bodies such as the Central Asia Regional Information and Coordination Center (CARICC).

Ukraine

A. Introduction

Although Ukraine is not a major drug producing country, its location astride several important drug trafficking routes into Western Europe leaves it vulnerable as an important transit country. Ukraine's numerous ports on the Black and Azov seas, its extensive river routes, and its porous northern and eastern borders make Ukraine an attractive route for drug traffickers into the European Union's illegal drug market. The illegal annexation of Crimea by Russia and the Russian-sponsored conflict in eastern Ukraine may present future challenges for Ukrainian law enforcement in terms of drug interdiction.

Domestic drug abuse continues to focus on drugs made from illicit drug crops (cannabis and opium poppy) grown in the region, which account for approximately 90 percent of the total drug market in Ukraine. The use of synthetic drugs and psychotropic substances, especially amphetamine-type stimulants (ATS), continues to increase. Most opiates and cannabis products consumed in Ukraine are either locally produced or supplied from Russia, Belarus, and Moldova. Synthetic drugs including ATS, methamphetamine and MDMA (ecstasy) are trafficked into the Ukraine from Poland, the Baltic states, and the Netherlands.

The U.S.-Ukraine Mutual Legal Assistance Treaty came into force in February 2001. The U.S. and Ukraine signed a memorandum of understanding on law enforcement assistance in 2002. This memorandum provided for U.S. assistance to help the Government of Ukraine bring its law enforcement institutions up to international standards.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Ukraine has comprehensive anti-drug legislation in place consistent with international standards. In 2014, the Government of Ukraine continued to implement the government anti-drug policy adopted in 2010, including an action plan to address drug abuse and trafficking in 2011-2015. The goal is to pursue a balanced but persistent policy of prevention, control, and enforcement. Some of the policy objectives have been adequately addressed; others were accomplished with only limited success, particularly due to insufficient resources.

The key agencies involved in the implementation of the government anti-drug policy include the State Narcotics Control Service (SNCS), the Ministry of Interior (MOI), the Security Service, the State Fiscal Service, the State Border Guard Service (SBGS), and the Ministry of Health. A U.S.-Ukraine mutual legal assistance treaty has been in force since 2001.

2. Supply Reduction

Poppy straw and hemp are illegally produced and consumed locally, with the surplus trafficked to Russia, Belarus, and Moldova. These same drugs are also trafficked into Ukraine from Russia, Belarus, and Moldova. Opium poppy is grown predominantly in western, southwestern,

and northern Ukraine, while hemp cultivation is concentrated in the east and south. Poppy and cannabis are controlled plants and can be grown only by licensed farms, according to annually-determined government quotas. However, many cases of illegal cultivation in small quantities by private households are discovered. The MOI Drug Enforcement Department regularly eradicates such illegal plantations.

Ukraine is predominantly a transit country for heroin. Originating primarily in Afghanistan, heroin is trafficked into Ukraine mostly through Russia, the Caucasus, and Turkey. Shipments are usually destined for Western Europe, and arrive by road, rail, or sea, which is perceived as less risky than air or mail shipment and permits traffickers to move larger quantities.

There have been attempts over the past several years by Latin American drug trafficking networks to develop cocaine smuggling channels into Ukraine through its southern sea ports. Due to several successful law enforcement investigations that disrupted these attempts, however, traffickers seem to prefer to use the northern ports of Russia. Cocaine is also trafficked to Ukraine from Spain, the Netherlands, Greece, and sometimes Germany, in small quantities by private vehicles or in small commercial parcels.

Trafficking in synthetic drugs and psychotropic substances is growing, reflecting the general trend in Europe. Synthetic drugs are brought into the country mostly from Europe, especially from Poland, Lithuania, and the Netherlands. The price of these drugs is significantly lower than that of heroin and cocaine and therefore the drugs are attractive to young addicts. Domestic production of synthetic drugs in undercover labs also continues despite persistent efforts by law enforcement.

Through the first nine months of 2014, the MOI's police force seized approximately 2.8 metric tons of various drugs. The SBU eliminated seven organized drug trafficking groups and 13 drug labs.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The number of registered drug users in Ukraine was 76,000 as of October 2014, of which 40,739 were medically diagnosed addicts and the rest were temporarily listed by police for singular or occasional drug consumption. Various experts, however, estimate the total number of actual drug addicts in Ukraine as ranging from 300,000 to 500,000.

Marijuana and hashish are popular with young people, but opium straw extract remains the drug of choice for addicts. The popularity of this drug is due to its low cost (approximately \$5 per 1 milliliter dose) and simple production methods. The use of synthetic drugs is rising, particularly with young people, exacerbated by rapid growth in local production. Cocaine and heroin are still too expensive for most Ukrainian drug users.

Ukraine's drug problem is characterized by a rapidly growing HIV/AIDS-infected population in which intravenous drug use is the primary mode of transmission of HIV. Since 2004, the Government of Ukraine has implemented substitution maintenance treatment programs as recommended by the World Health Organization, UN Office of Drugs and Crime, and UNAIDS.

4. Corruption

The Government of Ukraine acknowledges that corruption remains a major problem due to the existence of a bribe-tolerant mentality and the lack of law enforcement capacity to fight it. The new government has declared its commitment to tackle corruption, and several new bills have been signed into law to tackle corruption and deny government positions to officials affiliated with the former regime of President Viktor Yanukovich. However, the number of successful prosecutions of corruption cases thus far remains low.

Ukraine is a party to the UN Convention against Corruption. As a matter of policy, the Ukrainian government does not encourage or facilitate illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, or the laundering of proceeds from illegal drug transactions.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

The United States is committed to helping Ukraine bring its law enforcement and justice sector institutions up to international standards, facilitating Ukraine's integration into Euro-Atlantic institutions. This will in turn assist Ukrainian authorities to build law enforcement capacity, develop effective criminal justice and demand reduction programs, and assist Ukraine in countering money laundering. DEA has established a good working relationship with both the MOI and SBU, and training programs have deepened these relationships. Through a variety of projects, the United States also assists the MOI in building capacity while simultaneously strengthening the SBGS and SNCS capability to control Ukraine's 4,200 mile-long border.

D. Conclusion

Ukraine's anti-drug legislation is well developed, and the country's government is politically committed to responding to evolving criminal threats. The Government of Ukraine attaches great importance to preventing drug addiction, but efforts in this area have oftentimes been under-resourced. Interagency coordination among relevant law enforcement agencies could also be further improved.

United Arab Emirates

The United Arab Emirates' (UAE) proximity to major drug source and transit countries such as Afghanistan, Pakistan, and Iran, and its role as a sea and air transportation hub have made the country a transshipment point for heroin and other narcotics. International drug trafficking organizations exploit Dubai's role as a global crossroads by using it as a command and control center for facilitating the movement of narcotics through the region. Growing volumes of drug seizures over the last several years indicate that traffickers increasingly use the UAE as a staging point to warehouse, stockpile, and distribute narcotics. Dubai International Airport has become a staging area for cocaine couriers from Brazil headed to various countries in Africa and Asia. There is no evidence of major drug cultivation or production within the UAE.

UAE authorities continue to interdict drug smuggling attempts, partly through cooperation between the Dubai Police's Department of Anti-Narcotics and law enforcement from other countries, as well as awareness campaigns that have resulted in strong collaboration with residents. The UAE has a zero tolerance policy towards illegal drug use and drug trafficking is treated as a severe crime. The rate of illegal drug use in the UAE is low by international standards. The most common drugs consumed are hashish, diverted pharmaceutical drugs, and, minimally, heroin. Fenethylline, an amphetamine-type stimulant, may be the most widely available drug in the Arabian peninsula. Use of new psychoactive substances, pharmaceutical drugs, and hashish continues to increase.

The UAE government has committed significant resources in personnel and funding towards building new drug control institutions and conducting counternarcotics law enforcement operations. The UAE hosts and funds a UN Office on Drugs and Crime (UNODC) semi-regional office, and the U.S. Drug Enforcement Administration's (DEA) Dubai Office coordinates with the UAE government in combating UAE- and regionally-based drug trafficking organizations. UAE authorities passed approximately 65 drug leads to DEA on drug couriers in 2014, the majority of whom were arrested when they landed at their final destination due to law enforcement coordination between the involved countries. DEA works with Dubai Police on awareness and demand reduction efforts in schools, and U.S. Department of Homeland Security offices in Abu Dhabi and Dubai coordinate with UAE law enforcement officials to investigate smuggling crimes in the UAE and the region. Investigations led by the United States in coordination with Dubai Police include Operation Riptide, a multilateral operation targeting regional drug trafficking that resulted in the seizure of over 22.2 metric tons (MT) of illegal drugs over the first nine months of 2014, including 3.68 MT of heroin.

With United States is partnering with the UAE's National Rehabilitation Centre in a long-term project to further professionalize all substance use treatment staff in the country. The UAE is further planning to serve as a regional training hub for disseminating U.S.-developed treatment curriculum.

The UAE not have a mutual legal assistance treaty or extradition agreement with the United States, though it is a party to multilateral conventions that promote such international cooperation.

United Kingdom

The United Kingdom of Great Britain and Northern Ireland (UK) is a consumer country of illicit drugs. Like other developed nations, the UK faces a serious domestic drug problem. Crime syndicates from around the world exploit the underground narcotics market and sometimes use the UK as a transshipment route.

Prior to 2014, the UK was the only remaining country in Europe where khat was legal, and the country served as the most significant khat transshipment route to North America and continental Europe. In June, khat was prohibited as a Class C controlled substance, roughly equivalent to Schedule 3 controlled substances in the United States, and possession of which is subject to criminal penalties of up to 14 years imprisonment and/or fines. Although khat seizures in the UK have declined following the ban, data indicates that traffickers occasionally continue to mislabel and conceal khat shipments in various consignments bound for the United States.

Marijuana is the most widely used drug in the UK, followed by cocaine. Organized criminal networks often use the proceeds from marijuana trafficking to fund other illicit activities. Cocaine use in the UK is continually estimated to be the first or second highest in Europe. Unlike many drugs, the use of new psychoactive substances is growing. New and often dangerous substances appear on the market faster than laws can be passed against them. To address this issue, the UK introduced a “temporary class drug” designation in 2011 that can be used to make a drug illegal for up to 12 months while more permanent steps are considered.

The UK has robust drug-control institutional capabilities. The UK’s 2010 National Security Strategy identified transnational organized crime, which includes drug trafficking, as a priority. The National Crime Agency (NCA) is the lead agency tackling drug trafficking and drug-related crime. NCA continues to maintain an aggressive posture towards drug trafficking and money laundering, and has sought to address drug crimes in a holistic way.

Excellent bilateral cooperation on illicit drug enforcement continues between the United States and UK authorities. The United States and UK have a memorandum of understanding allowing U.S. Coast Guard Law Enforcement teams to operate from the platforms of UK naval vessels in the Caribbean. The United States has also supported the Metropolitan Police Service with khat trafficking and terrorist financing investigations. UK authorities are actively engaged in cyber-crime enforcement, particularly as it relates to trafficking in counterfeit pharmaceuticals and the use of the internet as a tool for distribution of narcotics.

Uruguay

Uruguay is not a major narcotics producing country and has low levels of drug-related corruption. However, foreign drug traffickers take advantage of its porous borders with Argentina and Brazil, as well as Montevideo's busy international container port, to use Uruguay as a base for logistics and transit operations. Andean-produced cocaine is the primary drug trafficked through Uruguay. Local consumption of the highly addictive and inexpensive cocaine base product, "pasta base," remains a serious problem. In an effort to remove drug profits from criminal networks and combat the use of harder drugs, the Uruguayan government proposed legislation in 2012 to regulate the legal sale and distribution of marijuana. The legislation allows each household to grow up to six plants and registered users may buy up to 40 grams per person per month at pharmacies. While the legislation passed Uruguay's House of Representatives and was approved by the Senate in December 2013, implementation of the legislation was postponed throughout 2014. The government's plan to start selling marijuana in pharmacies in 2014 did not come to fruition as it is still tendering cultivation licenses and identifying where to purchase seeds.

Uruguay's demand reduction strategy focuses on prevention, rehabilitation, and treatment, with particular attention to reducing demand for "pasta base." The National Drug Rehabilitation Center trains health care professionals and sponsors teacher training, public outreach, and other programs. The National Anti-Drug Secretariat trains educators to run an anti-drug program for adolescents, and the interagency treatment and prevention program "Portal Amarillo" serves addicts seeking help. The National Drug Police continued to implement Uruguay's 2011-2015 National Plan against Drug Trafficking and Money Laundering, which focuses on coordinating interagency efforts to combat drug-related illicit activities. The Uruguayan Navy strengthened port controls through a Borders Surveillance system and implemented an IT system (SIGEMAR) to centralize sport boat registration and increase intelligence gathering in ports along the Uruguay River.

In 2014, the Government of Uruguay seized 460 kilograms (kg) of cocaine, 227 kg of "pasta base," and 1.46 metric tons of marijuana. U.S. assistance included operational support provided by a DEA Document Analysis Team in a money laundering case. The United States also provided several Uruguayan agencies with training in anti-money laundering, financial investigation techniques, and anti-narcotics. The United States and Uruguay are parties to a bilateral extradition treaty entered into force in 1984, a mutual legal assistance treaty entered into force in 1994, and a letter of agreement through which the United States is able to support counternarcotics and law enforcement programs in Uruguay.

Uzbekistan

A. Introduction

Uzbekistan remains a significant transit country for Afghan opiates. Uzbekistan shares an 85-mile border with Afghanistan and has extensive borders with all five Central Asian countries. In addition to 134 legal crossing points, Uzbekistan's borders afford drug traffickers ample opportunity to enter undetected via thousands of miles of open desert, rugged mountains, and the Amudarya River. Afghanistan and Tajikistan are the two bordering countries most utilized by drug traffickers to smuggle narcotics into Uzbekistan. The northern route through Uzbekistan offers both the direct and indirect transit for narcotics from Afghanistan to markets in Russia and Europe and is aided by Uzbekistan's infrastructure, corruption, and rugged border terrain.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Uzbekistan's counternarcotics policy is detailed in the National Action Plan on the Prevention of Drug Abuse and Illicit Drug Trafficking (NAP). The policy mandates responsibilities for government agencies to restrict trafficking in illicit drugs, reduce demand and prevent drug abuse, improve drug enforcement-related legislation and cooperate with international partners. The Government of Uzbekistan agencies responsible for combatting narcotics include the Ministry of Internal Affairs (MVD), the National Security Service (NSS), the State Border Protection Committee and the State Customs Committee. The National Information and Analytical Center for Drug Control under the Cabinet of the Ministers (NCDC) coordinates Uzbek law enforcement counternarcotics activities and professional development, while also supporting data collection and analysis. The government generally prefers bilateral over multilateral engagement on many issues, including counternarcotics, yet Uzbekistan adheres to its international commitments in the drug trafficking sector. Uzbekistan has signed a number of cooperative agreements with its Central Asian neighbors as well as with Russia, Latvia, the Czech Republic, Japan, and China. Such cooperation is focused on training programs rather than operational activities or intelligence exchanges.

The 2012 Memorandum of Understanding (MOU) between the U.S. Drug Enforcement Administration (DEA) and the MVD provides the legal foundation for joint investigative activities and intelligence exchange. On August 27, 2014, DEA and the Office of the Prosecutor General's Financial Intelligence Unit signed a MOU that establishes a legal foundation for joint counternarcotic and terrorist-related financial investigations as well as for the exchange of intelligence. DEA is in the process of negotiating a MOU with the NCDC that will encourage further counternarcotics cooperation and the exchange of best practices through training seminars and information sharing.

In 2014, Uzbekistani law enforcement and border control agencies used U.S.-funded training and equipment to further develop their ability to interdict illicit narcotics. With U.S. assistance, Uzbekistan's forensic laboratories improved their ability to provide science-based evidence in legal proceedings by pursuing lab accreditation and certification. U.S. agencies conducted a

number of specialized training seminars for Uzbek law enforcement officials from the MVD and NSS in the areas of drug enforcement, investigative techniques, combatting money laundering, conducting financial investigations, informational analysis, and undercover operations. Uzbekistan does not have an extradition treaty or mutual legal assistance agreement with the United States, but is a signatory to the 1988 UN Drug Convention and obligated to assist in accordance with its provisions.

2. Supply Reduction

Uzbekistani officials insist that the rugged, poorly protected frontier with Tajikistan presents the biggest challenge to interdicting smuggled narcotics. While traffickers do exploit this mountainous terrain to smuggle drugs on foot or on pack animals, most drugs probably enter the country through trucks utilizing guarded Uzbek border-crossings. There has also been an increase in smuggling by rail.

The performance of Uzbekistan's counternarcotic agencies is generally believed to be average or slightly better than regional standards. Uzbekistan is developing counternarcotic and border security policies largely in isolation from its neighbors, however, significantly reducing the overall effectiveness of its efforts. The country is a full member of the Central Asia Regional Information and Coordination Center (CARICC) and participates in a number of regional UN Office on Drugs and Crime (UNODC) and European Union projects.

Uzbekistan is not a significant producer of narcotics. The most recent available statistical data is from 2013, when as a result of an annual eradication program, authorities found 1,223 cases of illegal drug cultivation, with an aggregate land area of 1.04 hectares used for illicit cultivation. Also in 2013, the government reported seizing 873.5 kilograms (kg) of marijuana; 851.3 kg of opium; 336.3 kg of poppy seed opiate (koknar); 143.3 kg of hashish; and 121.6 kg of heroin. Authorities initiated 7,680 drug related criminal cases in 2013.

Uzbekistani law enforcement officials also report that Iranian-sourced methamphetamine transits Uzbekistan on its way to Southeast Asian countries.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

Official data on the domestic consumption of drugs is unreliable. The latest biannual statistics, published in 2013, show a 5 percent decrease in the number of registered drug users in 2012 (from 18,197 to 17,235). Users between the ages of 20-39 accounted for 63.7 percent of drug users. The number of opium users fell from 13,648 to 12,914, 74.9 percent of the registered addicts. The number of intravenous drug users decreased to 7,988, or 46.3 percent of the registered users.

Uzbekistan's NAP provides for demand reduction programs and treatment options; however they are often inadequate. In 2012, 3,727 patients were treated in rehabilitation facilities, with 91.6 percent of those seeking treatment for opium addiction. Over 69 percent of patients received treatment in in-patient facilities and 26.3 percent in out-patient facilities. The government

organizes drug education programs for youth attending colleges and primary and secondary schools and in neighborhoods.

In 2013-2014, UNODC implemented three cycles of the project “Families and Schools Together” in six pilot schools. The project sought to prevent the use of drugs by school children by improving the relations among parents, students and school officials.

4. Corruption

As a matter of policy, the government does not facilitate the production or distribution of illegal narcotics. There is evidence of corruption, however, at multiple levels of government. There are occasional reports of convictions of government officials on corruption charges, but such cases appear to target low or mid-level officers. Uzbekistan is currently implementing the National Anti-Corruption Action Plan with the assistance of the international community.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

One of the cornerstones of Uzbekistan’s counternarcotics strategy is to increase the capacity of state institutions through training. Support for these capacity-building efforts is also strategically important to the United States, both within the context of improving the U.S.-Uzbekistan bilateral relationship as well as regional security.

U.S. government programs in Uzbekistan focus on modernizing border crossing checkpoints, improving forensic capabilities, developing judicial systems and enhancing the effectiveness and capabilities of law enforcement agencies. U.S. assistance facilitates training and helps to address the equipment needs of Uzbekistan’s counternarcotic enforcement agencies.

In 2014, Uzbekistan also initiated a long-term project with support from the United States and UNODC to further professionalize all substance use treatment staff in the country, through the dissemination of U.S.-developed treatment curriculum and international credentialing through the Colombo Plan’s International Centre for Certification and Education of Addiction Professionals.

D. Conclusion

Counternarcotics cooperation between the United States and Uzbekistan continued to grow in 2014, mirroring the overall trajectory of the bilateral relationship. This increased traction reflects the Government of Uzbekistan’s political will to address the challenges of drugs trafficked through the country. Modern training techniques and equipment and increased exposure to international best practices will promote sustainable improvements in Uzbekistan’s ability to combat transnational drug trafficking and criminal organizations.

Venezuela

A. Introduction

Venezuela remained a major drug-transit country in 2014. Venezuela is one of the preferred trafficking routes for illegal drugs from South America to the Caribbean region, Central America, the United States, Western Africa, and Europe, due to its porous western border with Colombia, weak judicial system, sporadic international counternarcotics cooperation, and permissive and corrupt environment.

In 2014, increased amounts of marijuana cultivated in Colombia were transported through Venezuela, primarily to the Caribbean Islands. According to a 2009 drug-consumption study by the Venezuelan National Anti-Narcotics Office (ONA), marijuana was the most commonly consumed illicit drug in Venezuela, followed by “crack” cocaine and “basuco” (cocaine paste).

Limited coca cultivation occurs along Venezuela’s border with Colombia. Some precursor chemicals used to produce cocaine are trafficked through Venezuela, but the quantity is not known. In 2014, Venezuelan authorities seized 14 labs and approximately 10 metric tons (MT) of precursor chemicals during joint U.S.-Venezuelan anti-drug operations. The Venezuelan government does not report the production of new psychoactive substances in Venezuela or the trafficking of these substances from Venezuela.

The President of the United States determined in 2014 that Venezuela had failed demonstrably to adhere to its obligations under international counternarcotics agreements, though a waiver allowing for continued assistance was granted in the interest of national security.

Venezuelan authorities do not effectively prosecute drug traffickers, in part due to political corruption. Additionally, Venezuelan law enforcement officers lack the equipment, training, and resources required to impede the operations of major drug trafficking organizations.

In 2014, the Venezuelan government reduced what had been a year-long trend of growing bilateral law enforcement cooperation with the United States on drug seizures following the arrest and subsequent release of retired Venezuelan general Hugo Carvajal in Aruba, who was indicted in the United States in 2011 and 2013 for alleged drug trafficking.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In 2013, ONA officials developed a National Anti-Drug Plan for 2013-2019 that sought to reduce drug consumption and increase prevention activities. ONA worked closely with civil society to provide anti-drug education training and athletic programming in different areas around the country. ONA’s 2013 Assessment Report indicated efforts to increase awareness and prevent consumption through a program that seeks to tackle drugs in education, labor, communes, and high-risk populations.

In 2013, President Maduro announced the implementation of procedures for the Venezuelan Armed Forces to intercept and disable aircraft in Venezuelan territory believed to be trafficking drugs, and to disable clandestine airstrips, in accordance with the 2012 Integral Airspace Defense Law. In 2013, the Armed Forces reportedly destroyed 103 airstrips, and seized three aircrafts. The Armed Forces used its radar system to detect unauthorized flights, and 103 aircraft were screened, of which 22 were immobilized. According to media reports, some of these aircraft were disabled while in service (as defined by the Montreal Convention of 1971); such an action is contrary to international civil aviation conventions to which Venezuela is a signatory.

In May 2014, Venezuela signed an international agreement with Russia to cooperate in the fight against drugs. President Maduro announced joint operations between the Russian Federal Drug Control Service and ONA. The 2010 Organic Law on Drugs increased the penalties for drug trafficking and gave ONA the authority to seize the assets of individuals connected with drug trafficking.

A U.S.-Venezuela treaty pledging both countries to cooperate in investigating, prosecuting, preventing, and suppressing crime, including drug trafficking, entered into force in 2004. Additionally, Venezuela and the United States have had a Bilateral Counternarcotics Memorandum of Understanding (MOU) since 1978. Counternarcotics cooperation between Venezuela and the United States has been very limited and inconsistent since 2005, when Venezuela refused to sign a negotiated addendum to the MOU to improve anti-drug cooperation.

In 1997, the U.S. and Venezuelan governments updated a customs mutual assistance agreement and a 1991 bilateral maritime counterdrug agreement that authorizes U.S. officials to board Venezuelan flagged vessels suspected of trafficking drugs in international waters, as long as the Venezuelan government permits the search. A mutual legal assistance treaty between the United States and Venezuela entered into force in 2004.

Venezuela is party to the Inter-American Convention against Terrorism, the Inter-American Convention against Corruption, and the Inter-American Convention on Mutual Assistance in Criminal Matters. Venezuela remains an active member of the Inter-American Drug Abuse Control Commission.

The United States and Venezuela are parties to an extradition treaty that entered into force in 1923; however, the 1999 Venezuelan constitution bars the extradition of Venezuelan nationals. Venezuela periodically deports non-Venezuelan nationals to the United States for prosecution.

2. Supply Reduction

Venezuela remains a major transit country for cocaine shipments via aerial, terrestrial, and maritime routes. Most flights suspected of trafficking narcotics depart from Venezuelan states bordering Colombia. Trafficking by maritime conveyance includes the use of large cargo containers, fishing vessels, and “go-fast” boats.

The vast majority of illicit narcotics that transited Venezuela in 2014 were destined for the Eastern Caribbean, Central America, the United States, West Africa, and Europe. Colombian drug-trafficking organizations – including Los Rastrojos, the Revolutionary Armed Forces of Colombia (FARC), and the National Liberation Army (ELN) – facilitate the transshipment of narcotics through Venezuela. According to media reports, Mexican drug-trafficking organizations, including the Sinaloa Cartel and Los Zetas, also operate in Venezuela.

The Venezuelan government occasionally reports drug seizures, arrests, and destruction of drugs and airstrips to the public. Venezuela is not a member of the Cooperating Nations Information Exchange System through which countries predetermine some information to share automatically with the United States. Venezuelan authorities similarly did not share evidence about destruction of illicit drugs with U.S. officials.

In October, ONA President Irwin Jose Ascanio stated publicly that Venezuelan authorities had seized 35.5 MT of illegal drugs since January, of which 18.6 and 13.7 were cocaine and marijuana, respectively. Ascanio claimed Venezuelan authorities had arrested 8,994 people on drug trafficking charges. Vladimir Padrino Lopez, named Defense Minister in October and concurrent head of the Operational Strategic Command of the Armed Forces, stated that Venezuelan authorities in operations near the Colombian border destroyed five drug camps, 108 clandestine airstrips used by drug traffickers, 43 clandestine laboratories, and seized four watercraft and three aircraft used by drug-trafficking organizations. According to Padrino, army troops discovered a camp with 20 laboratories to manufacture cocaine with more than 600 kilograms (kg) of the drug.

In November, Venezuelan Vice President Jorge Arreaza announced operation “Sovereign Skies,” aimed at halting flights by private jets leaving from seven airports in order to crack down on drug trafficking.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The use of illegal drugs in Venezuela remained a problem in 2014, but recent statistical data is unavailable. The 2011 UN World Drug Report is the most recent report on domestic consumption, which noted that cocaine and cannabis use among adults was 0.64 percent and 1.7 percent, respectively. Use of synthetic drugs and opioids is less frequent.

ONA implemented a National Treatment System in 2013 as a nationwide program to treat substance use disorder. The system uses professional care for detoxification and social reinsertion of addicts through a three-level program that includes the Center of Family Guidance, the Specialized Center for Prevention and Comprehensive Assistance, and the Socialist Therapeutic Community. In 2013, ONA reported that 37,549 individuals were treated in this system, 19,835 of whom received training to become prevention educators. There were 6,641 individuals in treatment facilities along with 3,032 family members, according to the 2013 ONA Annual Report.

4. Corruption

Although Venezuela, as a matter of government policy, does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs, public corruption is a major problem in Venezuela that makes it easier for drug-trafficking organizations to move and smuggle illegal drugs. President Maduro's decree powers, granted by the National Assembly in November 2013 to combat corruption, expired on November 19, 2014. It is unclear whether the measures he authorized will be effective tools to combat corruption.

In July 2014, Aruban authorities arrested Former Director of Venezuela's Military Intelligence Directorate Hugo Armando Carvajal Barrios, who was designated in 2008 by the U.S. Department of Treasury for materially assisting the narcotics trafficking activities of the Revolutionary Armed Forces of Colombia (FARC) and indicted within the United States for drug trafficking. Venezuelan authorities reportedly threatened Aruba to pressure authorities to release him, and he was welcomed back to Caracas at a large rally led by President Maduro.

The United States has implicated senior Venezuelan government officials in drug trafficking activity. In 2008, the U.S. Department of Treasury designated former Minister of Defense and current Trujillo state Governor, Henry Rangel Silva and Guárico state Governor Ramón Emilio Rodríguez Chacín as "Specially Designated Nationals and Blocked Persons (SDN)" under the Foreign Narcotics Kingpin Designation Act (Kingpin Act) for assisting the FARC in trafficking narcotics. The Venezuelan government has yet to take action against these or other government and military officials with known links to the FARC.

In 2011, the U.S. Department of Treasury designated four additional Venezuelan government officials under the Kingpin Act, including Major General Cliver Antonio Alcalá Cordones, and National Assembly Deputy Freddy Alirio Bernal Rosales. In 2013, The U.S. Department of Treasury added Vassily Kotosky Villarroel-Ramirez, a former captain in the Venezuelan National Guard, to the SDN list.

The 2010 Organic Law on Drugs imposes penalties ranging from eight to 18 years in prison for military and security officials convicted of participating in or facilitating narcotics trafficking. In 2013, Venezuelan authorities detained eight Venezuelan military officials to investigate their roles in a drug operation that resulted in French authorities seizing 1.3 MT of cocaine in Paris from an Air France flight that originated in Caracas, according to media reports.

On April 16, 2014, four unchecked suitcases with 168 kg of cocaine secreted in the plane's wheel well caused an aircraft from the Venezuelan carrier Laser to return to Maiquetia airport after taking off, reportedly due to the inability to retract the wheels of the plane in flight. The finding was never reported by the Attorney's General office or the ONA, but seven individuals were arrested according to media reports, including a National Guard Lieutenant.

C. National Goals, Bilateral Cooperation, and U.S. Policy Initiatives

Counternarcotics cooperation between Venezuela and the United States has been very limited and inconsistent since 2005, when Venezuela refused to sign a negotiated addendum to the MOU to improve anti-drug cooperation.

In 2014, Venezuela participated in the International Drug Enforcement Conference (IDEC) for the first time since 2008.

The United States and Venezuela continued to exercise a 1991 maritime bilateral agreement allowing for each country to board vessels of the opposite flag suspected of illicit drug trafficking in international waters. In 2014, the Venezuelan government cooperated with the USCG in two documented maritime drug-interdiction cases, compared to 10 cases in 2013, five cases in 2012, and three cases in 2011.

D. Conclusion

Counternarcotics cooperation between Venezuela and the United States has been very limited and inconsistent since 2005, when Venezuela refused to sign a negotiated addendum to the MOU to improve anti-drug cooperation. The United States remains committed to cooperating with Venezuela to counter the flow of cocaine and other illegal drugs transiting Venezuelan territory.

To advance cooperation, the Venezuelan government should sign the addendum to the 1978 Bilateral Counternarcotics MOU. Enhanced cooperation could increase the exchange of information and ultimately lead to more drug-related arrests, help dismantle organized criminal networks, aid in the prosecution of criminals engaged in narcotics trafficking, and stem the flow of illicit drugs transiting Venezuela.

Vietnam

Vietnam is an illicit drug transshipment point for local and international criminal organizations. In 2014, Vietnamese law enforcement officials detected and arrested Vietnamese and foreign nationals smuggling illicit narcotics from Burma, Cambodia, China, and Laos to Vietnam and onwards to Cambodia, China, India, Japan, Korea, Singapore, and Thailand. The United Nations Office on Drugs and Crime (UNODC) reports that West African drug trafficking organizations are active in Ho Chi Minh City and southern Vietnam. Government of Vietnam statistics show that heroin is the main drug used and trafficked in Vietnam, though use of amphetamine-type stimulants (ATS) is on the rise. Since 2010, ATS has been the second most widely used drug in Vietnam, predominantly in the form of methamphetamine pills, but increased presence of crystalline methamphetamine has been reported. Cultivation and production of illicit narcotics in Vietnam remains limited.

The Government of Vietnam continues to implement its 2011 comprehensive anti-drug strategy. In 2012, the Prime Minister allocated \$121 million to support drug control and drug prevention, and Vietnam ratified the UN Convention against Transnational Organized Crime. In December 2013, the GVN approved the Decision on Drug Rehabilitation Renovation Plan for the period 2013-2020 which aims to diversify drug dependence treatment models, scale up community-based and voluntary treatment centers, and reduce the number of people in compulsory rehabilitation centers.

According to Vietnam's National Committee on AIDS, Drugs and Prostitution Control and Prevention, in the first six months of 2014, Vietnam's law enforcement investigated 10,256 drug-related cases and arrested 15,298 people involved in drug-related crime, both slight increases from the same period in 2013. The Committee also reported that over the first six months of 2014, law enforcement agencies seized 478.7 kg of heroin, 14.1 kg of opium, 909.1 kg of cannabis, and 127.5 kg and 197,097 tablets of synthetic drugs. These figures reflect a slight increase in seizures of heroin, synthetic drugs and cannabis, but a decrease in opium compared to the same period of 2013 (466 kg of heroin, 83 kg of cannabis, 46 kg and 140,000 tablets of synthetic drugs, and 83 kg of opium).

Vietnam works closely with neighboring countries to carry out interdiction operations, including through border liaison offices on both sides of the Sino-Vietnamese border. The United States promotes counternarcotics information sharing, coordination of operations, and capacity building with Vietnam's Ministry of Public Security, including through ongoing cooperation with the U.S. Drug Enforcement Administration. Through the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the United States budgeted approximately \$10 million in 2014 to support medication-assisted therapy for 20,000 patients to prevent HIV transmission and improve treatment outcomes among people who inject drugs.

Vietnam does not have a mutual legal assistance treaty or extradition agreement with the United States, although Vietnam has acceded to relevant multilateral conventions that enable such cooperation.



United States Department of State

**Bureau for International Narcotics and Law
Enforcement Affairs**

**International
Narcotics Control
Strategy Report**

Volume II

**Money Laundering and
Financial Crimes**

March 2015

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Common Abbreviations

AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BCS	Bulk Cash Smuggling
CFATF	Caribbean Financial Action Task Force
CFT	Combating the Financing of Terrorism
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DNFBP	Designated Non-Financial Businesses and Professions
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
EC	European Commission
ECOWAS	Economic Community of West African States
EO	Executive Order
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FI	Financial Institution
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FTZ	Free Trade Zone
FSRB	FATF-Style Regional Body
GABAC	Action Group against Money Laundering in Central Africa
GAFISUD	Financial Action Task Force on Money Laundering in South America
GIABA	Inter-Governmental Action Group against Money Laundering
IBC	International Business Company
ICE	Immigration and Customs Enforcement
ICRG	International Cooperation Review Group
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CID	Internal Revenue Service Criminal Investigative Division
MENAFATF	Middle East and North Africa Financial Action Task Force

MER	Mutual Evaluation Report
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
MVTS	Money Value Transfer Service
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFAC	Office of Foreign Assets Control
OFC	Offshore Financial Center
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption

Definitions

AML/CFT - Anti-Money Laundering/Combating the Financing of Terrorism: Collective term used to describe the overall legal, procedural, and enforcement regime countries must implement.

Bearer Shares: A bearer share is an equity security that is solely owned by whoever holds the physical stock certificate. The company that issues the bearer shares does not register the owner of the stock nor does it track transfers of ownership. The company issues dividends to bearer shareholders when a physical coupon is presented.

BMPE – Black Market Peso Exchange: One of the most pernicious money laundering schemes in the Western Hemisphere. It is also one of the largest, processing billions of dollars' worth of drug proceeds a year from Colombia alone via trade-based money laundering (TBML), "smurfing," cash smuggling, and other schemes. BMPE-like methodologies are also found outside the Western Hemisphere. There are variations on the schemes involved, but generally brokers contact importers in the country receiving the money who want to buy goods from a U.S. business. Drug dollars are used to pay the exporter on behalf of the foreign importer. The importer pays the broker in local currency; the broker takes a cut and passes along the remainder to the responsible drug cartel.

Bulk Cash Smuggling: Bulk cash refers to the large amounts of currency notes criminals accumulate as a result of various types of criminal activity. Smuggling, in the context of bulk cash, refers to criminals' subsequent attempts to physically transport the money from one country to another.

CDD/KYC – Customer Due Diligence/Know Your Customer: The first step financial institutions must take to detect, deter, and prevent money laundering and terrorism financing, namely, maintaining adequate knowledge and data about customers and their financial activities.

Cross-border currency reporting: Per FATF recommendation, countries should establish a currency declaration system that applies to all incoming and outgoing physical transportation of cash and other negotiable monetary instruments.

Counter-valuation: Often employed in settling debts between hawaladars or traders. One of the parties over-or-undervalues a commodity or trade item such as gold, thereby transferring value to another party and/or offsetting debt owed.

CTR – Currency Transaction Report: Financial institutions in some jurisdictions are required to file a CTR whenever they process a currency transaction exceeding a certain amount. In the United States, for example, the reporting threshold is \$10,000. The amount varies per jurisdiction. These reports include important identifying information about accountholders and the transactions. The reports are generally transmitted to the country's financial intelligence unit (FIU).

Digital Currency: Digital currency is an internet-based form of currency or medium of exchange, distinct from physical currencies or forms of value such as banknotes, coins, and gold. It is electronically created and stored. Some forms are encrypted. They allow for instantaneous

transactions and borderless transfer of ownership. Digital currencies generally can be purchased, traded, and exchanged among user groups and can be used to buy physical goods and services, but can also be limited or restricted to certain online communities such as a given social network or internet game. Digital currencies are purchased directly or indirectly with genuine money at a given exchange rate and can generally be remotely redeemed for genuine monetary credit or cash. According to the U.S. Department of Treasury, digital currency operates like traditional currency, but does not have all the same attributes; i.e., it does not have legal tender status.

Egmont Group of FIUs: The international standard-setter for financial intelligence units (FIUs). The organization was created with the goal of serving as a center to overcome the obstacles preventing cross-border information sharing between FIUs.

FATF-Financial Action Task Force: FATF was created by the G7 leaders in 1989 in order to address increased alarm about money laundering's threat to the international financial system. This intergovernmental policy making body was given the mandate of examining money laundering techniques and trends and setting international standards for combating money laundering and terrorist financing.

FIU – Financial Intelligence Unit: In many countries, a central national agency responsible for receiving, requesting, analyzing, and/or disseminating disclosures of financial information to the competent authorities, primarily concerning suspected proceeds of crime and potential financing of terrorism. An FIU's mandate is backed up by national legislation or regulation. The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit

FSRB – FATF-style Regional Body: These bodies – which are modeled on FATF and are granted certain rights by that organization – serve as regional centers for matters related to AML/CFT. Their primary purpose is to promote a member jurisdiction's implementation of comprehensive AML/CFT regimes and implement the FATF recommendations.

Hawala: A centuries-old broker system based on trust, found throughout South Asia, the Arab world, and parts of Africa, Europe, and the Americas. It allows customers and brokers (called "hawaladars") to transfer money or value without physically moving it, often in areas of the world where banks and other formal institutions have little or no presence. It is used by many different cultures, but under different names; "hawala" is used often as a catchall term for such systems in discussions of terrorism financing and related issues.

Hawaladar: A broker in a hawala or hawala-type network.

IBC - International Business Company: Firms registered in an offshore jurisdiction by a non-resident that are precluded from doing business with residents in the jurisdiction. Offshore entities may facilitate hiding behind proxies and complicated business structures. IBCs are frequently used in the "layering" stage of money laundering.

Integration: The last stage of the money laundering process. The laundered money is introduced into the economy through methods that make it appear to be normal business activity, to include real estate purchases, investing in the stock market, and buying automobiles, gold, and other high-value items.

KP – Kimberly Process: The Kimberly Process was initiated by the UN to keep “conflict” or “blood” diamonds out of international commerce, thereby drying up the funds that sometimes fuel armed conflicts in Africa’s diamond producing regions.

Layering: This is the second stage of the money laundering process. The purpose of this stage is to make it more difficult for law enforcement to detect or follow the trail of illegal proceeds. Methods include converting cash into monetary instruments, wire transferring money between bank accounts, etc.

Legal Person: An individual, company, or other entity that has legal rights and is subject to obligations. In the FATF Recommendations, a legal person refers to a partnership, corporation, or other established entity that can conduct business or own property, as opposed to a human being.

ME - Mutual Evaluation: All FATF and FSRB members have committed to undergoing periodic multilateral monitoring and peer review to assess their compliance with FATF’s recommendations. Mutual evaluations are one of the FATF’s/FSRB’s primary instruments for determining the effectiveness of a country’s AML/CFT regime.

MER – Mutual Evaluation Report: At the end of the FATF/FSRB mutual evaluation process, the assessment team issues a report that describes the country’s AML/CFT regime and rates its effectiveness and compliance with the FATF Recommendations.

Mobile Payments or M-Payments: An umbrella term that generally refers to the growing use of cell phones to credit, send, receive, and transfer money and digital value.

Natural Person: In jurisprudence, a natural person is a real human being, as opposed to a legal person, which may be a private or public organization. In many cases, fundamental human rights are implicitly granted only to natural persons.

Offshore financial center: Usually a low-tax jurisdiction that provides financial and investment services to non-resident companies and individuals. Generally, companies doing business in offshore centers are prohibited from having clients or customers who are resident in the jurisdiction. Such centers may have strong secrecy provisions or minimal identification requirements.

Over-invoicing: When money launderers and those involved with value transfer, trade-fraud, and illicit finance misrepresent goods or services on an invoice by indicating they cost more than they are actually worth. This allows one party in the transaction to transfer money to the other under the guise of legitimate trade.

PEP – Politically Exposed Person: A term describing someone who has been entrusted with a prominent public function, or an individual who is closely related to such a person.

Placement: This is the first stage of the money laundering process. Illicit money is disguised or misrepresented, then placed into circulation through financial institutions, casinos, shops, and other businesses, both local and abroad. A variety of methods can be used for this purpose,

including currency smuggling, bank transactions, currency exchanges, securities purchases, structuring transactions, and blending illicit with licit funds.

STR/SAR - Suspicious Transaction Report/Suspicious Activity Report: If a financial institution suspects or has reasonable grounds to suspect that the funds involved in a given transaction derive from criminal or terrorist activity, it is obligated to file a report with its national FIU containing key information about the transaction. In the United States, SAR is the most common term for such a report, though STR is used in most other jurisdictions.

Shell Company: An incorporated company with no significant operations, established for the sole purpose of holding or transferring funds, often for money laundering purposes. As the name implies, shell companies have only a name, address, and bank accounts; clever money launderers often attempt to make them look more like real businesses by maintaining fake financial records and other elements. Shell companies are often incorporated as IBCs.

Smurfing/Structuring: A money laundering technique that involves splitting a large bank deposit into smaller deposits to evade financial transparency reporting requirements.

TBML - Trade-Based Money Laundering: The process of disguising the proceeds of crime and moving value via trade transactions in an attempt to legitimize their illicit origin.

TTU-Trade Transparency Unit: TTUs examine trade between countries by comparing, for example, the export records from Country A and the corresponding import records from Country B. Allowing for some recognized variables, the data should match. Any wide discrepancies could be indicative of trade fraud (including TBML), corruption, or the back door to underground remittance systems and informal value transfer systems, such as hawala.

Under-invoicing: When money launderers and those involved with value transfer, trade fraud, and illicit finance misrepresent goods or services on an invoice by indicating they cost less than they are actually worth. This allows the traders to settle debts between each other in the form of goods or services.

UNSCR 1267: UN Security Council Resolution 1267 and subsequent resolutions require all member states to take specific measures against individuals and entities associated with the Taliban and al-Qaida. The “1267 Committee” maintains a public list of these individuals and entities, and countries are encouraged to submit potential names to the committee for designation.

UNSCR 1373: UN Security Council Resolution 1373 requires states to freeze without delay the assets of individuals and entities associated with any global terrorist organization. This is significant because it goes beyond the scope of Resolution 1267 and requires member states to impose sanctions against all terrorist entities.

Zakat: One of the five pillars of Islam, translated as “alms giving.” It involves giving a percentage of one’s possessions to charity. Often compared to tithing, *zakat* is intended to help poor and deprived Muslims. The Muslim community is obligated to both collect *zakat* and distribute it fairly.

Money Laundering and Financial Crimes

Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2015 INCSR is the 31st annual report prepared pursuant to the FAA.¹

The FAA requires a report on the extent to which each country or entity that received assistance under chapter 8 of Part I of the Foreign Assistance Act in the past two fiscal years has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" ("1988 UN Drug Convention") (FAA § 489(a)(1)(A)).

Although the 1988 UN Drug Convention does not contain a list of goals and objectives, it does set forth a number of obligations the parties agree to undertake. Generally speaking, it requires the parties to take legal measures to outlaw and punish all forms of illicit drug production, trafficking, and drug money laundering; to control chemicals that can be used to process illicit drugs; and to cooperate in international efforts to these ends. The statute lists action by foreign countries on the following issues as relevant to evaluating performance under the 1988 UN Drug Convention: illicit cultivation, production, distribution, sale, transport and financing, money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2015 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA §489(a)(3)(C)). The INCSR also is required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(C)). This report is the section of the INCSR that reports on money laundering and financial crimes.

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking" (FAA § 481(e)(7)). However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. Additionally, money laundering activity has moved beyond banks and traditional financial institutions to other non-financial businesses and professions and

¹ The 2015 report on Money Laundering and Financial Crimes is a legislatively mandated section of the U.S. Department of State's annual International Narcotics Control Strategy Report. This 2015 report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. Specifically, the U.S. Treasury Department's Financial Crimes Enforcement Network, which, as a member of the international Egmont Group of Financial Intelligence Units, has unique strategic and tactical perspective on international anti-money laundering developments. Many other agencies also provided information on international training as well as technical and other assistance, including the following: Department of Homeland Security's Homeland Security Investigations and Customs and Border Protection; Department of Justice's Asset Forfeiture and Money Laundering Section of Justice's Criminal Division, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance and Training; and, Treasury's Office of Terrorist Financing and Financial Crimes, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance. Also providing information on training and technical assistance are the independent regulatory agencies, Federal Deposit Insurance Corporation and the Federal Reserve Board.

alternative money and value transfer systems. This year's list of major money laundering countries recognizes this relationship by including all countries and other jurisdictions whose financial institutions and/or non-financial businesses and professions or other value transfer systems engage in transactions involving significant amounts of proceeds from all serious crime. A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a major money laundering jurisdiction. In some cases, this classification may simply or largely be a function of the size and/or sophistication of the jurisdiction's economy. In such jurisdictions, quick, continuous, and effective anti-money laundering efforts by the government are critical. The following countries/jurisdictions have been identified this year in this category:

Major Money Laundering Countries in 2014:

Afghanistan, Antigua and Barbuda, Argentina, Australia, Austria, Bahamas, Belize, Bolivia, Brazil, British Virgin Islands, Burma, Cambodia, Canada, Cayman Islands, China, Colombia, Costa Rica, Curacao, Cyprus, Dominican Republic, France, Germany, Greece, Guatemala, Guernsey, Guinea-Bissau, Haiti, Hong Kong, India, Indonesia, Iran, Iraq, Isle of Man, Israel, Italy, Japan, Jersey, Kenya, Latvia, Lebanon, Liechtenstein, Luxembourg, Macau, Mexico, Netherlands, Nigeria, Pakistan, Panama, Paraguay, Philippines, Russia, Singapore, Somalia, Spain, St. Maarten, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, West Bank and Gaza, and Zimbabwe.

The Money Laundering and Financial Crimes section provides further information on these countries/jurisdictions, as required by section 489 of the FAA.

Introduction

The *2015 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, highlights the most significant steps countries and jurisdictions categorized as “Major Money Laundering Countries” have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For each country where it has been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. Country reports also provide links to the Department of State’s “Country Reports on Terrorism” so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow those interested readers to find detailed information on the country’s AML/CFT capacity and the effectiveness of its programs.

In addition, the report contains details of United States government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2014, U. S. government personnel continued to leverage their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring, and support for supervisory, law enforcement, prosecutorial, customs, and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time, will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering continues to be a serious global threat. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials, and destabilization of their economies. The development of new technologies and the possibility of linkages among illegal activities that generate considerable proceeds, transnational criminal organizations, and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal, and intelligence communities.

The continued development of AML/CFT regimes, as reflected in this report, is vital to countering these threats. Political stability, democracy, and free markets depend on solvent, stable, and honest financial, commercial, and trade systems. The Department of State’s Bureau for International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important work and strengthening capacities globally to combat money laundering and the funding of terrorists and terrorism.

Bilateral Activities

Training and Technical Assistance

During 2014, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their counterparts around the globe. These courses have been designed to give financial investigators, regulators, supervisors, prosecutors and the judiciary the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Additionally, training in money laundering awareness has been provided to both government and private sector entities to enhance their understanding of money laundering detection and the international standards. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

Board of Governors of the Federal Reserve System

The Board of Governors of the Federal Reserve System (FRB) conducts a Bank Secrecy Act (BSA) and Office of Foreign Assets Control (OFAC) compliance program review as part of its regular safety-and-soundness examination. These examinations are an important component in the United States' efforts to detect and deter money laundering and terrorist financing. The FRB monitors its supervised financial institutions' conduct, including domestic supervised organizations, for BSA and OFAC compliance.

Internationally, during 2014, the FRB conducted training and provided technical assistance to banking supervisors in AML/CFT tactics during two seminars; one in Washington, D.C. and one in Mexico City, Mexico. Countries participating in these FRB initiatives were Bahrain, Bangladesh, Ghana, Haiti, Hong Kong, India, Italy, Malawi, Malta, Mexico, Nigeria, Paraguay, Singapore, South Africa, and Turkey.

Due to the importance that the FRB places on international standards, the FRB's AML experts participate regularly in the U.S. delegation to the FATF and the Basel Committee's AML/CFT expert group. The FRB is also an active participant in the U.S. Treasury Department's ongoing Private Sector Dialogue conferences. Staff also meets frequently with industry groups and foreign supervisors to communicate U.S. supervisory expectations and support industry best practices in this area.

Department of Homeland Security

Customs and Border Protection

In 2014, Customs and Border Protection (CBP) delivered training on bulk cash smuggling for Israel, the Philippines, Brazil, and Ethiopia. The workshops covered various topics, including the country's money laundering reporting requirements and laws, currency smuggling techniques, intelligence gathering, targeting, interdiction techniques, interviewing, source development, red flag indicators of currency smuggling, conducting investigations, and evidence processing. The topics were initially discussed in a classroom setting, followed by three days of practical exercises. The goal was to facilitate actual cash seizures as well as the identification of individuals and organizations engaged in this activity. Training was also provided for the Royal Bahamas Police Force narcotics detection canine program.

Homeland Security Investigations

In 2014, Homeland Security Investigations (HSI), the investigative arm of the U.S. Department of Homeland Security (DHS), provided financial investigations training to over 430 foreign law enforcement officers; regulatory, intelligence, and administrative agencies; judicial authorities; and bank and trade officials from over 12 nations. Employing broad experience and expertise in conducting international financial investigations, HSI designed the training to provide the attendees with the critical skills necessary to successfully identify and investigate financial crimes.

Cross Border Financial Investigations Training Program

HSI's Cross Border Financial Investigation Training (CBFIT) program provides specialized training, technical assistance, and best practices related to cross-border financial investigations to foreign law enforcement personnel, intelligence and administrative agencies, and judicial authorities. CBFIT provides foreign partners with the capability to implement international standards, with special emphasis on new technologies, dissuasive actions, competent authorities, international cooperation, alternative remittance, and cash couriers.

The U.S. Department of State has provided HSI with funds to manage and implement the CBFIT program and to enhance the ability of foreign law enforcement personnel to deter terrorists and terrorist groups. HSI International Operations administers the CBFIT program and has provided blocks of training detailing cross-border financial crimes, new trends and aspects of money laundering, and sharing of best practices on how to initiate multi-jurisdictional investigations following bulk cash interdiction incidents. During fiscal year 2014, International Operations conducted 11 CBFIT training events for several countries, including Afghanistan, Bangladesh, Brazil, Ethiopia, Jordan, Maldives, Nepal, Oman, Pakistan, Panama, Philippines, and the United Arab Emirates.

Cross Border Financial Investigations Advisor

HSI special agents have been deployed for extended periods of time to foreign posts to serve as resident cross border financial investigations advisors (CBFIA). For the entire length of the temporary duty assignment, the advisors work in support of the HSI attaché with appropriate host nation agencies (customs/border authorities, investigators, prosecutors, financial investigations units, etc.) to organize and conduct financial investigation training seminars at various locations within each host nation. Moreover, the advisors are available to host nation authorities for response to incidents involving the discovery or interdiction of currency or other financial instruments and the development of financial investigations. This provides the host nation the opportunity to employ the material and tactics learned in the classroom in a real world setting, while at the same time having the benefit of the experience, guidance, and investigative resources of HSI. During fiscal year 2014, HSI deployed 14 subject matter experts to serve as advisors under the CBFIA program in Argentina, Brazil, Ethiopia, Jordan, Nepal, Panama, Paraguay, Philippines, and the United Arab Emirates.

Trade Transparency Units

Trade Transparency Units (TTUs) are designed to help identify significant disparities in import and export trade documentation and identify anomalies related to cross-border trade that are indicative of international trade-based money laundering. TTUs generate, initiate, and support investigations and prosecutions related to trade-based money laundering, the illegal movement of criminal proceeds across international borders, the abuse of alternative remittance systems, and other financial crimes. By sharing trade data, HSI and participating foreign governments are able to see both sides of import and export transactions for commodities entering or exiting their countries, thus assisting in the investigation of international money laundering organizations. The number of trade-based money laundering investigations emerging from TTU activity continues to grow.

The United States established a TTU within DHS/HSI that generates both domestic and international investigations. With funding support from the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs, HSI continued to expand the network of operational TTUs, which now includes Argentina, Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama, and Paraguay. As part of the TTU initiative, HSI provides equipment and increased operational support to these TTU partners to ensure the network's successful development.

Department of Justice

Drug Enforcement Administration

The Drug Enforcement Administration's (DEA's) Office of Financial Operations (FO) provides expert guidance to DEA's domestic and foreign offices, as well as international law enforcement agencies, on issues relating to all aspects of financial investigations. FO works in conjunction with DEA offices, foreign counterparts, and other agencies to effectively identify the financial infrastructure supporting drug trafficking organizations and provide its financial expertise to fully dismantle and disrupt all aspects of these criminal organizations. Additionally, FO facilitates cooperation between countries, resulting in the identification and prosecution of drug money laundering organizations as well as the seizure of assets and the denial of revenue. FO regularly briefs and educates United States diplomats, foreign government officials, and military and law enforcement counterparts regarding the latest trends in money laundering, narco-terrorism financing, international banking, offshore corporations, international wire transfers of funds, and financial investigations.

FO regularly conducts international seminars for foreign law enforcement and military counterparts to share strategic ideas and promote effective techniques in financial investigations. During 2014, FO conducted a seminar on undercover financial operations in Guatemala City, for 15 participants from the Guatemala National Police and the Prosecutors Office; and a seminar on financial investigations in Montevideo, Uruguay, for 25 attendees from the Uruguay National Police, the Prosecutors Office, and the judiciary. The seminars focused on international money laundering trends, and what law enforcement techniques can be used to counter these developments within their jurisdictions.

Office of Overseas Prosecutorial Development, Assistance and Training; the Asset Forfeiture and Money Laundering Section; and the Counterterrorism Section

Office of Overseas Prosecutorial Development, Assistance and Training's (OPDAT) Training and Technical Assistance Program

OPDAT assesses, designs, and implements training and technical assistance programs for U.S. criminal justice sector counterparts overseas. OPDAT draws upon the AML/CFT expertise within the Department of Justice (DOJ), including the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS), the National Security Division (NSD), and U.S. Attorney's Offices to train and advise foreign AML/CFT partners. The training and technical assistance provided by OPDAT is funded through the U.S. Department of State and the U.S. Agency for International Development.

In addition to training programs targeted to a country's immediate needs, OPDAT also provides long-term, in-country assistance through Resident Legal Advisors (RLAs). RLAs are federal prosecutors who work directly with counterparts in legal and law enforcement agencies to provide in-country technical assistance to improve capacity, efficiency, and professionalism within foreign criminal justice systems. To promote reforms within the criminal justice sector,

RLAs provide assistance in legislative drafting; modernizing institutional structures, policies and practices; and training law enforcement personnel, including prosecutors, judges, and – in collaboration with DOJ’s International Criminal Investigative Training Assistance Program (ICITAP) – police and other investigative officials. OPDAT often works with other donors and multilateral organizations as well.

In 2014, OPDAT, AFMLS, and NSD met with and provided presentations to more than 30 international visitors from more than 5 countries on AML and/or CFT topics through the State Department-led International Visitors Leadership Program (IVLP). Presentations covered U.S. policies to combat terrorism, U.S. legislation and issues raised in implementing new legislative tools, and the changing relationship of criminal and intelligence investigations. The meetings also covered money laundering and material support statutes, and the Classified Information Procedures Act. Of great interest to visitors is the balancing of civil liberties and national security issues.

Anti-Money Laundering/Asset Forfeiture/Fraud

In 2014, OPDAT and AFMLS provided assistance in drafting AML statutes compliant with international standards and provided training to foreign judges, prosecutors, and law enforcement officials; legislators; customs, supervisory, and financial intelligence unit personnel; and private sector participants. The content of individual technical assistance programs varied depending on the participants’ specific needs, but topics addressed in 2014 include the investigation and prosecution of complex financial crimes, economic crimes, money laundering, and corruption; the use of asset forfeiture as a law enforcement tool; counterfeiting; real estate fraud; and international mutual legal assistance. AFMLS experts participated in a variety of conferences and seminars around the world including in China and Thailand.

AFMLS and OPDAT designed a five-course curriculum on Financial Investigations and Asset Recovery focusing on Egypt, Libya, Tunisia, and Yemen, which began in 2013 as part of the White House’s Deauville Partnership Initiative. Due to U.S. embassy security concerns, there were delays, but in 2014, DOJ AFMLS/OPDAT delivered five courses in Egypt, four in Yemen, and one regional course held on the margins of the Third Arab Forum on Asset Recovery (AFAR III) in Switzerland. The program will continue until June 2015, when project funding ends.

Terrorism/Terrorist Financing

OPDAT, drawing on the expertise and assistance of other DOJ components, plays a central role in providing technical assistance to foreign counterparts to attack the financial underpinnings of terrorism and to build legal infrastructures to combat it. In this undertaking, OPDAT, AFMLS, and NSD work as integral parts of the U.S. interagency effort to combat terrorist financing.

In 2014, the Department of State supported eight RLAs, located in Algeria, Bangladesh, Iraq, Kenya, Panama, Senegal, Turkey, and the UAE. The RLA for the UAE is responsible for OPDAT program activities in the UAE, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen. Working in countries deemed to be vulnerable to terrorist financing, RLAs focus on money laundering and financial crimes, and developing counterterrorism legislation that

comports with international standards. The RLAs implement these programs by providing training, assistance in legislative drafting, and support for the countries' AML/CFT efforts.

Some highlights of the RLAs' efforts in 2014 include assistance to the Governments of Bangladesh, Pakistan, and Turkey on the development of AML/CFT legislation. Indonesia passed a CFT law in 2013 and the OPDAT RLA is now working with the Government of Indonesia to implement this law and comply with UN Security Council Resolution 1267. In addition, NSD has provided bilateral technical assistance, via the relevant RLAs, to the Governments of Indonesia and Algeria. OPDAT and AFMLS organized intensive training workshops for the Governments of Yemen and Egypt on combating money laundering and terror financing. The training was accomplished under the auspices of the Deauville Partnership for Asset Recovery in the Arab World. The programs presented the participants with investigative tools and techniques with the aim of increasing their capacity to disrupt, dismantle, and prosecute terror financing schemes.

Additional OPDAT activities focusing on AML/CFT topics were conducted in Algeria, Bangladesh, Egypt, Indonesia, Jordan, Kenya, Malaysia, Mauritania, Niger, Nigeria, Panama, the Philippines, Qatar, Turkey, the United Arab Emirates, and Yemen. NSD provided capacity building on AML/CFT topics to countries/regions such as Afghanistan, Central Asia, Egypt, Iraq, Maldives, Nigeria, Pakistan, Qatar, Timor Leste, Tunisia, and Yemen.

Department of State

The U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL) Office of Anti-Crime Programs helps strengthen criminal justice systems and the abilities of law enforcement agencies around the world to combat transnational criminal threats before they extend beyond their borders and impact our homeland. Through its international programs, as well as in coordination with other INL offices and U.S. government agencies, the INL Office of Anti-Crime Programs addresses a broad cross-section of law enforcement and criminal justice sector areas including: counter-narcotics; drug demand reduction; money laundering; financial crime; terrorism financing; transnational crime; smuggling of goods; illegal migration; trafficking in persons; border controls; document security; wildlife trafficking; corruption; cybercrime; organized crime; intellectual property rights; police academy development; and assistance to law enforcement, judiciaries, and prosecutors.

In 2014, INL-funded training was delivered to more than 100 countries. Supported by and in coordination with the U.S. Department of State, U.S. Department of Justice (DOJ), U.S. Department of Homeland Security (DHS), U.S. Department of the Treasury, and the Federal Deposit Insurance Corporation, INL and the State Department's Bureau for Counterterrorism work collectively to implement a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of more than two dozen countries which are vulnerable to being used for financing terrorism. The capacity to thwart the funding of terrorism is linked to a robust anti-money laundering regime. In 2014, this collaboration provided a variety of law enforcement, regulatory, and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations that comport with international standards; the training of law enforcement, the judiciary, and financial sector regulators; and the development of financial intelligence units (FIUs) capable of collecting, analyzing, and disseminating financial information to foreign analogs. Courses and training have been provided in the United States as well as in the jurisdictions and regions where the programs are targeted.

The State Department, in conjunction with DHS' Homeland Security Investigations and the Department of Treasury, has supported the establishment and development of eight trade transparency units (TTUs) in the Americas. The misuse of trade is often used in counter-valuation and is the common denominator in most of the world's informal money and value transfer and remittance systems. These informal schemes are vulnerable to exploitation not only by money launderers but also terrorism financiers. TTUs, designed to help identify significant disparities in import and export trade documentation, continue to enjoy success in combating money laundering and other trade-related financial crimes. Similar to the Egmont Group of FIUs that examines and exchanges information gathered through financial transparency reporting requirements, an international network of TTUs fosters the sharing of disparities in trade data among countries and is a potent weapon in combating customs fraud and trade-based money laundering.

In 2014, INL also provided support to the UN Global Programme against Money Laundering (GPML). In addition to sponsoring money laundering technical assistance workshops and providing short-term training courses, GPML's mentoring program provides advisors on a long-

term basis to specific countries or regions. GPML mentors have focused on providing support and assistance to regional asset recovery networks in South Africa and South America, as well as promoting the establishment of similar asset forfeiture support networks in West Africa and the Asia Pacific region. The resident mentor based in South Africa continued to implement and monitor the Prosecutor Placement Program, an initiative aimed at building the capacity of prosecutors involved in asset forfeiture actions. The GPML mentors in Central Asia and the Mekong Delta continued assisting the countries in those regions to develop viable AML/CFT regimes. The Mekong Delta mentor has recently begun working with Burma's government to assist in the development of such a regime. GPML continues to develop interactive computer-based programs for distribution, translated into several languages.

INL has established and continues to support programs incorporating intermittent or full-time legal, FIU, asset forfeiture, and law enforcement mentors at selected overseas locations. These advisors, be they U.S. government or GPML, work directly with host governments to assist in the creation, implementation, and enforcement of AML/CFT measures. INL also provided several federal agencies funding to conduct multi-agency financial crime training assessments and develop specialized training in specific jurisdictions to combat money laundering.

INL continues to provide significant financial and substantive support for many of the anti-money laundering bodies around the globe. In addition to sharing mandatory membership dues to FATF and the Asia/Pacific Group on Money Laundering (APG) with the U.S. Department of the Treasury and DOJ, INL is a supporter of FATF-style regional bodies' secretariats and training programs, including the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force (CFATF), the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), the Financial Action Task Force for South America (GAFISUD), the Asia Pacific Group (APG), and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

INL also supports the capacity building efforts by the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee through program design, sustained engagement, and funding. OAS/CICAD has successfully improved the capacity of investigators, prosecutors, and judges throughout Latin America through its mock investigation and trial workshops and its confiscated criminal assets management programs. OAS/CICAD also continues to work with FIUs.

INL supports additional efforts, including those focusing on non-bank financial institutions and the issue of remittances to Somalia, by working with other bureaus within DOS, GPML, other international organizations, and other countries.

As in previous years, INL training programs continue to focus on both interagency bilateral and multilateral efforts. When possible, we seek participation with our partner countries' law enforcement, judicial, and central bank authorities. The goal is to design and provide training and technical assistance for countries that demonstrate the political will to develop viable AML/CFT regimes. This allows for extensive synergistic dialogue and exchange of information. INL's approach has been used successfully in Africa, Asia, the Pacific, Central and South

America, and Eastern Europe. INL also provides funding for many of the regional training and technical assistance programs offered by the various law enforcement agencies, including assistance to the International Law Enforcement Academies.

International Law Enforcement Academies (ILEAs)

The ILEA program is an interagency effort to combat international crime through training and capacity building for foreign criminal justice personnel. The ILEA program helps to protect U.S. interests through enhanced international cooperation; and promote social, political, and economic stability by combating crime. To achieve these goals, the ILEA program provides high-quality training and technical assistance, supports institution building and enforcement capability development, and fosters relationships among American law enforcement agencies and their counterparts around the world.

Since the first ILEA opened in Budapest in 1995, the program has grown to five academies worldwide, and has provided training to over 50,000 students from over 85 countries in Africa, Europe, Asia, and across Latin America. ILEAs offer three different types of programs to address global threats: a core program; specialized courses; and seminars and workshops. The core program is a six-week intensive professional development program – Law Enforcement and Leadership Development (LELD) – designed for mid-level law enforcement practitioners and tailored to region-specific needs and emerging global threats. The core program typically includes 40 to 50 participants, normally from three or more countries. The specialized courses, comprised of about 30 participants, are one- or two-week courses for law enforcement or criminal justice officials on a specific topic. Lastly, regional seminars or workshops present various emerging law enforcement topics such as transnational crimes, financial crimes, and counterterrorism.

The ILEAs help to develop an extensive network of alumni who exchange information with their regional and U.S. counterparts and assist in transnational investigations. Many ILEA graduates become the leaders and decision-makers in their respective law enforcement organizations. The Department of State coordinates with the Departments of Justice, Homeland Security, and Treasury, as well as foreign government counterparts to implement the ILEA program.

Africa. ILEA Gaborone, Botswana opened in 2001. ILEA Gaborone delivers four core programs annually and also offers specialized courses for police and other criminal justice officials to boost their capacity to work with U.S. and regional counterparts. These courses concentrate on specific methods and techniques in a variety of subjects, such as anti-corruption, financial crimes, border security, crime scene investigations, drug enforcement, firearms, explosives, wildlife investigation, gender-based violence, and many others. ILEA Gaborone provided training to 684 students from 31 countries in 2014.

Asia. ILEA Bangkok, Thailand opened in 1999, and focuses on enhancing regional cooperation against transnational crime threats in Southeast Asia. Courses focus on combating illicit drug trafficking, terrorist financing and financial crimes, illicit wildlife trafficking, environmental crimes, and human trafficking. ILEA Bangkok provides one core program and also provides

specialized courses on a variety of criminal justice topics each year. ILEA Bangkok trained 1,129 students in 2014.

Europe. ILEA Budapest, Hungary was the first ILEA and was established in 1995. ILEA Budapest delivers four core programs annually and also offers specialized courses on regional threats such as organized crime, environmental crime, cyber-crime, terrorist financing and financial crimes, leadership for women in law enforcement, and many others. ILEA Budapest trained 1,446 students in 2014.

Global. ILEA Roswell, New Mexico, USA opened in September 2001. ILEA Roswell provides the tools necessary to enable partner countries to formulate and execute effective and responsible criminal justice public policy. Unlike other ILEAs, ILEA Roswell draws its recruits from across the globe to include the graduates of regional Academies in Budapest, Bangkok, Gaborone, and San Salvador. ILEA Roswell trained 339 students in 2014.

Latin America. ILEA San Salvador, El Salvador opened in 2005. ILEA San Salvador delivers four core programs annually and also offers specialized courses on regional threats as well as specialized courses for police, prosecutors, and judicial officials. ILEA San Salvador courses concentrate on anti-gangs, human rights, illegal trafficking in drugs, alien smuggling, and terrorist financing and financial crimes. ILEA San Salvador trained 1,533 students in 2014.

Department of the Treasury

Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit (FIU). During 2014, FinCEN conducted both bilateral and multilateral training and assistance with foreign counterpart FIUs and various agencies and departments. This included holding an orientation session for the FIU of Jordan and supporting an AML/CFT workshop in the United Arab Emirates, held for regional FIU partners. FinCEN also coordinated with regional partners and the Egmont Group of FIUs to hold two major courses on FIU strategic analysis. Within the Western Hemisphere course, participants came from Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Costa Rica, Curacao, Dominica, Dominican Republic, Guatemala, Grenada, Guyana, Honduras, Jamaica, Nicaragua, St. Kitts and Nevis, Saint Lucia, St. Vincent & the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos. Within Asia, participants came from Bangladesh, India, Indonesia, Japan, Republic of Korea, Malaysia, Pakistan, and the Philippines. FinCEN also supported various smaller meetings with representatives from various regions and countries throughout the year.

Internal Revenue Service, Criminal Investigations

For calendar year 2014, the Internal Revenue Service, Criminal Investigation (IRS-CI) continued its involvement in international training and provided technical assistance to international law enforcement officers in detecting tax, money laundering, and terrorist financing crimes, and preventing public corruption. With funding provided by the U.S. Department of State (DOS) and other sources, IRS-CI delivered training through agency and multi-agency technical assistance programs. Training consisted of Financial Investigative Techniques (FIT), Fraud and Public Corruption, Special Investigative Techniques (SIT), and Law Enforcement Leadership Development (LELD) courses at the International Law Enforcement Training Academies (ILEA).

Financial Investigative Techniques Training

In 2014, IRS-CI conducted FIT courses funded by an interagency agreement between the DOS and IRS-CI. In Panama, assisted by the Office of Overseas Prosecutorial Development Assistance and Training (OPDAT), IRS-CI conducted FIT training to a mixed group of 30 Panamanian judges, prosecutors, investigators, forensic accountants, and financial intelligence unit personnel. In China, the Department of Defense Joint Interagency Task Force West funded one-week sessions of FIT in Guangzhou and Shanghai, China. A total of 73 participants from the Ministry of Public Security, People's Bank of China, and Supreme People's Procuratorate attended. The curriculum focused on money laundering and public corruption. In Serbia, in conjunction with OPDAT, a FIT course was given to approximately 40 law enforcement officials.

International Law Enforcement Academy Training

IRS-CI participated in training at the ILEAs located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; San Salvador, El Salvador; and the regional training facility in Accra, Ghana. Programs included support for the LELD courses, plus FIT and Fraud and Public Corruption training. Per the ILEA concept, participants from numerous regional countries attended.

During 2014, IRS-CI participated in training programs in ILEA Bangkok for participants from Brunei, Burma, Cambodia, Hong Kong, Indonesia, Laos, Macau, Malaysia, Philippines, Singapore, Thailand, and Vietnam. IRS-CI provided training at ILEA Budapest for participants from Albania, Bosnia and Herzegovina, Bulgaria, Hungary, Kosovo, Macedonia, Moldova, Montenegro, Serbia, and Ukraine. In ILEA Gaborone, IRS-CI provided support for a number of courses for participants from Benin, Botswana, Burundi, Cameroon, Congo, Gabon, Kenya, Liberia, Malawi, Mauritius, Nigeria, South Africa, Seychelles, Sierra Leone, Tanzania, Togo, and Uganda. IRS-CI conducted training for participants from Ghana and Sierra Leone at the regional training facility in Accra, Ghana. In ILEA San Salvador, IRS-CI provided training in 2014 for participants from Antigua and Barbuda, Barbados, Belize, Brazil, Chile, Colombia, Costa Rica, El Salvador, Grenada, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, Peru, Trinidad & Tobago, and Uruguay.

Other Training Initiatives

IRS-CI delivered additional training programs that were funded through various sources. These included a Fraud and Public Corruption Course in Bangkok, Thailand that was funded by the State Department's Bureau for International Narcotics and Law Enforcement Affairs. Forty participants from Burma, Laos, Thailand, and Vietnam attended. The Korean National Tax Service (KNTS) funded a one week SIT course. Forty-five participants from the KNTS attended the training that focused on investigative tools, undercover operations, offshore banking, new payment methods, and forensic accounting.

Office of the Comptroller of the Currency

The U.S. Department of Treasury's Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises all national banks and federal savings associations in the U.S. Its goal is to ensure these institutions operate in a safe and sound manner and comply with all consumer protection and AML laws and implementing regulations. In 2014, the OCC sponsored several initiatives to provide AML/CFT training to foreign banking supervisors. These initiatives include its annual AML/CFT School, which is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorism financing typologies and improve their ability to examine and enforce compliance with national laws. The 2014 AML School was attended by foreign supervisors from Australia, Canada, China, Hong Kong, India, Kosovo, Malaysia, Netherlands, Philippines, South Africa, South Korea, Tanzania, and Turkey. The OCC also taught an AML school for the Association of Banking Supervisors of the Americas in Quito, Ecuador; in attendance were participants from Bolivia, Chile, Columbia,

Costa Rica, Ecuador, El Salvador, Haiti, Honduras, Mexico, Nicaragua, and Panama. In addition to organizing and conducting schools, OCC officials also met individually, both in the U.S. and overseas, with representatives from foreign law enforcement authorities, financial intelligence units, and AML/CFT supervisory agencies to discuss the U.S. AML/CFT regime, the agencies' risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions.

The OCC continued its industry outreach efforts to the international banking community during 2014 by participating with other federal banking agencies in regulator panels at the Association of Certified Anti-Money Laundering Specialists' 13th Annual International Anti-Money Laundering Conference. The focus of the regulator panels was keeping pace with global regulatory changes.

In 2014, the OCC also participated in a series of FATF working group and plenary meetings as well as the Basel Committee on Banking Supervision Anti-Money Laundering Expert Group. On an ad hoc basis, OCC meets with delegations from various countries to discuss the U.S. AML regime and its approach to conducting supervisory examinations.

Office of Technical Assistance

OTA is comprised of five teams, each focused on particular areas of financial sector technical assistance to foreign governments. The mission of the OTA Economic Crimes Team (ECT), in particular, is to provide technical assistance to develop internationally compliant AML/CFT regimes. OTA follows a number of guiding principles to complement its holistic approach to technical assistance. OTA supports self-reliance by providing countries with the knowledge and skills required to move towards self-sufficiency and to reduce dependence on international aid. OTA is selective and works only with governments that are committed to reform - reform that the counterparts design and own - and to using U.S. assistance effectively. OTA works side-by-side with counterparts by introducing sound practices in daily work routines through ongoing mentoring and on-the-job training, which is accomplished through co-location, whether in a financial intelligence unit (FIU), central bank, finance ministry, law enforcement authority, or other relevant government agency.

OTA receives a limited amount of direct appropriations funding from the U.S. Congress. Additional funding sources include the U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs; the U.S. Agency for International Development; U.S. Embassies; and the Millennium Challenge Corporation, among others.

In the context of providing technical assistance to reform AML/CFT frameworks, the ECT also addresses other financial and predicate crimes, including corruption and organized crime. To ensure successful outcomes, ECT engagements are predicated on express requests by foreign government counterparts. ECT management conducts an on-site assessment of the jurisdiction to consider not only non-compliance with international standards and the corresponding need for technical assistance, but also willingness by the counterpart to engage in active partnership with the ECT to address those deficiencies.

An ECT engagement, tailored to the specific conditions of the jurisdiction, may involve placement of a resident advisor or utilization of intermittent advisors under the coordination of a team lead. The scope of ECT technical assistance is broad and can include awareness-raising aimed at the range of AML/CFT stakeholders; improvements to an AML/CFT legal framework to include legislation, regulations, and formal guidance; and improvement of the technical competence of stakeholders. The range of training provided by the ECT is equally broad and includes, among other topics, supervisory techniques for banking, securities, insurance, gaming and other regulatory areas; analytic and financial investigative techniques; cross-border currency movement and trade-based money laundering; asset seizure, forfeiture, and management; and the use of interagency task forces.

In 2014, following these principles and methods, the ECT delivered technical assistance in Burma, Cambodia, Costa Rica, Dominica, El Salvador, Ghana, Guatemala, Guyana, Honduras, Jamaica, Kosovo, the Palestinian Authority, Paraguay, Peru, Saudi Arabia, Suriname, and Trinidad & Tobago. Representative counterpart accomplishments from around the world that were supported by that technical assistance include the following: Guatemalan authorities trained and supported by OTA technical assistance arrested 21 individuals and obtained several indictments related to a Guatemalan import/export company alleged to have laundered over \$46 million for the Mexico-based Sinaloa Cartel; Ghana obtained a money laundering conviction in October 2014 related to embezzlement (approximately \$1.4 million) from a construction company, and; with the assistance of the OTA advisor, the Cambodian Minister of Justice issued an instruction requiring parallel financial investigations be conducted for all crimes that generate significant proceeds, which resulted in a deeper level of collaboration between the Cambodian FIU and law enforcement agencies that in turn has led to an increase in the quality and quantity of investigations and prosecutions of financial crimes, including those related to corruption offenses.

Federal Deposit Insurance Corporation

In 2014, the Federal Deposit Insurance Corporation (FDIC) continued to work with federal agencies and international groups to combat money laundering and inhibit the flow of terrorist funding. These efforts were focused on training and outreach initiatives. In coordination with the U.S. Department of State, the FDIC conducted an AML/CFT training session hosted by Bank Negara Malaysia in Kuala Lumpur, Malaysia. The training was attended by 59 participants representing financial regulatory agencies from Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Thailand, and Vietnam. The FDIC conducted two additional AML/CFT training sessions at the FDIC's training facility in Arlington, Virginia for 61 participants representing financial regulatory agencies from Afghanistan, Algeria, Azerbaijan, Kazakhstan, Mali, Nigeria, Pakistan, and Yemen. Each training session focused on AML/CFT controls, the AML examination process, customer due diligence, and suspicious activity monitoring, as well as AML compliance issues related to higher risk institutions, products, services, customers, and geographical locations.

Treaties, Agreements, and Asset Sharing

Treaties

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal matters and proceedings related to criminal matters. In money laundering cases, MLATs can be extremely useful to obtain banking and other financial records from treaty partners. The Department of State, in cooperation with the Department of Justice, negotiates MLATs. The United States has MLATs in force with the following countries: Antigua and Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Bermuda, Brazil, Canada, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France (including St. Martin, French Guiana, French Polynesia, Guadeloupe, and Martinique), Germany, Greece, Grenada, Hong Kong, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Morocco, the Kingdom of the Netherlands (including Aruba, Bonaire, Curacao, Saba, St. Eustatius, and St. Maarten), Nigeria, Panama, Philippines, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, Ukraine, United Kingdom (including Anguilla, British Virgin Islands, Cayman Islands, the Isle of Man, Montserrat, and Turks and Caicos), Uruguay, and Venezuela. In addition, on February 1, 2010, 27 U.S.-EU Instruments/Agreements/Protocols entered into force that either supplemented existing MLATs or created new mutual legal assistance relationships between the United States and every member of the EU. The United States is engaged in negotiating additional MLATs with countries around the world. The United States also has signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States, the United Nations Convention against Corruption, the United Nations Convention Against Transnational Organized Crime, the International Convention for the Suppression of the Financing of Terrorism, and the 1988 UN Drug Convention.

Agreements

In addition to MLATs, the United States has a Mutual Legal Assistance Agreement (MLAA) with China and Taiwan. The United States also has entered into bilateral executive agreements on forfeiture cooperation with 20 countries, including: Andorra, Anguilla, Austria, British Virgin Islands, Canada, the Cayman Islands, Colombia, Dominican Republic, Ecuador, Hong Kong, Jamaica, Mexico, Monaco, Montserrat, the Netherlands, Singapore, Turks and Caicos Islands, the United Kingdom, and the Bailiwicks of Jersey and Guernsey (in drug cases only).

Treasury's Financial Crimes Enforcement Network (FinCEN) has a Memorandum of Understanding (MOU) or an exchange of letters in place with many other financial intelligence units (FIUs) to facilitate the exchange of information between FinCEN and the respective country's FIU. FinCEN has an MOU or an exchange of letters with the FIUs in Afghanistan, Albania, Argentina, Aruba, Australia, Belgium, Bermuda, Brazil, Bulgaria, Canada, Cayman Islands, Chile, Croatia, Cyprus, Egypt, France, Fiji, Guatemala, the Holy See, Indonesia, Israel, Italy, Japan, Macedonia, Malawi, Malaysia, Mauritius, Mexico, Moldova, Montenegro, Netherlands, Nigeria, Panama, Paraguay, Philippines, Poland, Romania, Russia, San Marino,

Saudi Arabia, Senegal, Serbia, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, the Money Laundering Prevention Commission of Taiwan, Turkey, and the United Kingdom. FinCEN also exchanges information with other members of the Egmont Group of FIUs pursuant to the Egmont Principles for Information Sharing Between FIUs for Money Laundering and Terrorism Financing Cases. During 2013, FinCEN established an MOU to facilitate the exchange of supervisory information with Mexico's National Banking and Securities Commission, in support of both agencies' AML/CFT missions.

Asset Sharing

Pursuant to the provisions of U.S. law, including 18 U.S.C. § 981(i), 21 U.S.C. § 881(e)(1)(E), and 31 U.S.C. § 9703(h)(2), the Departments of Justice, State, and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of narcotics trafficking and money laundering, offering the possibility of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics-related law enforcement. The long term goal has been to encourage governments to improve asset forfeiture laws and procedures so they will be able to conduct investigations and prosecutions of narcotics trafficking and money laundering that includes asset forfeiture. To date, Antigua and Barbuda, the Bahamas, Canada, Cayman Islands, Hong Kong, Jersey, Liechtenstein, Luxembourg, Singapore, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

From Fiscal Year (FY) 1989 through FY 2014, the international asset sharing program administered by the Department of Justice shared \$249,543,192 with 46 countries. In FY 2014, DOJ shared a total of \$9,446,826 with ten countries and shared with the Czech Republic, Italy, Sweden, and Turks and Caicos Islands for the first time. Prior recipients of shared assets include: Anguilla, Antigua and Barbuda, Argentina, Bahamas, Barbados, Belgium, Bermuda, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Germany, Greece, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Isle of Man, Israel, Jersey, Jordan, Liechtenstein, Luxembourg, Mexico, Netherlands Antilles, Panama, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the United Kingdom, Uruguay, and Venezuela.

From FY 1994 through FY 2014, the international asset-sharing program administered by the Department of Treasury shared \$37,511,393 with foreign governments that cooperated and assisted in successful forfeiture investigations. Recipients of shared assets include: Antigua & Barbuda, Aruba, Australia, the Bahamas, Brazil, Canada, Cayman Islands, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Japan, Jersey, Luxembourg, Malta, Mexico, the Netherlands, Nicaragua, Palau, Panama, Philippines, Portugal, Qatar, St. Vincent & the Grenadines, Switzerland, the United Kingdom, and Vietnam.

Multilateral Organizations and Programs

The Financial Action Task Force and FATF-Style Regional Bodies

The Financial Action Task Force

The Financial Action Task Force (FATF), created in 1989, is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF currently has 36 members, comprising 34 member countries and territories and two regional organizations, as follows: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Italy, Japan, Luxembourg, Mexico, The Kingdom of the Netherlands (includes the Netherlands, Aruba, Curacao, and St. Maarten), New Zealand, Norway, Portugal, South Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, the United States, the European Commission, and the Gulf Cooperation Council.

There are also eight FATF-style regional bodies that, in conjunction with the FATF, constitute an affiliated global network to combat money laundering and the financing of terrorism.

The Asia/Pacific Group on Money Laundering (APG)

The Asia/Pacific Group on Money Laundering (APG) was established in 1997. The APG has 41 members: Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Burma, Cambodia, Canada, China, Cook Islands, Fiji, Hong Kong, India, Indonesia, Japan, Laos, Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Zealand, Niue, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Taiwan, Thailand, Timor Leste, Tonga, United States, Vanuatu, and Vietnam.

The Caribbean Financial Action Task Force (CFATF)

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 27 members: Anguilla, Antigua & Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curacao, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Maarten, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos Islands, and Venezuela.

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) was established in 1997 under the acronym PC-R-EV. MONEYVAL is comprised of 30 permanent members and two temporary, rotating FATF members. The permanent members are Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, the Holy See,

Hungary, Israel, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, and Ukraine. The rotating FATF members for 2014 are Austria and France.

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was established in 1999. Seventeen countries comprise its membership: Angola, Botswana, Comoros, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was established in 2004. The EAG has nine members: Belarus, China, India, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Turkmenistan, and Uzbekistan.

The Financial Action Task Force on Money Laundering of Latin America (GAFILAT)

The Financial Action Task Force on Money Laundering of Latin America (GAFILAT), formerly the Financial Action Task Force on Money Laundering in South America (GAFISUD), was established in 2000. The 16 GAFILAT members are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was established in 1999. GIABA consists of 16 countries: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone, and Togo.

The Middle East and North Africa Financial Action Task Force (MENAFATF)

The Middle East and North Africa Financial Action Task Force (MENAFATF) was established in 2004. MENAFATF has 18 members: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

The Organization of American States Inter-American Drug Abuse Control Commission Group of Experts to Control Money Laundering

The Organization of American States (OAS), through the Inter-American Drug Abuse Control Commission (CICAD) under the Secretariat for Multidimensional Security, devotes efforts to strengthen the capacities of law enforcement agencies, bank regulators, financial intelligence units (FIUs), specialized public prosecutors, the judiciary, and other agencies involved in money laundering control and terrorism financing detection, investigation, and prosecution throughout the Americas. In 2014, hundreds of AML professionals from numerous countries in the Americas were trained. The U.S. Department of State, through its Bureau for International Narcotics and Law Enforcement Affairs (INL), provided full or partial funding for many CICAD training activities.

In 2014, CICAD also participated in several international cooperation activities, such as the FATF Evaluators Seminar, the meeting of the Working Group on Legal Cooperation in Legal Matters, the meeting of the Financial Action Task Force in Latin America's (GAFILAT) Assets Recovery Network, and the plenary sessions of the Caribbean Financial Action Task Force (CFATF) and GAFILAT.

Expert Group

The Expert Group on the Control of Money Laundering (the Expert Group) is comprised of legal and law enforcement specialists appointed by member states. In 2014, the group met in Washington D.C. and Montevideo and worked on a variety of topics such as the collection of data on seized and forfeited assets; international cooperation in asset recovery; international cooperation in the sharing of seized assets; management of seized businesses; asset investigation; and the security and integrity of officials charged with combating money laundering and related crimes.

Capacity Building

In the framework of strengthening the capacity of FIUs, CICAD conducted a number of workshops in Miami for 31 representatives from Central American and Caribbean FIUs. In June 2014, together with the Inter-American Committee against Terrorism (CICTE), a specialized National Workshop against Terrorism and its Financing was held in Barbados for police and FIU personnel and foreign service officers.

Within the framework of the Coordination Committee addressing terrorism and terrorist financing (MECOOR) initiative, two regional workshops were held. The "Sub-regional Workshop on Combating Money Laundering and Financing Terrorism" was held in Guatemala in July and was attended by prosecutors, FIU analysts, and police from Costa Rica, El Salvador, Guatemala, and Panama. The second workshop was held in August 2014 in Santiago, Chile. FIU analysts, police, and prosecutors from Argentina, Brazil, Chile, Paraguay, and Uruguay participated.

Seized and Forfeited Assets

Within the framework of the Seized and Forfeited Asset Management Project in Latin America (BIDAL), there were two activities; the CICAD actively participated in the "International Expert

Meeting on Seized and Confiscated Assets Management” in April 2014 in Reggio Calabria, Italy; and the agreement between CICAD and UNODC-Brazil for the implementation of the BIDAL Project in Brazil was signed. In August the project was presented to Brazilian authorities.

Technical Assistance and Cooperation

In March 2014, the regional workshop “Mock Investigation,” a mock trial for a money laundering and organized crime case, was given in Guatemala. Participants included 29 law enforcement officials from El Salvador, Guatemala, Honduras, Nicaragua, and Peru.

Technical assistance in the development of reporting standards was given to the FIU of El Salvador.

Within the Money Laundering Training Program for Judicial Officials, CICAD organized a training seminar for 40 judges and prosecutors, held in Trinidad. The December training was jointly organized with the CFATF. Representatives from Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago participated.

Inside the Legislative Assistance Program, CICAD conducted a follow-up visit to Dominica in May in order to advise the national authorities in the development of their AML/CFT regulations, and compliance with the FATF Recommendations.

CICAD, with the collaboration of the Implementation and Monitoring Committee of the National Strategy to Combat Money Laundering Actives of Peru (CONTRALAFT), carried out a number of activities and seminars in Lima in 2014 for AML professionals. The seminars included: “Workshop on Forensic Auditing Procedures Applied to the Investigation of Money Laundering Cases,” aimed at 25 analysts from the FIU and the Superintendency of Banking, Insurance and AFP of Peru; “Workshop for Strengthening the Chain of Custody” for 53 prosecutors, attorneys, and police investigators; “Link Analysis and Relations” for 17 FIU analysts and prosecutors; “Workshop on Forensic Auditing Procedures Applied to the Investigation of Money Laundering Cases” aimed at FIU analysts and the areas related to the Superintendency of Banking, Insurance and AFP of Peru, with a goal of strengthening the capacities of 21 officials in charge of management analysis for financial investigation and the use of forensic accounting in cases of ML/FT; the “Link and Relationship Analysis on Money Laundering Investigations Training” for 17 prosecutors and FIU analysts; and a workshop on corruption as a money laundering predicate offense for 60 Peruvian officials, including prosecutors, judges, attorneys, and FIU investigators and analysts. Additionally, the official launch of the book “Combating Money Laundering from the Judicial System. Special Edition for Peru” was held before an audience of about 30 officials of the institutions that make up the CONTRALAFT, especially the judicial sector, the National Police, and the FIU of Peru.

United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism

The United Nations is one of the most experienced global providers of AML/CFT training and technical assistance. The United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established in 1997 to assist member states to comply with the UN conventions and other instruments that deal with money laundering and terrorism financing. These now include the UN Convention against Traffic in Narcotic Drugs and Psychotropic Substances (the 1988 Vienna Convention), the UN International Convention for the Suppression of the Financing of Terrorism (the 1999 Convention), the UN Convention against Transnational Organized Crime (the 2000 Palermo Convention), and the UN Convention against Corruption (the 2003 Merida Convention). In 2008, GPML's scope and objectives were widened to meet the growing needs and demands for tailor-made assistance in the effective implementation of these UN instruments and other international AML/CFT standards.

GPML is the focal point for AML policy and activities within the UN system and a key player in strengthening CFT. The GPML provides technical assistance and training in the development of related legislation, infrastructure, and skills, directly assisting member states in the detection, seizure, and confiscation of illicit proceeds. Over the years, it has elaborated an ambitious program to make international action against the proceeds of crime and illegal financial flows more effective.

In 2014, GPML provided long-term assistance in the development of AML/CFT programs to 66 jurisdictions. GPML also conducted 32 training, policy development, and awareness raising activities worldwide; seven were at the international level, often in close partnership with regional or multilateral organizations. GPML trained 1,117 representatives of law enforcement agencies, financial intelligence units (FIUs), judicial authorities, and reporting entities.

The Mentoring Program

GPML's Mentor Program is one of the most successful and well-known activities of international AML/CFT technical assistance and training. By giving in-depth support upon request, the mentors have gained the confidence of the recipient institutions. GPML's Mentoring Program has key advantages over more traditional forms of technical assistance. First, mentors serve as residential advisors in a country or region for as long as one to four years, and offer sustained skills and knowledge transfer. Second, mentoring constitutes a unique form of flexible, ongoing needs assessment, where the mentor can pinpoint specific needs over a period of months, and adjust his/her work plan to target assistance that responds to those needs. Third, the member state has access to an "on-call" resource to provide advice on real cases and problems as they arise. Fourth, a mentor can facilitate access to foreign counterparts for international cooperation and mutual legal assistance at the operational level by using his/her contacts to act as a bridge to the international community.

During 2014, GPML employed three mentors, one of which is shared with the World Bank. GPML mentors stationed in Senegal, South Africa, and Vietnam worked extensively on the development and implementation of a wide variety of AML/CFT programs and procedures in individual countries and surrounding regions.

The GPML Asset Forfeiture Mentor based in South Africa provides assistance with the development and strengthening of asset forfeiture mechanisms in Southern Africa. The mentor continued to monitor the ongoing Prosecutor Placement Program. In 2014, the mentor continued to support the Asset Recovery Network for Southern Africa (ARINSA), and provide mentoring to its members, namely Botswana, Lesotho, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. Based on the model for Europol's Camden Asset Recovery Inter-Agency Network (CARIN), this regional mechanism encourages collaboration, information sharing, and cooperation among prosecutors, investigators, and law enforcement dealing with asset confiscation and recovery at the national and regional levels.

In West Africa, GPML's main achievements in 2014 include the successful launch of a CARIN-style regional network for prosecutors and financial investigators in West Africa (ARIN-WA), comprised of all 15 Economic Community of West African States countries plus Sao Tome and Principe. The mentor also contributed to the strengthening of the AML/CFT framework and operational capacities, particularly of FIUs, in Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger, and Senegal, mostly through the delivery of national and regional training courses and daily mentoring. Activities have been completed in coordination with the Inter Governmental Action Group against Money Laundering in West Africa (GIABA).

The World Bank/GPML mentor based in Hanoi continued to strengthen operational capacities in Burma, Cambodia, Laos, and Vietnam. In Vietnam, the mentor delivered a series of training workshops on bulk cash smuggling, AML/CFT investigations, and raising awareness. As a result of the GPML's mentoring, Vietnam Customs increased the number and amount of cash seized at the border in 2014. The Mekong mentor continued to support the CARIN-style regional network for prosecutors and financial investigators in Asia Pacific (ARIN-AP).

GPML Initiatives

Illicit Financial Flows: GPML has taken the lead in combating financial flows to and from Afghanistan linked to illicit drug production and trafficking. In 2014, the UNODC conducted a joint research with FATF on illicit financial flows from Afghan opiates. The GPML Adviser chaired a Heart of Asia workshop on money and value transfer systems, as well as a counter-terrorism financing workshop.

Throughout 2014, GPML worked with the UNODC Global Programme on Wildlife and Timber Crime on a joint initiative on the illicit financial flows and value transfer deriving from wildlife and timber trafficking. GPML organized its first inter-regional workshop on illicit financial flows from wildlife and timber crime, gathering practitioners from Southeast Africa and Southeast Asia in June 2014, followed by a similar workshop for the Caribbean in December 2014.

Financial Intelligence Unit Analyst (FIUA) Course: This training course is an opportunity for FIU analysts to develop knowledge and skills in the financial intelligence analysis process. The course focuses on analysis of suspicious transactions related to possible money laundering and terrorism financing. The course also addresses relationships between the FIU and agencies

responsible for investigation of money laundering and terrorism financing, and the provision of high quality information to these agencies. In 2014, the training was delivered in the Gambia.

Financial Investigation Course: GPML also developed a Financial Investigation Course that aims to provide an opportunity for investigators to develop their knowledge and skills in financial investigation and to raise awareness of terrorism financing and money laundering methods. The course has a practical focus and is tailored to legal and procedural processes in the country receiving training. It gives participants the opportunity to learn the legislative aspects of financial crime, understand their powers, conduct searches, and undertake interviews. In 2014, training was delivered in Ethiopia and Tajikistan.

Cash Couriers: GPML's cash courier training provides an opportunity for border control, police, and FIU staff to develop their knowledge and skills in the mechanisms for monitoring cross-border transportation of cash and bearer negotiable instruments as well as the identification and interdiction of cash couriers. In 2014, the course was delivered for Albania, Bosnia and Herzegovina, Botswana, Former Yugoslav Republic of Macedonia, Kosovo (under UN Security Council Resolution 1244), Mozambique, Namibia, Serbia, Vietnam, and Zambia.

Development of AML/CFT Experts/Trainers: GPML is preparing to launch a train-the-trainers project on financial investigations for West Africa. A two-year project will commence in 2015.

Prosecutor Placement Program: This is a sustainable, capacity-building program designed to give newly appointed confiscation prosecutors a practical understanding of asset seizure and forfeiture practices by placing them in the office of an experienced and capable confiscation legal team. The program operates in Southern Africa in conjunction with the South African National Prosecution Authority's Asset Forfeiture Unit.

Disruption of Illicit Financial Flows: In 2014 UNODC developed a new training program on disruption of illicit financial flows. Training addresses the collection of information on financial flows of criminal organizations, analyzing a criminal business, examining informal value transfer systems such as hawala, and designing an effective disruption strategy. Training was conducted by GPML in 2014 in Kenya and Tanzania.

IMoLIN/AMLID: GPML has developed and maintains the International Money Laundering Information Network (<http://www.imolin.org>) on behalf of a partnership of 11 international organizations. IMoLIN provides a wide range of tools and AML/CFT-related information for professionals, including the Anti-Money Laundering International Database (AMLID) - a compendium and analysis of AML/CFT legislation and regulations.

The Egmont Group of Financial Intelligence Units

The Egmont Group of Financial Intelligence Units began in 1995 as a small group of national entities - today referred to as financial intelligence units (FIUs) - seeking to explore ways to

cooperate internationally among themselves. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against money laundering, terrorism financing, and other financial crimes. This support includes expanding and systematizing the exchange of financial intelligence, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology.

To meet the standards of Egmont membership, an FIU must be a centralized unit within a nation or jurisdiction established to detect criminal financial activity and ensure adherence to laws against financial crimes, including terrorism financing and money laundering. Today the FIU concept is an important component of the international community's approach to combating money laundering and terrorism financing. The Egmont Group has grown dramatically from 14 units in 1995 to a recognized membership of 146 FIUs in 2014. The FIUs of Angola, Brunei Darussalam, Chad, Ghana, Jamaica, Namibia, St. Maarten, and Tanzania joined the Egmont Group in 2014. In 2014, The Egmont Group expelled the FIU of Syria.

The Egmont Group is organizationally structured to meet the challenges of the large membership and its workload. The Egmont Committee is an intermediary group between the 146 heads of member FIUs and the Egmont working groups. This Committee addresses the administrative and operational issues facing the Egmont Group. In addition to the Committee, there are five working groups: legal, operational, training, information technology, and outreach. The Egmont Group's secure Internet system permits members to communicate with one another via secure email, requesting and sharing case information as well as posting and assessing information on typologies, analytical tools, and technological developments.

With the publication of the revised 2012 FATF Recommendations, in 2013 the Egmont Group produced a complimentary set of documents, which are interlinked and reference relevant FATF Recommendations. They include a revised Egmont Group Charter (2013), the Egmont Group Principles for Information Exchange, and new Operational Guidance for FIUs.

As of 2014, the 146 members of the Egmont Group are the FIUs of Afghanistan, Albania, Algeria, Andorra, Angola, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Bermuda, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Brunei Darussalam, Bulgaria, Burkina Faso, Cameroon, Canada, Cayman Islands, Chad, Chile, Colombia, Cook Islands, Costa Rica, Cote d'Ivoire, Croatia, Curacao, Cyprus, Czech Republic, Denmark, Dominica, Egypt, El Salvador, Estonia, Fiji, Finland, France, Gabon, Georgia, Germany, Ghana, Gibraltar, Greece, Grenada, Guatemala, Guernsey, the Holy See (Vatican City State), Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Jamaica, Japan, Jersey, Jordan, Kazakhstan, Kyrgyz Republic, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Morocco, Namibia, Netherlands, New Zealand, Nigeria, Niue, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, South Korea, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the

Grenadines, Sweden, Switzerland, Taiwan, Tajikistan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Turks and Caicos, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Vanuatu, and Venezuela.

Major Money Laundering Countries

Every year, U.S. officials from agencies with AML responsibilities assess the money laundering situations in approximately 200 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial sector involving proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The 2015 INCSR identifies money laundering priority jurisdictions and countries using a classification system that consists of three different categories: Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

"Jurisdictions of Primary Concern" are those that are identified, pursuant to INCSR reporting requirements, as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." The complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category "Jurisdictions of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity because of weak or nonexistent supervisory or enforcement regimes or weak political will. Additionally, money laundering activity has moved well beyond traditional banking. As examples, money is laundered through investment funds, insurance, real estate, and high-value goods; thus, looking only at banking transactions may well overlook large-scale money laundering in a jurisdiction. Therefore, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered in the entire financial sector, not only on banking transactions or on the AML measures taken. A government (e.g., the United States or the United Kingdom) can have comprehensive AML laws on its books and conduct aggressive AML enforcement efforts but still be classified a "Primary Concern" jurisdiction. In some cases, this classification may simply or largely be a function of the size and/or sophistication of the jurisdiction's economy. Economies that attract funds globally are vulnerable to money laundering activity because the volume and complexity of the available financial options may make criminals believe they may more easily hide their funds. This is a different approach than that of the Financial Action Task Force's International Cooperation Review Group exercise, which focuses on a jurisdiction's compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, "Jurisdictions of Concern" and "Other Jurisdictions Monitored," on the basis of several factors that may include: (1) whether transactions involving significant amounts of proceeds from serious crimes are conducted in the country's financial sector; (2) the extent to which the

jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) whether the U.S. government regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and the United States. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered a "Jurisdiction of Concern" or an "Other Jurisdiction Monitored." The actual money laundering problem in jurisdictions classified as "Jurisdictions of Concern" is not as acute as in those considered to be of "Primary Concern." Finally, while jurisdictions in the "Other Jurisdictions Monitored" category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

Vulnerability Factors

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds. A checklist of factors that contribute to making a country or jurisdiction particularly vulnerable to money laundering or other illicit financial activity, however, provides a basic guide. The checklist includes, but is not limited to:

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or that prohibit or inhibit large-value and/or suspicious or unusual transaction reporting by both banks and non-bank financial institutions.
- Lack of or inadequate know-your-customer requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered, or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions, or a pattern of inconsistent reporting under a voluntary system, and a lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.

- Well-established non-bank financial systems, especially where regulation, supervision, and monitoring are absent or lax.
- Patterns of evasion of exchange controls by legitimate businesses.
- Ease of incorporation, in particular where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- No central reporting unit for receiving, analyzing, and disseminating to the competent authorities information on large-value, suspicious, or unusual financial transactions that might identify possible money laundering activity.
- Lack of or weak bank regulatory controls, or failure to adopt or adhere to the Basel Committee's "Core Principles for Effective Banking Supervision," especially in jurisdictions where the monetary or bank supervisory authority is understaffed, under-skilled, or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or money or value transfer systems, because of their unregulated and unsupervised nature, are used as avenues for money laundering or terrorist financing.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering, and financial crime enforcement, and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward the business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai, and Mumbai.
- Jurisdictions where there is significant trade in, or export of, gold, diamonds, and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

Changes in INCSR Priorities for 2014

New jurisdiction added to the "Primary Concern" column: West Bank and Gaza (previously included as part of the Israel report)

In the Country/Jurisdiction Table directly below, "major money laundering countries" that are in the "Jurisdictions of Primary Concern" category are identified for purposes of INCSR statutory reporting requirements. Identification as a "major money laundering country" is based on whether the country or jurisdiction's financial institutions engage in transactions involving

significant amounts of proceeds from serious crime. It is not based on an assessment of the country or jurisdiction's legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country or jurisdiction in the "Jurisdictions of Concern" or "Other Jurisdictions Monitored" category.

Note: Country reports are provided for only those countries and jurisdictions listed in the "Primary Jurisdictions of Concern" category.

Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern		Countries/Jurisdictions of Concern		Other Countries/Jurisdictions Monitored	
Afghanistan	Kenya	Albania	Laos	Andorra	Mali
Antigua and Barbuda	Latvia	Algeria	Malaysia	Anguilla	Malta
Argentina	Lebanon	Angola	Marshall Islands	Armenia	Mauritania
Australia	Liechtenstein	Aruba	Moldova	Bermuda	Mauritius
Austria	Luxembourg	Azerbaijan	Monaco	Botswana	Micronesia FS
Bahamas	Macau	Bahrain	Mongolia	Brunei	Montserrat
Belize	Mexico	Bangladesh	Montenegro	Burkina Faso	Mozambique
Bolivia	Netherlands	Barbados	Morocco	Burundi	Namibia
Brazil	Nigeria	Belarus	Nicaragua	Cabo Verde	Nauru
British Virgin Islands	Pakistan	Belgium	Peru	Cameroon	Nepal
Burma	Panama	Benin	Poland	Central African Rep.	New Zealand
Cambodia	Paraguay	Bosnia and Herzegovina	Portugal	Chad	Niger
Canada	Philippines	Bulgaria	Qatar	Congo, Dem Rep of	Niue
Cayman Islands	Russia	Chile	Romania	Congo, Rep of	Norway
China, People Rep	Singapore	Comoros	Saudi Arabia	Croatia	Oman
Colombia	Somalia	Cook Islands	Senegal	Cuba	Palau
Costa Rica	Spain	Cote d'Ivoire	Serbia	Denmark	Papua New Guinea
Curacao	St. Maarten	Czech Republic	Seychelles	Dominica	Rwanda
Cyprus	Switzerland	Djibouti	Sierra Leone	Equatorial Guinea	Samoa
Dominican Republic	Taiwan	Ecuador	Slovakia	Eritrea	San Marino
France	Thailand	Egypt	South Africa	Estonia	Sao Tome & Principe
Germany	Turkey	El Salvador	St. Kitts and Nevis	Ethiopia	Slovenia
Greece	Ukraine	Ghana	St. Lucia	Fiji	Solomon Islands
Guatemala	United Arab Emirates	Gibraltar	St. Vincent	Finland	South Sudan
Guernsey	United Kingdom	Grenada	Suriname	Gabon	Sri Lanka
Guinea Bissau	United States	Guyana	Syria	Gambia	Sudan
Haiti	Uruguay	Holy See	Tanzania	Georgia	Swaziland
Hong Kong	Venezuela	Honduras	Trinidad and Tobago	Guinea	Sweden
India	West Bank and Gaza	Hungary	Turks and Caicos	Iceland	Tajikistan
Indonesia	Zimbabwe	Ireland	Vanuatu	Kyrgyz Republic	Timor-Leste
Iran		Jamaica	Vietnam	Lesotho	Togo
Iraq		Jordan	Yemen	Liberia	Tonga
Isle of Man		Kazakhstan		Libya	Tunisia
Israel		Korea, North		Lithuania	Turkmenistan
Italy		Korea, South		Macedonia	Uganda
Japan		Kosovo		Madagascar	Uzbekistan
Jersey		Kuwait		Malawi	Zambia
				Maldives	

Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2014, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. With the exception of number 5, all items should be answered "Y" (yes) or "N" (no). **"Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.** All answers indicating deficiencies within the country's/jurisdiction's AML/CFT regime should be explained in the "Enforcement and implementation issues and comments" section of the template, as should any responses that differ from last year's answers.

Glossary of Terms

- 1. "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to the drug trade.
- 2. "Criminalized Beyond Drugs": The jurisdiction has enacted laws criminalizing the offense of money laundering related to crimes other than those related to the drug trade.
- 3. "Know-Your-Customer Provisions": By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know-Your-Customer/Customer Due Diligence programs for their customers or clientele.
- 4. "Report Large Transactions": By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities. (CTRs)
- 5. "Report Suspicious Transactions": By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter "Y" signifies mandatory reporting; "P" signifies reporting is not required but rather is permissible or optional; "N" signifies no reporting regime. (STRs)
- 6. "Maintain Records over Time": By law or regulation, banks and/or other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- 7. "Disclosure Protection - 'Safe Harbor'": By law, the jurisdiction provides a "safe harbor" defense against civil and criminal liability to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
- 8. "Criminalize 'Tipping Off'": By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.
- 9. "Financial Intelligence Unit": The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk (*) reflects those jurisdictions whose FIUs are not members of the Egmont Group of FIUs.

- 10. “Cross-Border Transportation of Currency”: By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction’s borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.
- 11. “International Law Enforcement Cooperation”: No known legal impediments to international cooperation exist in current law. Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request.
- 12. “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- 13. “Arrangements for Asset Sharing”: By law, regulation, or bilateral agreement, the jurisdiction permits sharing of seized assets with foreign jurisdictions that assisted in the conduct of the underlying investigation. No known legal impediments to sharing assets with other jurisdictions exist in current law.
- 14. “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations.
- 15. “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report to designated authorities transactions suspected to relate to the financing of terrorists, terrorist groups, or terrorist activities.
- 16. “Ability to Freeze Terrorist Assets w/o Delay”: The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- 17. “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 18. “States Party to the UN International Convention for the Suppression of the Financing of Terrorism”: States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 19. “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 20. “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 21. “U.S. or International Sanctions/Penalties”: The United States, another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommended countermeasures against the country/jurisdiction.

COMPARATIVE TABLE

Actions by Governments		Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction	Country/ Jurisdiction name																					

Comparative Table

“Y” is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards. Please see the individual country reports for information on any deficiencies in the adopted laws/regulations.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - “Safe Harbor”	Criminalize “Tipping Off”	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Andorra	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Angola	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Anguilla ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Antigua and Barbuda	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

² The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Montserrat, and Turks and Caicos. The International Convention for the Suppression of Terrorism Financing has been extended to the British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNTOC has been extended to the British Virgin Islands, Cayman Islands, Gibraltar, and the Isle of Man.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Aruba ³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bermuda ²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
British Virgin Islands ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N

³ The Netherlands extended its application of the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, and the UN Convention against Transnational Organized Crime to Aruba, Curacao, and St. Maarten.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	N	Y	Y	N
Cabo Verde	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Cambodia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands ²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Central African Rep.	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	N	N
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Comoros	Y	Y	N	N	N	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Congo, Dem Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y
Congo, Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	N	Y	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Curacao ³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Cyprus ⁴	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Denmark	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Djibouti	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Dominica	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Equatorial Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	N	Y	N	N	N	N	N	Y	Y	N	N
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	N	N	Y
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
France	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Gabon	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N

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Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N
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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Gambia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Germany	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Gibraltar²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
Greece	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Guatemala	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Guernsey²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Guinea	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	N	N	N	Y	Y	Y	N	N
Guinea-Bissau	Y	Y	Y	N	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
Guyana	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Holy See	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong⁵	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y

⁵ The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the special administrative regions of Hong Kong and Macau.

Actions by Governments																				
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC
Govt/Jurisdiction																				
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Isle of Man ²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N
Jersey ²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N
Kenya	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Korea, North	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	Y	Y	N	Y
Korea, South	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Laos	Y	Y	N	N	Y	N	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	Y	Y	N	Y	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Mali	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritius	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Montserrat ²	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	N	Y	Y	N	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Namibia	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	N	Y	Y	Y	N
Nepal	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Nicaragua	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niger	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	N	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	Y	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Papua New Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
St. Maarten³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Samoa	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Sao Tome and Principe	Y	Y	N	N	Y	Y	N	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Seychelles	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Singapore	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments																					
	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
South Sudan	Y	Y	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Suriname	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Timor-Leste	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	Y	Y	N
Togo	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Turks and Caicos²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Uganda	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Deferral	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Govt/Jurisdiction																					
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
UAE	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Vanuatu	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Vietnam	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
West Bank and Gaza	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	N	N	N	N
Yemen	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Zambia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Zimbabwe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y

INCSR Volume II Template Key***INTRODUCTORY PARAGRAPH***

This section provides a historical and economic picture of the country or jurisdiction, particularly relating to the country's vulnerabilities to money laundering/terrorist financing (ML/TF). Information on the extent of organized criminal activity, corruption, drug-related money laundering, financial crimes, smuggling, black market activity, and terrorist financing should be included.

This section also should include a brief summary of the scope of any offshore sector, free trade zones, the informal financial sector, alternative remittance systems, or other prevalent area of concern or vulnerability. Deficiencies in any of these areas will be further discussed in the "Enforcement and Implementation Issues and Comments" section, below.

The below referral statement and link to the Department of State's Country Reports on Terrorism follows the introductory paragraph.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:

This question addresses whether the jurisdiction's financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: (specify)

Are legal persons covered: ***criminally:*** (Y/N) ***civilly:*** (Y/N)

In general, two methods of designating money laundering predicate crimes are in use. The response to this question indicates which method of designation the country uses - does the country list specific crimes as predicate crimes for money laundering in its penal code? Conversely, does it use an "all serious crimes" approach, stating that all crimes with penalties over a specified amount or that carry a threshold minimum sentence are money laundering predicate crimes?

The second question addresses whether legal persons, that is, corporations, partnerships, organizations, or any legal entity or arrangement, are liable for money laundering/terrorist financing activity and whether they are subject to criminal penalties, such as fines. Additionally,

are they subject to civil or administrative penalties, such as civil money penalties, or suspension or loss of license?

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* (Y/N) *Domestic:* (Y/N)

KYC covered entities: A list of the types of financial institutions and designated non-financial businesses and professions (DNFBPs) covered by KYC rules

Countries should be using a risk-based approach to customer due diligence (CDD) or know-your-customer (KYC) programs. Using that approach, types of accounts or customers may be considered either less or more risky and be subject to varying degrees of due diligence. Politically exposed persons (PEPs) should be considered high risk and should be subject to enhanced due diligence and monitoring. PEPs are those individuals who are entrusted with prominent public functions in a country, for example, heads of state; senior politicians; senior government, judicial, or military officials; senior executives of state-owned corporations; and important political party officials. This response should indicate whether the jurisdiction applies enhanced due diligence procedures to foreign PEPs and/or domestic PEPs.

CDD or KYC programs should apply not only to banks or financial institutions but also to DNFBPs. Covered institutions should be required to know, record, and report the identity of customers engaging in significant transactions. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers, and accountants, among others, should all be covered by such programs.

This response should list the specific types of financial institutions and DNFBPs covered by KYC laws and rules, whether or not they actually have programs in place in practice.

REPORTING REQUIREMENTS:

Number of STRs received and time frame:

Number of CTRs received and time frame:

STR covered entities: A list of the types of financial institutions and DNFBPs covered by reporting rules

If available, the report will include the number of suspicious transaction reports (STRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2014, will be included.

Suspicious transaction reporting requirements should apply not only to banks or financial institutions but also to DNFBPs. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers, and accountants, among others, should all be covered by such programs.

Similarly, if the country has a large currency transaction reporting requirement, whereby all currency transactions over a threshold amount are reported to a designated government body, the

report will include the number of currency transaction reports (CTRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2014, will be included. The report will not include information on CTRs not required to be forwarded to a designated government body but held in institutions for government review.

This response should list the specific types of financial institutions and DNFBPs covered by reporting laws and rules, whether or not they are reporting in practice.

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: (Number and time frame)

Convictions: (Number and time frame)

If available, the report will include the numbers of money laundering prosecutions and convictions and the relevant time frames. The most recent information, preferably the activity in 2014, will be included.

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** (Y/N) ***Other mechanism:*** (Y/N)

With other governments/jurisdictions: (Y/N)

(Country/jurisdiction) is a member of the Financial Action Task Force OR _____, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: (relevant FATF or FSRB website)

This response will indicate if the country/jurisdiction has in place a mutual legal assistance treaty with the United States and/or other mechanisms, such as memoranda of understanding or other agreements, to facilitate the sharing with the United States of records and information related to financial crimes, money laundering, and terrorist financing.

Similarly, it will indicate if the country/jurisdiction has in place treaties, memoranda of understanding, or other agreements with other governments to share information related to financial crimes, money laundering, and terrorist financing.

The report will indicate if the country/jurisdiction is a member of the Financial Action Task Force (FATF) and/or one or more FATF-Style Regional Bodies (FSRB). A link to the website with its most recent mutual evaluation will be shown.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Information in this section should include changes in policy, law, and implementation of regulations occurring since January 1, 2014, and any issues or deficiencies noted in the country's/jurisdiction's AML/CFT program. These may include the following: resource issues, legislative and/or implementation deficiencies; information on any U.S. or international sanctions against the country/jurisdiction; whether the country has cooperated on important cases with U.S. government agencies, or has refused to cooperate with the United States or foreign

governments, as well as any actions taken by the United States or any international organization to address such obstacles, including the imposition of sanctions or penalties; any known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations; any other information which impacts on the country's/jurisdiction's ability to successfully implement a comprehensive AML/CFT regime or provides information on successful, innovative policies or procedures.

Any changes to the Comparative Table responses for the relevant jurisdiction also should be discussed in this section.

Countries/Jurisdictions of Primary Concern

Afghanistan

The Islamic Republic of Afghanistan is not a regional or offshore financial center. Terrorist and insurgent financing, money laundering, cash smuggling, abuse of informal value transfer systems, and other illicit activities designed to finance organized criminal activity continue to pose serious threats to the security and development of Afghanistan. Afghanistan remains a major narcotics trafficking and producing country, and is the world's largest opium producer and exporter. The narcotics trade, corruption, and contract fraud are major sources of illicit revenue and laundered funds. Corruption permeates all levels of Afghan government and society.

The growth in Afghanistan's banking sector has slowed considerably in recent years; and traditional payment systems, particularly hawala networks, remain significant in their reach and scale. Less than 10 percent of the Afghan population uses banks, depending instead on the traditional hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. Approximately 90 percent of financial transactions run through the hawala system, including foreign exchange transactions, funds transfers, trade and microfinance, as well as some deposit-taking activities. Official corruption and weaknesses in the banking sector incentivize the use of informal mechanisms and exacerbate the difficulty of developing a transparent formal financial sector in Afghanistan. The unlicensed and unregulated hawaladars in major drug areas such as Helmand likely account for a substantial portion of the illicit proceeds being moved in the financial system. Afghan business consortiums that control both hawaladars and banks allow criminal elements within these consortiums to manipulate domestic and international financial networks to send, receive, and launder illicitly-derived monies or funds intended for criminal, insurgent, or terrorism activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks (public and private), money service businesses (MSBs), hawaladars, lawyers, real estate agents, trust companies, securities dealers, independent legal professionals, insurance companies, and dealers of bullion, precious metals, and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 342 in 2014

Number of CTRs received and time frame: 1,908,610 in 2014

STR covered entities: Banks (public and private), MSBs, hawaladars, lawyers, real estate agents, trust companies, securities dealers, independent legal professionals, insurance companies, and dealers of bullion, precious metals, and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 22 in 2012

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=69810087-f8c2-47b2-b027-63ad5f6470c1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Afghanistan's ability to enforce relevant laws and regulate institutions is hampered by corruption. Limited resources and lack of technical expertise and infrastructure also hamper effective regulatory oversight. Afghanistan has made progress through the enactment of its new AML and CFT laws in July 2014. A significant provision in the new AML law is the creation of an adequate legal basis to criminalize money laundering.

There is no clear division between the hawala system and the formal financial sector. Hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawalas to transmit funds to hard-to-reach areas within Afghanistan. Afghanistan's financial intelligence unit, FINTRACA, reports that no MSBs or hawaladars have ever submitted suspicious transaction reports (STRs). Insurance companies and securities dealers are also technically under the regulatory regime and are required to file STRs, but the government does not enforce this requirement. Afghanistan should pass and enforce legislation to regulate financial institutions and designated non-financial businesses and professions and ensure their compliance with AML/CFT regulations. Afghanistan also should issue the necessary regulatory instruments to increase the number of MSB/hawala inspections, and expand implementation of the MSB/hawala licensing program. Afghanistan also should create an outreach program to notify and educate hawaladars about the licensing and STR filing processes. Dealers in precious metals and stones, lawyers, accountants, and real estate agents are not supervised in Afghanistan.

Border security continues to be a major challenge throughout Afghanistan, with the country's 14 official border crossings under central government control. The Da Afghanistan Bank reports that approximately \$3.7 million in cash left Afghanistan via Kabul International Airport in 2014. Approximately \$83,200 left Afghanistan via Mazar-e Sharif International Airport in 2014. Tracking cash movements across borders or through airports has become increasingly difficult

with implementation of an executive order that makes it illegal to take more than \$20,000 out of the country, but eliminates the need to report outbound currency. Cargo is often exempted from any screening or inspection due to corruption at the border crossings and customs depots. Outside of official border crossings, most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent inspection controls for all passengers and includes a VIP lane that does not require subjects to undergo any inspections or controls. Afghanistan should strengthen inspection controls for airport passengers.

Although Afghanistan enacted the Law on Extradition of the Accused, Convicted Individuals and Legal Cooperation, which would seemingly allow for extradition based solely upon multilateral arrangements such as the 1988 UN Drug Convention, this interpretation conflicts with Article 28 of the Afghan Constitution which more clearly requires reciprocal agreements between Afghanistan and the requesting country. Thus, Afghanistan's law on extradition is currently unclear.

Afghanistan's laws related to terrorism financing are not in line with international standards. Over the past year, Afghanistan has worked to strengthen its laws related to terrorism financing. One significant change is that the National Security Council must now immediately notify the Attorney General's Office (AGO) of any designations and the AGO must immediately issue an order freezing the funds and property of designated entities. The new CFT law expands the previous definition of terrorist financing to now include the funding of a terrorist and/or terrorist act. Although the CFT law provides the basic framework needed to authorize Afghanistan's ability to freeze and seize terrorist assets, the corresponding implementing regulations currently lack clarity and effectiveness. Previously, through the use of presidential executive orders, the government has frozen bank accounts owned by hawala networks listed under UNSCR 1988. There are no instances of seized bank accounts, and there is no mechanism for asset sharing.

Afghanistan has taken steps toward improving its AML/CFT regime, including by establishing high-level AML/CFT coordination mechanisms; however, certain strategic AML/CFT deficiencies remain. Afghanistan should continue to work to adequately criminalize money laundering and terrorism financing; establish and implement an adequate framework for identifying, tracing, and freezing terrorist assets; work with the international community to train enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets; provide regulators and enforcement officers with the resources to carry out their oversight and investigative duties; implement an adequate AML/CFT supervisory and oversight program for all financial sectors; establish and implement adequate procedures for the confiscation of assets related to money laundering; enhance the effectiveness of FINTRACA; and establish and implement effective controls for cross-border cash transactions.

Antigua and Barbuda

Antigua and Barbuda remains a substantial offshore center which continues to be vulnerable to money laundering and other financial crimes. An increase in drug trafficking, a large financial sector, and a growing Internet gaming industry likewise add to its susceptibility. The Antiguan

Office of National Drug Control and Money Laundering Policy (ONDCP) has a three prong approach to combat narcotics trafficking, money laundering, and the financing of terrorism via the reporting of financial intelligence and investigation, AML/CFT compliance, and counter-narcotics operations. The ONDCP's analysis in 2013 showed that criminals exploited the system as financial institutions often failed to apply sufficiently rigorous due diligence to suspicious transactions. In 2014, it reported increased evidence of "money laundering related to drug trafficking taking place through local financial institutions." There are few successful investigations, prosecutions, and convictions.

Casinos and Internet gaming maintain a strong presence in Antigua and Barbuda. Internet gaming companies are supervised through the ONDCP. Regulation requires them to incorporate as international business corporations (IBCs) and maintain a physical presence on the island. Additionally, domestic casinos must incorporate as domestic corporations. Casinos and sports book-wagering operations in Antigua and Barbuda's free trade zone are supervised by the ONDCP and the Directorate of Offshore Gaming. The Government of Antigua and Barbuda receives millions of dollars per year from license fees and other charges related to the Internet gaming industry.

Shell companies are not permitted in Antigua and Barbuda. All certified institutions are required to have a physical presence, which means presence of at least a full-time senior officer and availability of all files and records. International companies are authorized to possess bearer shares; however, the license application requires disclosure of the names and addresses of directors (who must be natural persons), the activities the corporation intends to conduct, the names of shareholders, and number of shares they will hold. Registered agents or service providers are compelled by law to know the names of beneficial owners. Failure to provide information or giving false information is punishable by a fine of \$50,000. Offshore financial institutions are exempt from corporate income tax.

The Eastern Caribbean Central Bank (ECCB) supervises Antigua and Barbuda's domestic banking sector, along with the domestic sectors of seven other Caribbean jurisdictions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, international offshore banking businesses, venture risk capital, and money transmission services; entities issuing and administering means of payment (e.g., credit cards, traveler's checks, and banker's drafts); those offering guarantees and commitments, or trading for customers involved in money market instruments, foreign exchange, financial and commodities-based derivative instruments, or transferable or negotiable instruments; money brokers and exchanges, money lenders, and pawn shops; real property businesses; credit unions, building societies, and trust businesses; dealers in precious metals, art, jewelry, and high-value goods; casinos and providers of Internet gaming and sports betting; car dealerships; travel agents; company service providers, attorneys, notaries, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 207: January 1 – November 10, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, international offshore banking businesses, venture risk capital, and money transmission services; entities issuing and administering means of payment (e.g., credit cards, traveler's checks, and banker's drafts); those offering guarantees and commitments, or trading for customers involved in money market instruments, foreign exchange, financial and commodities-based derivative instruments, or transferable or negotiable instruments; money brokers and exchanges, money lenders, and pawn shops; real property businesses; credit unions, building societies, and trust businesses; dealers in precious metals, art, jewelry, and high-value goods; casinos and providers of Internet gaming and sports betting; car dealerships; travel agents; company service providers, attorneys, notaries, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=355&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Antigua and Barbuda continues to work to improve its AML/CFT regime. The Proceeds of Crime Amendment Act of 2014 introduces civil forfeiture provisions in Antigua and includes amendments to improve the consistency of the provisions relating to criminal confiscation.

The Supervisory Authority has the power to comprehensively examine all sectors of financial institutions, including offshore institutions, for AML/CFT compliance and has the authority to

impose sanctions as needed. The Supervisory Authority can apply to a court for a production order where there is a failure by a financial institution to grant access to all records, documents, or required information.

On September 23, 2014 the U.S. shared approximately \$93,000 with Antigua's ONDCP, from the proceeds of a 2007 investigation jointly conducted by U.S. federal law enforcement agencies and the Antiguan ONDCP.

The numbers of prosecutions and convictions are telling regarding the effectiveness of Antigua and Barbuda's AML/CFT regime. The Government of Antigua and Barbuda should continue to work to implement its AML/CFT action plan, and devote resources to money laundering investigations and enforcement.

Argentina

Money laundering related to narcotics trafficking, corruption, contraband, and tax evasion occurs throughout the financial system, often through transactions involving specific offshore centers. The most common money laundering operations in the non-financial sector involve transactions made through attorneys, accountants, corporate structures, and the real estate sector.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. Most of the cocaine transiting Argentina is bound for the European market, while most marijuana remains in the domestic or regional markets. Contraband goods from the United States and other countries are smuggled into Argentina, especially through the tri-border area (Argentina, Paraguay, and Brazil), or through changes to shipping manifests designed to disguise the importer and the type of merchandise.

The widespread use of cash in the economy and Argentina's strong links to U.S. currency increase the country's vulnerability to money laundering. Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against high inflation and potential peso devaluations. Government restrictions on access to foreign exchange have created a black market for U.S. currency. During the first nine months of 2014, the unofficial exchange valued the dollar between 50 and 90 percent higher than the official government rate. This unofficial peso-dollar exchange market generates significant illicit revenue and creates significant opportunities for arbitrage.

Argentina has a long history of capital flight and tax evasion, and the latter is the predicate crime in the majority of money laundering cases. Argentines hold billions of U.S. dollars outside the formal financial system, both domestically and offshore, much of it legitimately earned money but not taxed. Estimates of the size of the informal economy vary from 25 to 40 percent, though it is clear a significant amount of economic activity is taking place outside of government supervision.

The general vulnerabilities in the financial systems expose Argentina to a risk of terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 36,079 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13: January – August 2014
Convictions: 1: January – August 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Argentina is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Argentina_3ra_Ronda_2010.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Law 25.246 criminalizes actions such as “tipping off” by government officials and establishes penalties of six months to three years for such action.

In November 2014, the financial intelligence unit, the UIF, issued a resolution (N 473) that makes the agency responsible for undertaking an assessment of the country’s money laundering and terrorist financing risks in order to guide development of a strategy to mitigate those risks. The resolution adopts a risk-based approach to program implementation.

In an attempt to attract U.S. dollars held by nationals, Argentina instituted a voluntary tax compliance program that allows undeclared U.S. dollars to be exchanged without penalty for certificates of deposit or bonds. The certificates of deposit are designed to be used in real estate transactions and to channel money into energy and infrastructure projects. They can be redeemed for U.S. dollars after they are used in a commercial transaction. Originally scheduled to run for three months, the program has been extended several times. Since its introduction in June 2013 to November 2014, the program has captured slightly over \$1 billion.

Implementation of its AML/CFT regime remains a challenge for the Government of Argentina. While the number of reporting entities has grown to 30,000 and the number of suspicious transaction reports (STRs) the UIF receives has increased dramatically over the past several years, local experts say the government has had difficulty analyzing and prioritizing reports and converting them to actionable intelligence. Recognizing this weakness, the UIF has signed agreements with other government agencies, including the Economic and Money Laundering Prosecutor’s Office (PROCELAC), through which they agree to coordinate information sharing and cooperate and support each other in investigations. The UIF is also conducting outreach and capacity building with reporting entities to improve the quality of STRs.

The government also continues to struggle to prosecute money laundering and terrorist financing cases. According to independent analysis, in the 14 years (2000-2014) that Argentina’s AML/CFT regime has been in existence, there have been a total of 90,000 reports submitted to the FIU. Approximately 7,000 of those have resulted in inspections and 18 entities have been fined a total of approximately 220,000,000 Argentine pesos (approximately \$26 million). During the same period, there have been only four convictions, and in only one case were the perpetrators subjected to prison sentences, fines, and property confiscation.

In general, money laundering cases are pursued by a chief prosecutor, working as part of a prosecutorial unit focused on six operating areas. Opposition lawmakers and commenters have raised concerns about prosecutorial independence and note the ad hoc method of appointing prosecutors makes them more likely to be politically dependent on the executive branch. To date, most cases have been targeted at individuals wanted for actions that took place during Argentina’s military dictatorship.

PROCELAC has a unit devoted specifically to asset recovery. The unit is charged with generating and maintaining a database of judicial actions taken to confiscate property. Under law 24767, Article 95, when the government takes action to freeze assets it retains the right to withhold a portion of the seized assets. To date, the UIF has not frozen terrorist assets based on intelligence it developed through its own investigations.

Now that Argentina has established the legal and regulatory infrastructure to underpin its AML/CFT program, it should be better-positioned to measure the effectiveness of its program. Critical components of this effort will be demonstrating the country's commitment to principals of transparency and good governance; fostering a universal culture of AML/CFT compliance; the ability to coordinate and investigate complex financial crimes; and improving the efficiency of the court system.

Australia

Australia has deep, liquid financial markets and is recognized as a leader in investment management. Australia is also recognized internationally in areas such as infrastructure financing and structured products. As an emerging financial services center within the Asia-Pacific region, the country's financial sector is supported by a number of government initiatives such as the implementation of an investment manager regime and measures to provide tax exemption or tax relief for foreign managers. Finance and insurance, significant sectors in the Australian economy, are estimated to account for 10 percent of total value added. Australia has one of the largest pools of consolidated assets under management globally, valued at A\$2.35 trillion (approximately \$2.02 trillion). It is also a major destination for foreign direct investment.

According to the Australian Crime Commission (ACC), financial crimes continue to increase in diversity, scale, and the level of overall harm they cause Australia. The ACC conservatively estimates that serious and organized crime costs Australia near to A\$15 billion each year (\$12.9 billion). Money laundering remains a key enabler of serious and organized crime.

The Australian Transaction and Reports Analysis Center (AUSTRAC) – the country's financial intelligence unit (FIU) - identifies four key features of money laundering in the country: intermingling legitimate and illicit financial activity through cash intensive businesses or front companies; engaging professional expertise, such as lawyers and accountants; the use of money laundering syndicates to provide specific money laundering services to domestic and international crime groups; and the "internationalization" of the Australian crime environment, a reflection of the pervasive international money laundering ties of Australia-based organized criminal groups. The report also notes that major money laundering channels are prevalent in banking, money transfer and alternative remittance services, gaming, and luxury goods. Less visible conduits include legal persons and arrangements, cash intensive businesses, electronic payment systems, cross-border movement of cash and bearer negotiable instruments, international trade, and investment vehicles.

Trade-based money laundering (TBML), and its potential role in drug trafficking and importation, is a concern of law enforcement agencies. With its strict border and customs regulations, however, the potential for TBML is limited in comparison to other jurisdictions with free trade zones or open border arrangements. Australia's lack of free trade zones is considered to have lowered the risk of TBML.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler’s checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 64,076: July 2013 - June 2014
Number of CTRs received and time frame: 5,210,418: July 2013 - June 2014
STR covered entities: Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler’s checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 99: July 2013 - June 2014
Convictions: 77: July 2013 - June 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Australia is a member of the FATF and of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/countries/a-c/australia/documents/mutualevaluationofaustralia.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. The election of a new government in September 2013 resulted in a number of changes in implementation of the AML/CFT regulatory framework. In December 2013, the Minister for Justice announced the commencement of the statutory review of the Anti-

Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CFT Act). The review is being conducted by the Attorney-General's Department with assistance from AUSTRAC. The review will examine the objectives and scope of the AML/CFT regime, opportunities for deregulation, the risk-based approach to AML/CFT, and industry reporting obligations. The review will be completed in 2015 with the submission of a final report to the government.

Seven amendments have been incorporated to the AML/CFT Act in 2013-14. A major enforcement tool to reduce money laundering risks inherent in the alternative remittance sector and informal value transfer systems is the ACC-led Eligo National Task Force (ENTF). The ENTF is an initiative involving the ACC, AUSTRAC, and the Australian Federal Police. In 2014, the ENTF resulted in 12 disruptions to criminal entities and identified 95 criminal targets previously unknown to law enforcement. The ENTF-initiated investigations resulted in seizures of more than A\$21 million (\$17.2 million) in cash and drugs with an estimated street value of more than A\$140 million (\$115 million). As well as disrupting organized crime activities, the ENTF is driving professionalism within the remittance sector to make it more resistant to organized crime. U.S. law enforcement agencies continue to work collaboratively with the ENTF.

AUSTRAC works collaboratively with Australian industries and businesses to promote their compliance with AML/CFT legislation. Australia has active interagency task forces, and consultations with the private sector are frequent. AUSTRAC signed four new financial intelligence exchange agreements in 2014, increasing the number of Australia's exchange instruments with international counterparts to 72. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas. Australia's Criminal Assets Confiscation Task Force brings together agencies with key roles in the investigation and litigation of proceeds of crime matters. The task force identifies and conducts asset confiscation matters.

In May 2014, Australia announced changes to the way in which AUSTRAC would be funded. The government intends to replace the existing Supervisory Cost Recovery Levy, which funds the regulatory activities of AUSTRAC, with a new industry contribution that will fund both AUSTRAC's regulatory and FIU functions. These contributions are expected to provide 70 percent of AUSTRAC's budgeted operating expenditures in 2014-15, 90 percent in 2015-16 and 2016-17, and 100 percent from 2017-18 onwards.

2013-14 witnessed a notable increase in filings in the suspicious transaction report (STR) category 'Refusal to show ID/complete cash transaction report,' which can be attributed to the tightening of third-party currency transaction report (CTR) reporting obligations. Over the last two reporting years, the number of STRs filed with AUSTRAC increased approximately 45 percent. These increases reflect reporting entities' increased awareness of events occurring overseas that are relevant to Australia.

In 2014, AUSTRAC completed Australia's first classified National Risk Assessment on terrorism financing. A sanitized report titled "Terrorism Financing in Australia 2014" notes that Australia's banking and remittance sectors are used more frequently than other channels to send funds to individuals engaged in foreign insurgencies and conflicts. Terrorism financing in

Australia varies in scale and sophistication, ranging from organized fundraising by domestic cells which are part of a larger, organized international network, to funds raised by small, loosely organized, and self-directed groups.

Austria

Austria is a major regional financial center, and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs to some extent within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. Theft, drug trafficking, and fraud are the main predicate crimes in Austria according to conviction and investigation statistics. Austria is not an offshore jurisdiction and has no free trade zones.

Casinos and gambling are legal in Austria. The laws regulating casinos include AML/CFT provisions. There are migrant workers in Austria who send money home via all available channels, including regular bank transfers and money transmitters, but also informal and illegal remittance systems. No information is available to what extent informal systems are used.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, and auditors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,490 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, auditors, and customs officials

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 336 in 2013

Convictions: 8 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Austria is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofaustria.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years, Austria has developed comprehensive AML/CFT legislation, including the enactment of a Sanctions Act; reformed the financial intelligence unit operational procedures and supervisory framework; developed and published regulations and guidelines; and organized a series of outreach events to increase the level of awareness of AML/CFT.

Austria has an “all serious crimes” approach to the criminalization of money laundering plus a list of predicate offenses that do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and standards.

Austrian banks have strict legal requirements regarding secrecy. Banks and other financial institutions must not divulge or exploit secrets that are revealed or made accessible to them exclusively on the basis of business relations with customers. However, the law stipulates that secrecy regulations do not apply with respect to banks’ obligation to report suspicious transactions in connection with money laundering or terrorism financing, or with respect to ongoing criminal court proceedings. Any amendment of these secrecy regulations requires a two-thirds majority approval in Parliament.

The Austrian Financial Market Authority (FMA) regularly updates a regulation issued January 1, 2012, which mandates banks and insurance companies apply additional special due diligence in doing business with designated countries. The FMA regulation currently includes eight jurisdictions.

The number of filed STRS has fallen by almost 30 percent in the last two years. Similarly, the numbers of prosecutions and convictions have continued to decline. In addition, the number of AML convictions in relation to the amount of prosecutions is quite low.

Bahamas

The Commonwealth of The Bahamas is an important regional and offshore financial center. The country's economy is heavily reliant upon tourism, tourist-driven construction, and the offshore financial sector. The Bahamas remains a transit point for illegal drugs bound for the United States and other international markets. The major sources of laundered proceeds are drug trafficking, firearms trafficking, illegal gambling, and human smuggling. There is a significant black market for smuggled cigarettes and guns. Money laundering trends include the purchase of real estate, large vehicles, boats, and jewelry, as well as the processing of money through a complex web of legitimate businesses and international business companies (IBCs) registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in The Bahamas to launder significant sums of money, despite strict know-your-customer and transaction reporting requirements.

The archipelagic nature of The Bahamas and its proximity to the United States make the entire country accessible by all types of watercraft, including small sail boats and power boats, thereby making smuggling and moving bulk cash relatively easy. The country has one large free trade zone (FTZ), Freeport Harbor. The FTZ is managed by a private entity, the Freeport Harbor Company, owned and operated through a joint venture between Hutchison Port Holdings (a subsidiary of Hutchison Wampoa, based in Hong Kong) and The Port Group (The Grand Bahama Port Authority, the Bahamian parastatal regulatory agency). Businesses at the harbor include private boats, ferry and cruise ship visits, and roll-on/roll-off facilities for containerized cargo and car transshipments. Freeport Harbor has the closest offshore port to the United States.

Gaming is legal for tourists. The Bahamas has four large casinos, including a casino in Bimini that draws in customers from the United States via a ferry service to and from Miami. The \$3.5 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort is scheduled to open in 2015 on New Providence Island, and is set to be the largest casino in the Caribbean. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos. Gaming operations based on U.S.-based lottery results and the internet, locally known as "web shops," flourish in The Bahamas despite the voters' rejection of a January 2013 referendum that would have legalized web shop gaming. In September 2014, the government passed a comprehensive gaming bill designed to regulate the web shops and bring internet-based gaming into compliance with industry standards.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 270 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/the-bahamas-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Government of the Commonwealth of The Bahamas has the requisite institutional and legal framework to combat money laundering, the number of prosecutions and convictions is low given the scale of the country's financial sector.

The Gaming Bill entered into force in November 2014, and implementation is ongoing. The new regulations require web shop operators to apply for a license, pay taxes on revenue (including retroactive taxes), and comply with internal control standards.

The Government of the Commonwealth of The Bahamas should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies in order to investigate and prosecute money laundering; enforce existing legislation; and safeguard the financial system from possible abuses. With the expansion of gaming oversight, the government should ensure full implementation of appropriate safeguards, and provide additional suspicious transaction report (STR) training. The financial intelligence unit (FIU), in cooperation with Royal Bahamas Police Force financial investigators, should continue its outreach, training, and coordination with banking and non-banking sectors to assist institutions in implementing and maintaining effective STR regimes. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk

cash smuggling; continuing implementation of the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; passing proposed legislation to criminalize the participation in organized criminal groups; establishing a currency transaction reporting system; and, implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

The government's National Anti-Money Laundering Task Force, which meets monthly, is led by the Inspector at the Compliance Commission and includes representatives from the government and private sector. The goal of the body is to implement and comply with international standards to prevent and control money laundering and combat terrorist financing. The Task Force should seek to engender an AML culture in The Bahamas.

Belize

Belize is not a major regional financial center; however, it has a substantial offshore financial sector. The Government of Belize continues to encourage the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar, and Belizean banks continue to offer financial and corporate services to nonresidents in the offshore financial sector.

Belizean officials suspect there is money laundering activity in their two free trade zones, known as commercial free zones (CFZs). The larger of the two, the Corozal Commercial Free Zone, is located on the border with Mexico. The smaller CFZ, the Benque Viejo Free Zone, is located on the western border with Guatemala. The Corozal CFZ was designed to attract Mexican citizens for duty free shopping; Belizean authorities believe it is heavily involved in trade-based money laundering and the illicit importation of duty free products.

Belize is a transshipment point for marijuana and cocaine. There are strong indications that laundered proceeds are increasingly related to organized criminal groups involved in the trafficking of illegal narcotics, psychotropic substances, and chemical precursors.

In 2013, the Caribbean Financial Action Task Force (CFATF) included Belize in its Public Statement for not making sufficient progress in addressing AML/CFT deficiencies and not complying with its action plan to address those deficiencies. The CFATF called upon its members to consider instituting countermeasures to protect their financial systems from the money laundering and terrorism financing risks emanating from Belize. In May 2014, the CFATF noted that Belize has made substantial progress and encouraged Belize to continue implementing its action plan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination

Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 141: January 1 - November 14, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Belize is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=352&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Following the CFATF designation, over the last two years the Belizean government dramatically increased its efforts to strengthen its national AML/CFT regime. In 2014, the Belize National Assembly amended a number of laws and adopted regulations to increase government oversight of financial activities in Belize. The amended acts include the Money Laundering and Terrorism (Prevention) Act; the Companies Act; the Domestic Banks and Financial Institutions Act; the Financial Intelligence Unit Act; the Mutual Legal Assistance and International Co-Operation Act; the Insurance Act; the Financial Investigative Unit Act; the International Financial Services

Act; the Gaming Control Act; the Interception of Communications Act; Customs Regulation Act; Trust Act; Non-Governmental Organizations (NGO) Act; Criminal Code Act; and the Firearms Act.

The new Mutual Legal Assistance and International Co-Operation Act includes provisions to facilitate investigations, prosecutions, and judicial proceedings in relation to criminal matters, including the freezing, seizing, and confiscation of proceeds and instrumentalities of crime and terrorist property. This law also establishes a single competent authority for the receipt and processing of requests for mutual legal assistance and empowers the Attorney General and the Ministry of Foreign Affairs to undertake international cooperation inquiries to and on behalf of foreign countries.

Despite the new laws and regulations, some international experts have noted political will is needed to fully implement and enforce the new legislation through investigations and prosecutions. An absence of money laundering prosecutions and convictions in 2014, coupled with historically low figures, reflects the lack of robust enforcement efforts.

The financial intelligence unit (FIU) is responsible for enforcement and implementation of all AML/CFT-related regulations as well as international sanctions lists, domestic tax evasion, and all money laundering investigations. The FIU has gone through some organizational changes over the past two years, including attorney assignments and increasing the analytical staff from one to three. The FIU is reported to be focused on rolling out its new compliance regime. The FIU has a broad mandate and a small staff, and does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. There is limited assistance from other law enforcement agencies, government departments, and regulatory bodies. International donors are working with police executives to develop curricula to train police officers on how to identify cases appropriate for the FIU. At least four educational seminars have been held by the FIU with financial institutions.

In September 2014, the U.S. Government, with assistance from Belize's FIU, indicted six corporate executives and six corporate entities for orchestrating a \$500 million offshore asset protection, securities fraud, and money laundering scheme. The suspects created three brokerage firms in Belize to assist U.S. citizens in fraudulent manipulation schemes of publicly traded companies. In a related action, the FIU froze assets of a company associated with the U.S. prosecution, but in November 2014, Belize's Chief Justice ordered the FIU to release those assets due to insufficient evidence to justify the continued freezing of those accounts.

The Government of Belize should demonstrate its commitment to provide additional resources and training to effectively enforce the country's enhanced AML/CFT regime. Belize should become a party to the UN Convention against Corruption.

Bolivia

Bolivia is not a regional financial center, but remains vulnerable to money laundering. Illicit financial activities are related primarily to cocaine trafficking, and include corruption, tax

evasion, smuggling, and trafficking in persons. Criminal proceeds laundered in Bolivia are derived from smuggling contraband and from the foreign and domestic drug trade.

There is a significant market for smuggled goods in Bolivia. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported to Brazil and Argentina. An estimated 70 percent of Bolivia's economy is informal, with proceeds entering the formal market through the financial system; informal exchange houses and non-registered currency exchanges are illegal. There is no indication the illicit financial activity is linked to terrorism financing, though lack of proper safeguards creates a vulnerability to such activity. Much of the informal economic activity occurs in non-regulated commercial markets where many products can be bought and sold outside of the formalized tax system. Public corruption is common in these commercial markets and money laundering activity is likely.

The Bolivian financial system is moderately dollarized, with some 25 percent of deposits and 11 percent of loans distributed in U.S. dollars rather than Bolivianos, the national currency. Bolivia has 13 free trade zones for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Casinos (hard gaming) are illegal in Bolivia. Soft gaming (e.g., bingo) is regulated; however, many operations have questionable licenses.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 422 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***Prosecutions:*** 40 in 2014***Convictions:*** Not available***RECORDS EXCHANGE MECHANISM:******With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO***With other governments/jurisdictions:*** YES

Bolivia is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles/documentos/en/evaluaciones_mutuas/Bolivia_3era_Ronda_2011.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Bolivia has enacted several laws and regulations that, taken together, should help the country to more actively fight corruption, terrorism, and money laundering. The Government of Bolivia should continue its implementation of the laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

In April 2013, via Supreme Decree 1533, Bolivia established specific procedures for freezing assets that include procedures for permitting assets to be accessed in specific cases when individuals have no other mechanisms to pay basic expenditures such as food and medical bills.

A continued lack of personnel in the financial intelligence unit, the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework limit the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

In May 2014 Bolivia issued Supreme Decree 910 transferring control of Bolivia's UIF from ASFI (Bolivia's financial regulatory body) to the Ministry of Economy and Public Finance. The government's goal was to decentralize the UIF, giving it a greater degree of independence. However, since the move, statistics that were previously available to the public are no longer available online. Bolivia should rectify this issue and ensure statistics related to its AML/CFT regime are released.

Bolivia does not have a mutual legal assistance treaty with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance.

Bolivia should continue to strengthen its AML/CFT regime by addressing identified weaknesses.

Brazil

In 2014, Brazil was the world's seventh largest economy by nominal GDP. It is a major drug-transit country, as well as one of the world's largest consumer countries. Sao Paulo, Brazil's largest city, is considered a regional financial center for Latin America. Money laundering in Brazil is primarily related to domestic crimes, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband and counterfeit goods. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

São Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to São Paulo and the TBA, other areas of the country are also of growing concern. The Government of Brazil and local officials in the states of Mato Grosso do Sul and Paraná, for example, report increased involvement by Rio de Janeiro and São Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

Brazil has four free trade zones/ports (FTZs). The government provides tax benefits in certain FTZs, which are located to attract investment to the country's relatively underdeveloped North and Northeast regions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** NO ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available

STR covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Brazil is a member of the FATF and the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/brazil/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Brazil does not maintain comprehensive statistics on money laundering prosecutions and convictions. Only combined figures are available for STRs/CTRs. As long as these reports are aggregated, it may be difficult to determine patterns of STR submission by volume, type of filer, or type of violation.

The Government of Brazil achieved visible results over the last few years from investments in border and law enforcement infrastructure. Anti-smuggling and law enforcement efforts by state and federal agencies increased. Brazilian Customs and the Brazilian Tax Authority continue to take action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

Some high-priced goods in the TBA are paid for in U.S. dollars, and cross-border bulk cash smuggling is a concern. Large sums of U.S. dollars generated from licit and suspected illicit commercial activity are transported physically from Paraguay into Brazil. From there, the money may make its way to banking centers in the United States. However, Brazil maintains some control of capital flows and requires disclosure of the ownership of corporations.

In March 2014 law enforcement authorities dismantled a criminal ring involved in drug trafficking, tax evasion, gemstone smuggling, illegal mining, and other crimes, and alleged to have laundered about 10 billion reais (approximately \$3.8 billion). The operation, called Lava Jato, or Jet Wash, because the money laundering scheme used a number of gas stations and dry cleaners to launder some of the illicit funds, was linked to the previous arrest of a suspect stopped at a Brazilian airport with nearly \$300,000 stuffed in his socks. This individual had ties to a Lebanese gang that smuggled illegal goods from Paraguay. The investigation is ongoing.

Brazil's Trade Transparency Unit, in partnership with U.S. Immigration and Customs Enforcement, analyzes, identifies, and investigates companies and individuals involved in trade-based money laundering activities between the two countries. As a result of data comparison, the government identified millions of dollars of lost revenue.

Brazil is a party to the UN International Convention for the Suppression of the Financing of Terrorism; however, Brazil does not criminalize terrorism financing in a manner consistent with international standards. The Brazilian Senate's Commission on Human Rights reviewed draft legislation that would address this deficiency in 2014 but shelved it due to civil society concerns. Brazil should pass legislation to fix this gap in its legal framework.

British Virgin Islands

The British Virgin Islands (BVI) is a UK overseas territory. The economy depends greatly on tourism and the offshore financial sector. BVI is a well-established, sophisticated financial center offering accounting, banking, and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. The FSC's most recent statistical bulletin was published in December 2014, reflecting data as of September 2014. The bulletin notes there are 480,932 active companies, six licensed banks, 231 other fiduciary companies, and 2,175 investment businesses and funds registered with the FSC. The banking sector has assets valued at \$2.4 billion as of June 2014.

Exploitation of its offshore financial services, the unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks to the BVI. The BVI is a favored destination for registering shell companies that can be established for little money in a short amount of time. There are reports that a substantial percentage of BVI's offshore business comes from China.

Tourism accounts for 45 percent of the economy and employs the majority of the workforce; however, financial services contribute over half of government revenues. The BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional risk factors for money laundering. The BVI, similar to other jurisdictions in the Eastern Caribbean, is a major target for drug traffickers, who use the area as a gateway to the United States. BVI authorities work with regional and U.S. law enforcement agencies to mitigate the threats.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies; real estate agents, lawyers, other independent legal advisers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 235 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies and money services institutions; real estate agents, lawyers, other independent legal advisers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

BVI is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=327&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Recently, BVI implemented a supervisory regime for all designated non-financial businesses and professions, including legal advisors, accountants, and dealers in precious metals and stones, as well as nonprofit organizations. BVI uses suspicious activity reports (SARs) rather than suspicious transaction reports (STRs). SARs, in general, relate to suspicious activities by a broad range of entities, rather than suspicious financial transactions. Therefore, the cited numbers encompass all types of suspicious activities, including those of a financial nature.

Most penalties for AML violations have maximums ranging from \$250,000 - \$500,000 when action is taken through the courts. The FSC can impose administrative fines up to \$100,000. From January through September 2014, the Enforcement Committee reviewed 96 enforcement cases, resulting in four administrative penalties, three cease and desist orders, three license revocations, and nine warning letters.

There is strong collaboration between BVI law enforcement and regional as well as U.S. law enforcement agencies, which has resulted in several successful operations targeting drug smuggling and drug dealing. There have been 24 money laundering related prosecutions and 13 convictions since 2008.

The BVI is a UK Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime were extended to the BVI in 2012.

In June 2013, the Government of the United Kingdom announced plans for the UK and its overseas territories and crown dependencies to establish mandatory registers of beneficial ownership. It has since indicated that such registers will be publicly available. The government of the BVI should work toward the goal of making information on beneficial ownership of offshore entities available for legitimate requests by international law enforcement and, eventually, to the public.

Burma

Burma is not a regional or offshore financial center. Its economy is underdeveloped and its historically isolated banking sector is just beginning to reconnect to the international financial system. Burma's prolific drug production and lack of financial transparency make it attractive for money laundering. While its underdeveloped economy remains unattractive as a destination to place funds, the low risk of enforcement and prosecution makes it potentially appealing to the criminal underground. Besides narcotics, trafficking in persons; the illegal trade in wildlife, gems, and timber; and public corruption are major sources of illicit proceeds. Many Burmese, particularly emigrants remitting money from Thailand or Malaysia to family in Burma, have relied on informal money transfer mechanisms, such as hundi. Alternative remittance systems are abused by criminal networks.

Burma continues to be a major source of opium and exporter of heroin, second only to Afghanistan. Since the mid-1990s, Burma has also been a regional source for amphetamine-type stimulants. The 2014 joint Burma-UN Office of Drugs and Crime illicit crop survey reported that for the eighth straight year, opium poppy cultivation increased. The government faces the additional challenge of having vast swaths of its territory, particularly in drug producing areas along Burma's eastern borders, controlled by non-state armed groups. In some areas, continued conflict between ethnic armed groups and Burma's government allow organized crime groups to function with minimal risk of interdiction. Burma's long, porous borders are poorly patrolled.

Corruption is endemic in both business and government. State-owned enterprises and military holding companies retain significant influence over the economy, including control of a substantial portion of Burma's natural resources. There is a continued push to privatize more government assets. The privatization process provides potential opportunities for graft and

money laundering, including by business associates of the former regime and politicians in the current civilian government, some of whom are allegedly connected to drug trafficking. Rising trade and investment flows, involving a wider range of countries and business agents, also provide opportunities for increased corruption and illicit activities. The rule of law remains weak and Burma continues to face significant risk of narcotics proceeds being laundered through commercial ventures.

There are at least five operating casinos, including one in the Kokang special region near China, that primarily target foreign customers. Little information is available about the regulation or scale of these enterprises. They continue to operate despite the fact casino gambling is officially illegal in Burma.

The FATF includes Burma in its October 24, 2014 Public Statement. The FATF does note that Burma has made some progress in implementing its action plan, including the passage of new AML and CT laws in 2014. Nevertheless, Burma still needs to address certain strategic AML/CFT deficiencies, including adequately criminalizing terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; further strengthening the extradition framework in relation to terrorist financing; ensuring a fully operational and effectively functioning financial intelligence unit (FIU); enhancing financial transparency; and strengthening customer due diligence (CDD) measures.

In November 2003, the United States identified Burma as a jurisdiction of “primary money laundering concern” under Section 311 of the USA PATRIOT Act, a finding that remains in place. The United States continues to issue advisories to financial institutions, alerting them to the risk posed by Burma’s AML/CFT deficiencies and of the need to conduct enhanced due diligence with respect to financial transactions involving Burma.

In July 2012, the United States eased economic sanctions related to new U.S. investments in Burma and the exportation of financial services to Burma. In July 2013, the U.S. ban on Burmese imports imposed in 2003 under the Burmese Freedom and Democracy Act and Executive Order 13310 ended, with the exception of restrictions on imports of jadeite and rubies. U.S. legislation and Executive Orders that block the assets of members of the former military government and three designated Burmese foreign trade financial institutions, freeze the assets of additional designated individuals responsible for human rights abuses and public corruption, and impose travel restrictions on certain categories of individuals and entities remain in force. On February 22, 2013, the U.S. Treasury issued General License No. 19 to authorize U.S. persons to conduct most transactions, including opening and maintaining accounts and conducting a range of other financial services, with four of Burma’s major financial institutions that remain on Treasury’s Specially Designated National (SDN) list: Asia Green Development Bank, Ayeyarwady Bank, Myanma Economic Bank, and Myanma Investment and Commercial Bank. U.S. persons are also permitted to conduct transactions with Burmese banks not included on the SDN list.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, insurance companies, credit societies, finance companies, microfinance institutions, casinos, real estate agents, dealers in precious metals, trust and company service providers, lawyers, notaries, car dealerships and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 20: January 1 - October 31, 2014
Number of CTRs received and time frame: 211,311: January 1 - October 31, 2014
STR covered entities: Banks (including bank-operated money changing counters); the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department, and Ministry of Mines; state-owned insurance company and small loan enterprise; securities exchange; accountants, auditors, legal and real estate firms and professionals; and dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=e0e77e5e-c50f-4cac-a24f-7fe1ce72ec62>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Burma’s financial sector is extremely underdeveloped and most currency is still held outside the formal banking system, although bank deposits have increased over the past several years. The informal economy generates few reliable records, and Burma makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is weak. On October 1, 2014, the government awarded limited banking licenses to nine foreign banks. The banks will be restricted to providing loans in foreign currency and be required to

partner with local banks in order to lend to local companies. This is likely to significantly increase the volume and frequency of cross-border currency transfers over the next few years. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available information precludes confirmation of such conduct.

Burma enacted the Anti-Money Laundering Law in March 2014. Government order No. 56/2014 established the Central Committee for Anti Money Laundering on August 4, 2014. The Central Committee is chaired by the Minister of Home Affairs and includes the Governor of the Central Bank (CB), deputy ministers from Home Affairs and Finance Ministries, the Deputy Attorney General, and additional board members. Mr. Win Aung, President of the Union of Myanmar Federation of Chambers of Commerce and Industry, who sits on this board, is on Treasury's SDN list.

The new AML law criminalizes money laundering and defines predicate offenses. The new AML law includes CDD requirements for all reporting entities. These requirements include identifying the customer and verifying the customer's identity; collecting and understanding information regarding the purpose and the intended nature of the business relationship; and identifying the beneficial owner.

In July 2013, Burma took a major step forward by enacting a new law that grants the CB both independence and exclusive jurisdiction over monetary policy. However, the CB will require substantial assistance and additional resources to develop its capacity to adequately regulate and supervise the financial sector, which remains very limited.

In June 2014, Burma enacted its first counterterrorism law, which criminalizes terrorism financing.

Efforts to address widespread corruption are impeded by an ingrained culture of bribe seeking within the civil service, including police. Low salaries create an incentive for civil servants to seek to supplement their incomes. The military has an untoward influence over civilian authorities, especially at the local level. A new anti-corruption law went into effect on September 17, 2013, but has not yet had a discernible impact.

Burma still needs to take a number of steps to improve its AML/CFT regime. The government should expand the number of organizations required to have KYC/CDD procedures. The FIU should become a fully funded agency that functions without interference, and Burma should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. The government should further strengthen the extradition framework for terrorism financing and address issues in the counterterrorism law's implementation, including the reporting of suspected terrorist financing and the ability to identify and freeze terrorist assets. Burma should end all policies that facilitate corrupt practices and money laundering, and strengthen regulatory oversight of the formal financial sector.

Cambodia

Cambodia is neither a regional nor an offshore financial center. Several factors, however, contribute to Cambodia's significant money laundering vulnerability. These include Cambodia's weak and ineffective AML regime; its cash-based, dollarized economy; a rapidly growing formal banking sector; porous borders; the government's loose oversight of casinos; and the National Bank of Cambodia's limited capacity to oversee the fast-growing financial and banking industries. A weak judicial system and endemic corruption are additional factors negatively impacting enforcement.

Cambodia has a significant black market for smuggled goods, including drugs and imported substances for local production of methamphetamine. Both licit and illicit transactions, regardless of size, are frequently done outside of formal financial institutions and are difficult to monitor. Cash proceeds from crime are readily channeled into land, housing, luxury goods, and other forms of property without passing through the formal banking sector. Casinos along the borders with Thailand and Vietnam are other potential avenues to convert ill-gotten cash.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; non-governmental organizations (NGOs) and foundations

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 186: January - October 2014

Number of CTRs received and time frame: 1,432,489: January - October 2014

STR covered entities: Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; NGOs and foundations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January - October 2014

Convictions: 0: January - October 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Cambodia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?pcPage=5>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Cambodia has significantly improved its AML/CFT regime over the last few years. It has adequately criminalized money laundering and terrorist financing, established procedures to identify and freeze terrorist assets, established procedures for the confiscation of funds related to money laundering, established a functioning financial intelligence unit (FIU), and instituted controls for cross-border cash transactions.

Cambodia's AML/CFT law allows authorities to freeze assets relating to money laundering or the financing of terrorism until courts have rendered final decisions, but the AML/CFT regime lacks a clear system for sharing assets with foreign governments. In March 2014, Cambodia issued a sub-decree on Freezing of Property of Designated Terrorists and Organizations, which establishes mechanisms and procedures for freezing properties and funds of terrorists and organizations according to UNSCRs 1267 and 1373, and their successor resolutions. In May 2014, Cambodia's General Prosecutor for the Court of Appeals issued an order to all reporting entities, as set forth in Article 4 of the AML/CFT Law, to freeze all properties of individuals or entities named in lists promulgated under UNSCR 1267.

The primary enforcement and implementation concerns involve the willingness of domestic authorities to adequately and efficiently share relevant information among themselves and to competently investigate and prosecute AML-related crimes. The government should work to increase the volume and quality of reporting of STRs and CTRs from reporting entities of all types and increase the operational independence of the nascent and understaffed FIU. Cambodia also should work to further implement existing mechanisms to both allow independent distribution of FIU analyses directly to the most appropriate law enforcement bodies and to facilitate law enforcement requests for information from the FIU.

The law on AML/CFT excludes pawn shops from its explicit list of covered entities but does allow the FIU to designate any other profession or institution to be included within the scope of the law. The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), a permanent and senior-level AML/CFT coordination mechanism, has the key role of ensuring the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML/CFT

efforts. The NCC has been active in putting forward legal and policy reforms to tackle the country's AML deficiencies.

Despite the noted progress, the Government of Cambodia should take further steps to implement adequate procedures for the confiscation of funds related to money laundering, ensure a fully operational and effective FIU, and fully implement controls for cross-border cash transactions. Given the high level of corruption, the government also should require enhanced due diligence for domestic politically exposed persons (PEPs). Cambodia should work to strengthen control over its porous borders. The government should design and implement effective operational procedures both within and among affected agencies, and measure the effectiveness of these procedures on an ongoing basis. It also should provide training to increase the capacity of reporting entities, law enforcement and judicial agencies, and regulatory bodies; and empower and require law enforcement and regulators to strictly enforce AML/CFT laws and regulations.

Canada

Money laundering activities in Canada are primarily a product of illegal drug trafficking and financial crimes, such as credit card and securities fraud, and fraudulent mass-marketing. The criminal proceeds laundered in Canada derive predominantly from domestic activity controlled by drug trafficking organizations and organized crime.

The money laundering methods used in Canada have remained relatively consistent in recent years. They include smuggling; money service businesses and currency exchanges; casinos; the purchase of real estate; wire transfers; establishment of offshore corporations; use of credit cards, stored value cards, and new payment methods; use of nominees; use of foreign bank accounts; and the use of professional services such as lawyers and accountants.

Canada does not have a significant black market for illicit goods. Cigarettes are the most commonly smuggled good in the country. There are indications that trade-based money laundering occurs; and underground financial systems are used within the immigrant community. Some human trafficking organizations have engaged in money laundering. There is no indication this activity is tied to terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown (certain government agencies); money services businesses (MSBs); accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 81,735: April 1, 2013 - March 31, 2014

Number of CTRs received and time frame: 8,313,098: April 1, 2013 - March 31, 2014

STR covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; MSBs; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Canada is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Canada%20full.pdf>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The possession of proceeds of crime (PPOC) is a criminal offense under the criminal code and is considered money laundering. The same penalties apply to both money laundering convictions and convictions for PPOC involving more than \$5,000. As such, PPOC is not considered to be a lesser offense and is equally effective in pursuing criminals and forfeiting their illicit assets. Investigators regularly make large cash seizures of Canadian and U.S. currency and seize assets purchased with cash, such as real property, vehicles, personal property (jewelry, furniture, and appliances), collectibles (antiques, coins, stamps), and other assets. Bulk cash smuggling is widespread.

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but should further enhance its enforcement and conviction capability. In addition to STRs and CTRs, Canada's financial intelligence unit, the Financial Transaction Reports Analysis Center of Canada (FINTRAC) receives reports on casino disbursements, international wire transfers, and cross-border currency movements. FINTRAC made 1,143 disclosures to law enforcement and other government agencies from April 1, 2013 to March 31, 2014. Of these, 845 disclosures were money laundering related, 234 were terrorism

financing or security threat related, and 64 were both money laundering and terrorism financing or security related. Obstacles to successful enforcement include privacy rules that prevent FINTRAC from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors. Though the legislative framework does not allow law enforcement agencies direct access to FINTRAC's databases, FINTRAC may disclose actionable financial intelligence to assist money laundering (ML), terrorist financing (TF), and threats to the security of Canada investigations. When FINTRAC has determined reasonable grounds exist to suspect information would be relevant to an investigation or prosecution of an ML/TF offense, they are required to disclose financial intelligence to the appropriate authorities.

In June 2014, Canada became one of the first countries to implement comprehensive legislation regulating virtual currencies, such as bitcoin. The new regulations include provisions that subject digital currencies to the same reporting requirements as MSBs, including the requirement that all digital currency exchanges register with FINTRAC. Digital currency exchanges also will be subject to verification, registration, and record-keeping requirements, including the obligations to report suspicious transactions, implement compliance programs, and determine if any of their customers are politically exposed persons (PEPs). The new legislation also covers foreign companies that have a place of business in Canada and those directing services at Canadians. Financial institutions will be prohibited from establishing and maintaining bank accounts for customers involved with virtual currency businesses that are not registered under FINTRAC.

In January 2013 the Government of Canada amended the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations to require reporting entities to better identify customers and understand the nature of their business, monitor business relationships using a risk-based approach, and identify beneficial owners of corporations and trusts, consequently enabling the reporting entities to identify transactions and activities that are at greater risk of ML/TF activity. The regulations went into effect on February 1, 2014.

As part of a package of amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) introduced in 2014 under the Economic Action Plan Act 2014, No. 1, the provisions of the PCMLTFA pertaining to politically exposed persons (PEPs) were amended to include politically exposed domestic persons (PEDP) and heads of international organizations. The bill was enacted on June 19th, 2014. The PCMLTFA now requires reporting entities to determine whether a client is a politically exposed foreign person (PEFP), a PEDP, a head of an international organization, or a close associate or prescribed family member of any such person. The definition of a PEDP includes persons holding a specified political office at a national, provincial, or territorial level, as well as mayors at the municipal level. The definition of 'head of an international organization' refers to persons who are heads of international organizations founded by treaty, and not non-governmental organizations. The circumstances under which a reporting entity must make such a determination, and the measures to be taken as a result, are to be set out in regulation. The legislative and regulatory amendments would come into force at the same time.

Canada is currently undertaking a broader ML/TF risk assessment. On June 18, 2013, Canada published its Action Plan on Transparency of Corporations and Trusts. Canada's Action Plan commits to developing a new ML/TF risk assessment framework and conducting a formal assessment of these risks domestically to better inform the development and implementation of effective policies and operational approaches to mitigate risks. An interdepartmental Risk Assessment Working Group led by the Department of Finance has been established, the Terms of Reference were approved in spring 2013, and work is proceeding on the scheduled timeline. As part of Budget 2014, Canada's Action Plan on Transparency of Corporations and Trusts, the Canadian Government will consider options to further improve corporate transparency, taking into account the results of Industry Canada's current consultations on corporate transparency issues in the context of the Canada Business Corporations Act. The government also committed to consider the option of an explicit ban on bearer instruments.

Budget 2014 also announces the government's intention to introduce legislative amendments and regulations to strengthen Canada's AML/CFT regime. A package of almost 40 legislative amendments to the PCMLTFA was put forward through the Economic Action Plan 2014 Act, enacted on June 19th, 2014. In general, amendments that are internal to government came into force immediately and those that have an impact on the private sector will come into force in June 2015 or when enacting regulations are introduced.

Canada's Integrated Criminal Courts Survey, which includes the specific data relative to money laundering prosecutions and convictions, was recently released for the year 2011-12; the actual data for those years will be available in 2015. Data for more recent years are not available.

Canada should continue its work to strengthen its AML/CFT regime and ensure its privacy laws do not excessively prohibit providing information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

Cayman Islands

The Cayman Islands, a UK Caribbean overseas territory, is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to fraud and drug trafficking. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdictions.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of June, 2013, the banking sector had \$1.5 trillion in assets. In 2014, there were approximately 206 banks, 140 active trust licenses, 765 captive insurance companies, six money service businesses, and more than 92,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, as of September 2014 there were approximately 8,056 registered mutual funds, of which 397 were administered and 106 were licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

Gambling is illegal. The Cayman Islands does not permit the registration of offshore gaming entities. There are no free trade zones, and the authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock in the jurisdiction.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 406: July 1, 2011 – June 30, 2012
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthecaymanislands.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, the Cayman Islands increased both its regulatory and law enforcement staffing. In order to better gauge the effectiveness of the Cayman Islands' AML/CFT programs, authorities should release updated information on the numbers of suspicious transaction reports (STRs), prosecutions, and convictions.

Registered agents of private trust companies are obligated to maintain ownership and identity information for all express trusts under their control. International reporting suggests agents for private trust companies and individuals carrying on trust businesses may not consistently maintain identity and ownership information for all express trusts for which they act as trustees. There remains a lack of penalties for failing to report ownership and identity information, which undermines the effectiveness of identification obligations. An increasing percentage of Master Funds (numbering 2,733 as of September 2014) are regulated. Funds failing to maintain identity information are subject to fines.

In May 2014, the Cayman Islands passed the Cayman Islands Directors Registration and Licensing Law in an attempt to hold company directors and leaders of certain financial entities to higher standards and limit the instances of fraud. The Cayman Islands also should pay greater attention to the risks and proper supervision of non-profit organizations.

The Cayman Islands continues to develop its network of information exchange mechanisms and has a network of 35 signed information exchange agreements, with 27 in force.

As a UK Caribbean overseas territory, the Cayman Islands cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Cayman Islands' international affairs and may arrange for the ratification of any convention to be extended to the Cayman Islands. The 1988 Drug Convention was extended to the Cayman Islands in 1995. The UN Convention against Transnational Organized Crime was extended to the Cayman Islands in 2012. The UN Convention against Corruption has not yet been extended to the Cayman Islands; however, the full implementation platform for the anti-corruption convention exists under current Cayman law. A 2002 request for extension of the International Convention for the Suppression of the Financing of Terrorism to the Cayman Islands has not yet been finalized by the UK, although the provisions of the convention are implemented by domestic laws.

China

According to Global Financial Integrity (GFI), China leads the world in illicit capital flows. GFI estimates that over \$1 trillion of illicit money left China between 2003 and 2012. Massive outflows continue. Chinese foreign exchange rules cap the maximum amount of yuan individuals are allowed to convert into other currencies at \$50,000 each year and ban them from transferring yuan abroad directly. A variety of money laundering techniques are used to circumvent the restrictions.

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal

proceeds are generally laundered via methods that include bulk cash smuggling; trade-based money laundering; manipulating the invoices for services and the shipment of goods; the purchase of valuable assets, such as real estate and gold; the investment of illicit funds in lawful sectors; gambling; and the exploitation of the formal and underground financial systems, in addition to third-party payment systems. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector. While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal fundraising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities also have observed that money laundering crimes continue to spread from the developed coastal areas such as Guangdong and Fujian provinces to underdeveloped, inland regions.

China is not considered a major offshore financial center; however, China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 other coastal cities. As part of China's economic reform initiative, China opened the Shanghai Free Trade Zone in September 2013.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and credit unions, securities dealers, insurance and trust companies, financial leasing and auto finance companies, and currency brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 24,531,000 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks, securities and futures institutions, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11,645 in 2013
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

China is a member of the FATF as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/china/documents/mutualevaluationofchina.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While China's October 2011 legislation has addressed some deficiencies in the implementation of the requirements of UNSCRs 1267 and 1373, some deficiencies must still be addressed. These include guidance for designated non-financial businesses and professions; delisting and unfreezing procedures; and the rights of bona fide third parties in seizure/confiscation actions. In early 2013, the People's Bank of China published new regulations which require Chinese banks to rate clients' risks based on a variety of factors, including a client's location or nature of business. The guidance states banks must submit their plans for enacting the new customer assessments by the end of 2013 and put these systems in place by the end of 2014.

China should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used to support the investigation and prosecution of a wide range of criminal activity.

The government should ensure all courts are aware of and uniformly implement the mandatory confiscation laws. In domestic cases, once an investigation is opened, all law enforcement entities and the public prosecutors are authorized to take provisional measures to seize or freeze property in question to preserve the availability of the same for later confiscation upon conviction. Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes seizure/confiscation of substitute assets of equivalent value. The amended Criminal Procedure Law that came into effect in January 2013 gives Chinese prosecutors the authority to seek authorization from the courts to forfeit the properties of suspects who have fled or died, and where the case in question involves public corruption, terrorism, or exceptional circumstances. Information about the implementation of this provision remains scarce.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this area. U.S. law enforcement agencies note China has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. In addition to the lack of law enforcement-based cooperation, the Chinese government's inability to enforce U.S. court orders or judgments obtained as a result of non-conviction-based forfeiture actions against China-based assets

remains a significant barrier to enhanced U.S.-China cooperation in asset freezing and confiscation.

While China continues to make improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting international standards, implementation and transparency remain lacking, particularly in the context of international cooperation. The Government of China should expand cooperation with counterparts in the United States and other countries, and pursue international AML/CFT linkages more aggressively. China should also cooperate with international law enforcement to investigate how indigenous Chinese underground financial systems and trade-based value transfer are used to circumvent capital restrictions for illicit outbound transfers and capital flight, and to receive inbound remittances and criminal proceeds for Chinese organized crime.

Colombia

Despite the Government of Colombia's fairly strict AML/CFT regime, the laundering of money, primarily from Colombia's illicit drug trade and illegal mining, continues to penetrate its economy and affect its financial institutions. Money laundering is a significant avenue for terrorist financing in geographic areas controlled by both the Revolutionary Armed Forces of Colombia (FARC) and the bandas criminales (BACRIM).

Casinos, the postal money order market, the smuggling of bulk cash, gasoline, liquor, household appliances, wire transfers, remittances, the securities markets, games of chance and other lottery schemes, electronic currency, prepaid debit cards, and prepaid cellular minutes are other techniques used to repatriate illicit proceeds to Colombia or to launder illicit funds within Colombia's borders. The trade of counterfeit items in violation of intellectual property rights is another method to launder illicit proceeds. The 104 free trade zones in Colombia present opportunities for criminals to take advantage of inadequate regulation, supervision, and transparency.

Criminal organizations with connections to financial institutions in other countries smuggle merchandise to launder money through the formal financial system using trade and the non-bank financial system. In the black market peso exchange (BMPE), goods are bought with drug dollars from abroad and are either smuggled into Colombia via Panama, Venezuela, and other neighboring countries or brought directly into Colombia's customs warehouses, avoiding taxes, tariffs, and customs duties. Counterfeit and smuggled goods are readily available in well-established black markets in most major cities in Colombia, with proceeds from the sales of these goods directly benefiting criminal enterprises. In other trade-based money laundering schemes, goods are over- or under-invoiced to transfer value. According to experienced BMPE industry workers, evasion of the normal customs charges is frequently facilitated by the complicity of corrupt Colombian customs authorities.

COLJUEGOS is a relatively new organization charged with regulating the gaming industry and all national and departmental lotteries. Indications are that much money laundering activity has moved to regionally-run lotteries called "Chance," which are easily exploitable due to weaknesses in the reporting system of these games to central government regulators.

COLJUEGOS is currently undertaking studies to better understand the incidents of suspicious transactions in “Chance” games.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries (customs brokers), credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, gold dealers, foreign currency traders, sports clubs, cargo transport operators, and postal order remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,943: January – November 2014
Number of CTRs received and time frame: 17,641,361: January – November 2014
STR covered entities: Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters and international gold traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 46: January - October 2014
Convictions: 57: January - October 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Colombia is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafisud.info/pdf/InformedeEvaluacinMutuaRepblicadeColombia_1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Key impediments to developing an effective AML/CFT regime are underdeveloped institutional capacity, lack of experience, and an inadequate level of expertise in investigating and prosecuting complex financial crimes. Colombian laws are limited in their respective authorities to allow different agencies to collaborate and pursue financial crimes, and there is a lack of clear roles and responsibilities among agencies. Despite improvements, regulatory institutions have limited analytical capacity and tools, and lack the technology to effectively utilize the vast amount of available data.

The Colombian Penal Code lays out a framework for an oral accusatory criminal justice system. Under the 2014 reorganization of the Colombian Attorney General's Office (Fiscalia), the Antinarcotics and Money Laundering Unit (DFALA) is responsible for investigating the country's money laundering and narcotics trafficking cases with support from the Colombian National Police (CNP) and the Prosecutor General's investigative body, the Technical Investigation Corps (CTI). In addition, the newly created Economic and Financial Police (PEF), housed within the Attorney General's Office and comprised of prosecutors, judicial police, investigators, and analysts, intends to, for the first time, create a truly specialized investigative body with the technical, financial, and investigative expertise to successfully detect, investigate, and prosecute money laundering/terrorist financing (ML/TF) cases. In addition, PEF considers the development of a successful methodology for use by all Colombian government entities involved in the regulation of the Colombian financial system, or tasked with investigating violations of the laws that regulate the financial system, as one of its primary objectives. Despite these positive institutional steps, the legal framework requires that all cases be investigated, creating a resource challenge for the limited number of prosecutors, who focus on the most serious cases. Misallocation of training resources has limited the pool of prosecutors, police, and investigators outside of Bogota who have the ability to successfully investigate and prosecute ML/TF cases. Additional training is required and investigators should have additional specialized financial training. Colombia should increase the number of judges specifically assigned to money laundering and asset forfeiture cases both in Bogota and in the regions where many of these cases occur.

COLJUEGOS has made some gains in the last year, adding analytic capacity through technology purchases and training. However, the agency still has difficulty completing its regulatory obligations due to a lack of resources, unfamiliarity with how to process and share information with prosecutors and judicial police, and a lack of information sharing agreements with other regulatory and intelligence agencies. COLJUEGOS will seek to address the reporting by "Chance" games and other regulatory weaknesses by introducing stronger regulations in 2015.

Colombian law limits the effectiveness of law enforcement by restricting the disclosure of financial intelligence from Colombia's financial intelligence unit (FIU), the Unit for Information and Financial Analysis (UIAF), to the Attorney General's office only. New UIAF leadership has worked to improve interagency cooperation and successfully proposed a legislative change to designate the unit as an intelligence agency, allowing it to share information with other intelligence agencies. Colombia took steps to foster better interagency cooperation -- including improved case coordination among the UIAF, prosecutors, and the CNP's specialized judicial police units. Despite these improvements, the legal requirement that prosecutors conduct investigations means that many cases already investigated by UIAF must be re-examined by the

Attorney General's office. This increases case processing time and adds unnecessarily to prosecutor caseloads. The UIAF, in addition to regulatory agencies, should develop a mechanism for including prosecutors in their investigations from the very start to ensure greater prosecutor participation and that the information gathered will be of use to the prosecutors during their own investigation and prosecution of a case.

In 2013, the UIAF implemented an assessment methodology to proactively generate tangible results in identifying criminal money laundering networks. This methodology allowed it, over a two-year period, to detect illicit assets related to 251 Colombian investigations, with an approximate commercial value of \$4.4 billion. In 2013, Colombia seized more than \$800 million of assets associated with drug trafficking and money laundering activities, more than double the value of seized assets in 2012.

Colombia is developing as a regional AML/CFT leader, and is a key component of a regional FIU initiative to establish greater information sharing to combat transnational financial crimes. The UIAF is working with FinCEN and Mexico's FIU, while the PEF will seek to foster the establishment of similar units in other Latin American countries, especially those where criminal organizations have strong ties to Colombian counterparts and aid in the two-way flow of illicit goods and money.

Colombia's 2014 Asset Forfeiture Reform Law, Law 1708, which entered into force on July 21, 2014, streamlines the asset forfeiture process and is expected to reduce forfeiture case processing time. Law 1708 also authorizes Colombian prosecutors and courts, for the first time, to register and enforce foreign (including U.S.) judgments of forfeiture against assets located in Colombia, and provides the first legal authority for Colombia to share a portion of the assets it forfeits with other countries that have facilitated the Colombian forfeitures. While the law gives Colombian authorities a strong tool, lack of familiarity with the law, especially outside of Bogota, continues to challenge the judicial sector. In 2014 the Colombian government reorganized the body in charge of managing seized assets, which should increase the speed by which these assets can be discharged and the funds disbursed to the appropriate government entities.

The Government of Colombia should pass legislation that broadens respective authorities among agencies to foster collaboration in pursuing financial crimes. Agencies should have a clear delineation of roles and responsibilities, and regulatory institutions should have expanded analytical capacity and tools, including technology, to utilize successfully the vast amount of available data. Colombia should ensure appropriate training is provided to all officials involved in supervising, investigating, and prosecuting money laundering and terrorism financing.

Costa Rica

Transnational criminal organizations increasingly favor Costa Rica as a base to commit financial crimes, including money laundering. This trend raises serious concerns about the Costa Rican government's ability to prevent these organizations from infiltrating the country.

Proceeds from international cocaine trafficking represent a significant source of assets laundered in Costa Rica. Sizeable Costa Rica-based online gaming operations also launder millions of

dollars in illicit proceeds through the country and offshore centers annually. Criminals launder other proceeds through Costa Rica from activities that include financial fraud, human trafficking, corruption, and contraband smuggling.

Criminal organizations use financial institutions, licensed and unlicensed money transfer businesses, bulk cash smuggling, and the free trade zones to launder the proceeds of their illicit activities. Money services businesses are at significant risk for money laundering and a potential mechanism for terrorist financing. Trade-based money laundering, while used, is not detected with the same frequency as the above typologies. While there is no recent investigation related to terrorism financing, recent investigations in Costa Rica detected narcotics and arms trafficking linked to the Revolutionary Armed Forces of Colombia (FARC).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4: July 2013 – December 2014

Convictions: 4: July 2013 – December 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Costa Rica is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Once published, its most recent mutual evaluation will be found at: <http://www.gafilat.org/content/evaluaciones/#3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Costa Rica made substantial progress in enhancing its AML legal and regulatory frameworks, a 2013 case demonstrated that financial sector regulators failed to prevent a major money laundering scheme from openly operating in Costa Rica despite various red flags. In addition to these regulatory deficiencies, various other obstacles hinder Costa Rica's ability to effectively investigate and prosecute money laundering crimes. The underutilization of investigative tools—such as cooperating witnesses, confidential informants, electronic surveillance, and undercover operations—reduces the efficacy of investigators. The laws that govern corporations do not adequately provide for transparency, resulting in the extensive use of corporate structures to facilitate money laundering. In addition, criminal liability does not extend to corporate entities.

In 2013, the Public Ministry established a separate Money Laundering and Asset Forfeiture Bureau. Most money laundering investigations were previously handled by the Economic Crimes Bureau. Moreover, Costa Rica enacted a law to facilitate greater fiscal transparency through the international exchange of tax information.

Costa Rica has a minimal legal framework for non-conviction-based asset forfeiture, with no stand-alone legislation. The government has pursued only one successful case under this minimal legal framework, which has been in effect since July 2009. In November 2013, the President submitted to the National Assembly a proposal to improve non-conviction-based asset forfeiture. The draft bill 18964 seeks to create the first stand-alone law governing non-conviction-based asset forfeiture. The legislation would be a significant improvement to the current law and would enhance Costa Rica's ability to dismantle criminal organizations. The National Assembly has yet to act on the proposal while other government agencies continue to undertake revisions to the proposal.

Costa Rica has a tax information exchange agreement with the United States. Additionally, Costa Rica cooperates well with appropriate U.S. law enforcement agencies investigating financial crimes related to narcotics and other crimes. In May 2013, Costa Rican authorities assisted U.S. investigators in taking down an online money transfer business based in Costa Rica alleged to have laundered approximately \$6 billion.

Curacao

Curacao is an autonomous country within the Kingdom of the Netherlands that defers to the Kingdom in matters of defense, foreign affairs, final judicial review, human rights, and good governance. A governor appointed by the King represents the Kingdom on the island, and a Minister Plenipotentiary represents Curacao in the Kingdom Council of Ministers in the Netherlands. Curacao is considered a regional financial center and a transshipment point for drugs from South America bound for the United States, the Caribbean, and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations take advantage of the availability of U.S. dollars, banking secrecy, offshore banking and incorporation systems, two free trade zones (airport and harbor), an expansive shipping container terminal with the largest oil transshipment center in the Caribbean, and resort/casino complexes to place, layer, and launder drug proceeds. Money laundering occurs through real estate purchases and international tax shelters. Laundering activity also occurs through wire transfers and cash transport between Curacao, the Netherlands, and other Dutch Caribbean islands. Bulk cash smuggling is a continuing problem due to Curacao's close proximity to South America.

Economic activity in the free zones is declining, although local merchants are confident the situation will improve. Curacao's active "e-zone" provides e-commerce investors a variety of tax saving opportunities and could be vulnerable to illegal activities.

The financial sector consists of company (trust) service providers, administrators, and self-administered investment institutions providing trust services and administrative services. These entities have international companies, mutual funds, and investment funds as their clients. Several international financial services companies relocated their businesses elsewhere because Curacao is fighting its perception of being a tax haven. Curacao continues to sign tax information exchange agreements (TIEAs) and double taxation agreements with other jurisdictions to prevent tax fraud, financing of terrorism, and money laundering. The country periodically implements voluntary tax compliance programs; most recently, a one-year amnesty program took place in 2012-2013.

Curacao's Technology Exchange, CTEX, opened in 2013. Several casinos and internet gaming companies operate on the island, although the number of internet gaming companies is declining.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7,206: January 1 – November 17, 2014

Number of CTRs received and time frame: 6,629: January 1 – November 17, 2014

STR covered entities: Domestic and international banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, insurance brokers, company and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Curacao is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=349&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Dutch Kingdom released its 2012 Threat Monitor Organized Crime (NDB), a quadrennial report on the nature and threat of organized crime within the Kingdom. The NDB establishes an integrated framework for tracking organized crime in the Caribbean region, and under the framework, government agencies are working more closely together, including through greater information sharing.

Curacao's Public Prosecutor's Office continues to investigate money laundering allegations against a member of the board of the Curacao Lottery Foundation who also is a major lottery operator. The Government of Curacao's cooperation with the U.S. government led to the freezing of over \$30 million of the lottery operator's assets in the United States. The lottery operator is reputedly a major financier of a political party in Curacao. A former prime minister is also being investigated for alleged money laundering and associated crimes.

Curacao utilizes an "unusual transaction" reporting system. Pursuant to local legislation, the reporting entities file unusual transaction reports (UTRs) to the financial intelligence unit (FIU)

and not suspicious transaction reports (STRs), as is the custom in common law legal systems. The FIU analyzes the UTR and determines if it should be classified as a STR. There were 15,754 UTRs filed in 2014, as of November 17. From January 1 - November 17, 2014, there were 4,440 disseminated referrals to law enforcement agencies. On January 1, 2014, an acting chief was appointed to guarantee the continuity and functioning of the FIU.

In 2014, a money laundering operation between Curacao, Aruba, and the FARC in Colombia was intercepted by authorities. According to reports, approximately \$2 million was laundered using the illicit cigarette trade. The cigarettes, which were intercepted, were hidden in 750 containers and reportedly originated in Paraguay. The cigarettes were routed to Colombia via a Curacaoan and Aruban brokerage.

The mutual legal assistance treaty between the Kingdom of the Netherlands and the United States applies to Curacao. Additionally, Curacao has a TIEA with the United States.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to Curacao, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Curacao. The UN Convention against Corruption has not been extended to Curacao.

Curacao should continue its regulation and supervision of the offshore sector and free trade zones, as well as its pursuit of money laundering investigations and prosecutions. The government should work to fully develop its capacity to investigate and prosecute money laundering and terrorism financing cases. Curacao should enact legislation to effectively tackle money laundering vulnerabilities in the money remittance and currency exchange sector. Curacao also should strengthen cooperation within the Kingdom, particularly among agencies such as the Public Prosecutors Office, Customs, Immigration, Revenue Services, Coast Guard, and the Royal Dutch Marechaussee (military police).

Cyprus

Since 1974, Cyprus has been divided between a government-controlled area, comprising the southern two-thirds of the island and a northern third administered by Turkish Cypriots. The Republic of Cyprus government is the only internationally recognized authority; in practice, it does not exercise effective control over the area that the Turkish Cypriots declared independent in 1983. The United States does not recognize the “Turkish Republic of Northern Cyprus,” nor does any country other than Turkey.

Cyprus is a regional financial center, and until the financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. A number of factors contributed to Cyprus’ rise as a regional business hub: its preferential tax regime; double tax treaties with 54 countries, including the United States, several European nations, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a

sophisticated telecommunications infrastructure; and EU membership. As of October 2014, there were about 255,521 companies registered in Cyprus, many of which belong to non-residents, particularly Russians, who are moving their money from banks to investment in business companies. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the biggest vulnerability for money laundering in Cyprus is primarily from international criminal networks that use Cyprus as an intermediary. Examples of specific domestic criminal threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. There is no significant black market for smuggled goods in Cyprus. Police and customs officials report that what little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs, and cigarettes moved across the UN-patrolled buffer zone dividing the island.

In March 2013, the financial crisis led the Republic of Cyprus to seek bailout assistance from the Troika (European Commission, European Central Bank, and IMF). The Cypriot economy contracted by 5.4 percent in 2013 and is expected to contract by another 2.8 percent in 2014 before returning to low growth in 2015. As part of the bailout package, Cyprus agreed to far-reaching reforms, including restructuring and consolidation of its financial services sector and an AML action plan. As of November 2014, the Cypriot economy had successfully completed four Troika reviews.

Yet confidence in the Cypriot banking sector remains fragile as reflected by the reliance on cash-based transactions. Experts informally estimate currency in circulation for the month of November 2014 was \$2.25 billion (€1.8 billion), compared to \$1.1 billion (€ 800 million) for the same period in 2013.

Cyprus has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas enjoy a special status and are considered to be outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the provisions of relevant EU and domestic legislation. The Ministry of Finance Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, cooperative credit institutions, securities and insurance firms, money transfer businesses, payment and electronic money institutions, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 710 in 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banking institutions, cooperative credit institutions, and securities and insurance firms; payment institutions, including money transfer businesses and e-money institutions; trust and company service providers; auditors, tax advisors, accountants, and real estate agents; dealers in precious stones and gems; attorneys; and any person who in the course of his profession, business, or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 172 in 2014
Convictions: 11 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Cyprus is a member of the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Republic of Cyprus continues its efforts to counter criticisms of lax banking rules by strengthening its AML regime and resources. Despite the government-wide hiring freeze and caps on government spending, the financial intelligence unit, MOKAS, reports it has two new staff members. It is still too early to evaluate the effectiveness of the Troika-recommended measures.

Cyprus has adopted and implemented new provisions addressing enhanced due diligence for politically exposed persons (PEPs) and inclusion of tax evasion as a money laundering offense.

Throughout 2014, Cypriot authorities continued to implement the requirements of the AML action plan that include enhanced legislation and systems for identifying, tracing, freezing,

seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. In spite of the changes, Cyprus has no provisions allowing non-conviction-based forfeiture of assets, except in the case of dead or absconded persons. The MOKAS, can freeze assets of indicted entities but will not actually forfeit them until after conviction. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Cyprus should focus on enforcement and education. Particularly in light of plans to deregulate and establish a gaming industry, Cyprus should establish a post-financial crisis track record of intolerance for questionable business practices.

Area Administered by Turkish Cypriots

The Turkish Cypriot-administered area lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. There are 22 banks in the area administered by Turkish Cypriots; seven are branches of international banks. The “Ministry of Economy” drafts banking “regulations” and the “Central Bank” supervises the implementation of the “regulations.”

The offshore banking sector remains a concern to law enforcement. It consists of eight banks regulated by the “Central Bank” and 146 companies regulated by the “Ministry of the Economy.” Offshore banks are not authorized to conduct business with residents in the north and may not deal in cash. Turkish Cypriots only permit banks licensed by Organization for Economic Co-operation and Development-member nations or Turkey to operate an offshore branch in the north.

As of November 2014, there are 28 casinos in the Turkish Cypriot-administered area - four in Nicosia, three in Famagusta, three in Iskele, and 18 in Kyrenia. These remain essentially unregulated because of shortfalls in available enforcement and investigative resources.

There are press reports of smuggling of tobacco, alcohol, meat, and fresh produce across the buffer zone. Additionally, intellectual property rights violations are a concern; a legislative framework is lacking; pirated materials, such as sunglasses, clothing, shoes, and DVDs/CDs are freely available for sale.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 484 in 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

The area administered by Turkish Cypriots is not part of any FATF-Style Regional Body (FSRB) and thus is not subject to normal peer evaluations.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While significant progress has been made in recent years with the passage of “laws” better regulating the onshore and offshore banking sectors and casinos, these “statutes” are not sufficiently enforced to prevent money laundering. The resources dedicated to enforcing the administered area’s “AML Law” fall short of the present need. Experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector essentially unregulated, and, therefore, especially vulnerable to money laundering abuse. The unregulated money lenders and currency exchange houses are also areas of concern for “law enforcement.”

With international assistance, the Turkish Cypriots drafted new AML “legislation” in 2014 that incorporates UNSCRs 1267 and 1373 and extends to casinos and exchange houses. The “legislation” was referred to “parliament” in June 2014 for discussion and is pending approval.

All banks are required to follow KYC and AML “laws.” Banks and other designated entities are required to submit STRs to the “FIU.” According to the Turkish Cypriot “FIU,” only .32 percent of STRs filed between 2008 and 2013 came from casinos. Following receipt, the “FIU” forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “attorney general’s office,” and then, if necessary, to the “police” for further investigation. The five-member committee is composed of representatives of

the “Ministry of Economy,” “Money and Exchange Bureau,” “Central Bank,” “Police,” and “Customs.”

In 2014, compliance officers in the financial services industry organized and established a Turkish Cypriot Compliance Officers Association with the purpose of enhancing AML standards. The EU provides technical assistance to the Turkish Cypriots to combat money laundering more effectively, because of the area’s money laundering and terrorist finance risks.

The Turkish Cypriot authorities should continue their efforts to strengthen the “FIU” and more fully resource and implement a strong licensing and regulatory environment to prevent money laundering and the financing of terrorism. This is particularly true for casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements and take steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecution.

Dominican Republic

The Dominican Republic (DR) is not a major regional financial center, despite having one of the largest economies in the Caribbean. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The six international airports, 16 seaports, and a large porous frontier with Haiti present Dominican authorities with serious challenges.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and a fragile formal economy make the DR vulnerable to money laundering and terrorism financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees, though the government is making efforts to sanction violators with fines. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and construction companies contribute to money laundering activities in the DR.

There are no reported hawala services operating in the DR. A significant number of remittances are transferred through banks. Casinos are legal in the DR, and unsupervised gaming activity represents a significant money laundering risk. While the country has a law creating an international financial zone, implementing regulations will not be issued until the law is reformed to avoid perceptions the zone will be left out of the DR’s AML regulatory regime.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, currency exchange houses, and securities brokers; issuers, sellers, and redeemers of traveler’s checks, money orders, or other types of negotiable instruments; credit and debit card companies; remittance companies and offshore financial service providers; casinos; real estate agents; automobile dealerships; insurance companies; and dealers in firearms and precious metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,845: January 1 - October 31, 2014
Number of CTRs received and time frame: 636,751: January 1 – October 31, 2014
STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms, and travel agencies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10 in 2014
Convictions: 4 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthedominicanrepublic.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Following its expulsion from the Egmont Group of FIUs in 2006, the FIU improved its functionality, but problems remain. Specifically, the creation of an additional FIU-like organization to regulate international financial zones, as stipulated under Law 480/08, is in contravention of the Egmont Group rules. On August 8, 2014, President Medina signed Law 312/14 which eliminates the possibility of a second FIU; subsequently, the Dominican Republic officially requested readmission to the Egmont Group.

The DR does have a mechanism (Law 72-02) for the sharing and requesting of information related to money laundering and terrorism; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. The U.S. and the DR do not have a mutual legal assistance agreement (MLAT) but do in fact use the MLAT process to exchange data for judicial proceedings. The process is only used on a case by case basis.

Although the DR strengthened its laws on politically exposed persons (PEPs) and correspondent relationships, weaknesses persist. In addition, the DR should pass legislation to provide safe harbor protection for suspicious transaction report (STR) filers and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

The DR's weak asset forfeiture regime is improving, but does not cover confiscation of instrumentalities intended for use in the commission of a money laundering offense; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR Congress is currently reviewing legislation that would align the asset forfeiture regime with international standards.

France

France's banking, financial, and commercial relations, especially with Francophone countries, make it an attractive venue for money laundering because of its sizeable economy, political stability, and sophisticated financial system. Public corruption, narcotics and human trafficking, smuggling, and other crimes associated with organized crime generate illicit proceeds.

France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. The French Customs Service administers these zones. France has a large informal sector, and informal value transfer systems such as hawala are used by immigrant populations accustomed to such systems in their home countries. There is little information on the scale of such activity.

Casinos are regulated. The use of virtual money is growing in France through online gaming and social networks. Sport teams have become another significant source of money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 27,477 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 458 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

France is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/d-i/france/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of France applies the 2006/70/CE EU directive by which politically exposed persons (PEPs) from EU states may benefit from simplified vigilance procedures, but only in a limited number of cases. France should review its procedures to ensure all PEPs undergo enhanced due diligence.

TracFin, France's financial intelligence unit (FIU), has hired new officers, updated its investigative methods, and modernized its information systems, making compliance with the KYC rules easier for covered entities. More data is also made available to the public online.

TracFin staff has benefitted from additional training, and further improvements are planned. TracFin is examining ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. TracFin also has been increasingly focused on tax and social benefits fraud, closely collaborating with the Budget Ministry and social security organizations. TracFin has signed new international cooperation agreements with Niger (May 2013), Singapore (July 2013), and the Vatican (June 2014), bringing the number of bilateral agreements to 57.

Effective November 1, 2013, the systematic communication of information (COSI) applies to transfers of cash payments or transfers via electronic payments. The system was created to improve financial information available to TracFin. Designated professionals and institutions have to provide information on transfers of funds used for payments in cash or by wire when transfers are more than 1,000 euros (approximately \$1,240). The information has to be provided to TracFin within 30 days following the month in which the payment was made. Effective April 1, 2014, the COSI also applies to transfers of more than 2,000 euros (approximately \$2,720) made by a client over a calendar month. The COSI is different from traditional suspicious transaction reports (STRs) as it cannot be used by TracFin to initiate investigations. It does not exempt professionals from their obligations to report STRs.

A January 2013 law includes e-money institutions among the entities subject to risk mitigation requirements, such as verifying a client's identity. On January 29, 2014, the French banking regulator, the Prudential Control Authority (ACPR) issued a warning against the risks of fraud and money laundering arising from buying, holding, or trading virtual currencies such as bitcoins. The ACPR also stated that, in France, the exchange of bitcoins against a currency requires a license as a payment services provider.

On March 14, 2014, ACPR published AML/CFT guidelines regarding the field of wealth management in the banking and insurance sectors. These guidelines revise those adopted in 2010 and are aimed at identifying the specific risks associated with wealth management.

The Agency for the Management of Seized and Confiscated Assets (AGRASC) oversees the collection and distribution of forfeited assets in cooperation with international partners. According to the 2013 AGRASC report, France has continued to cooperate with international partners to seize assets, and has implemented sharing agreements with Luxemburg and the UK. However, the sharing of assets with international partners is not yet a routine practice.

France should examine AML reporting requirements of company registration agents, real estate agents, jewelers, casinos, and lawyers to ensure they are complying with their obligations under the law. Information on the number of convictions in 2012 and 2013 is not available; the French Justice Ministry releases the number of convictions with a two-year delay.

Germany

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Germany is a member of the Eurozone, thus making it attractive to organized criminals and tax evaders. Many indicators suggest Germany is susceptible to money laundering and terrorist

financing because of its large economy, advanced financial institutions, and strong international linkages. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics.

Organized criminal groups involved in drug trafficking and other illegal activities are sources of laundered funds in Germany. According to officials, as of 2010, an estimated EUR 40-60 billion (approximately \$55–82 billion) of criminal proceeds, inclusive of tax evasion, are generated in Germany annually.

Terrorists have carried out terrorist acts in Germany and in other nations after being based in Germany. Germany is estimated to have a large informal financial sector, and informal value transfer systems, such as hawala, are used by immigrant populations accustomed to such systems in their home countries. There is little data on the scale of this activity.

Trends in money laundering include the largest increase in suspicious transaction reports since 2002, when Germany's financial intelligence unit was created (although most reports were of low quality, indicating increased awareness of the issue but a lack of ability to develop further information); and an increase in cases involving financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions. Bulk cash smuggling by organized crime elements is prevalent in Germany, especially illicit drug proceeds arriving in Germany from the Netherlands. The use of cash is high. Free zones exist in Bremerhaven, Cuxhaven, and Hamburg. Unfenced inland ports are located in Deggendorf and Duisburg.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes:

Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 19,095 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Germany is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/d-i/germany/documents/mutualevaluationofgermany.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed suspicious transaction reports (STRs). Otherwise, it is an administrative offense that carries a fine of up to €100,000 (approximately \$122,774) under the AML Act. Legal persons are only covered by the Administrative Offenses Act and are not criminally liable under the criminal code.

While Germany has no automatic currency transaction report (CTR) requirement, large currency transactions frequently trigger STRs. Germany should consider strengthening the above provisions and also tightening the regulations on domestic politically exposed persons (PEPs). Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes. In practice, asset forfeiture is limited in utility as the state holds the burden of proof to prove a tie to a specific and credible illegal act. Germany has time restrictions on how long it can restrain forfeitable assets for foreign proceedings and may only be able to hold such assets for one year.

Germany became a party to the UN Convention against Corruption on November 12, 2014.

Greece

Greece is a regional financial center for the Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large informal economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings show that Greece is vulnerable to narcotics trafficking, trafficking in persons, illegal migration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion.

Evidence suggests financial crimes have increased in recent years, and criminal organizations, some with links to terrorist groups, are increasingly trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe, the Balkans, Georgia, and Russia are responsible for a large percentage of the crime that generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion, although the government is trying to crack down on both trends. Due to the large informal economy, it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

Greece has three free trade zones (FTZs), located in the Heraklion, Piraeus, and Thessaloniki port areas. Goods of foreign origin may be brought into the FTZs without payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Similarly, documents pertaining to the receipt, storage, or transfer of goods within the FTZs are free from stamp taxes. The FTZs also may be used for repacking, sorting, and re-labeling operations. Assembly and manufacture of goods are carried out on a small scale in the Thessaloniki Free Zone. These FTZs may pose vulnerabilities for trade-based and other money laundering operations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,526: January 1 – October 31, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 108: January 1 - October 31, 2014

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Greece is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/greece/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Greece has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). The FIU has technical and data management systems and capacities to support its functions, but austerity measures to the budget have affected all government agencies, including the FIU. However, the FIU has limited, yet sufficient, financial resources to ensure it is able to fulfill its responsibilities and that its powers are in line with international standards. It is unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece should take steps to ensure a more effective confiscation regime. While the AML/CFT law contains provisions allowing for civil asset forfeiture under special circumstances, Greek authorities advise it is not practical to initiate civil procedures and currently do not do so, except in cases involving the death of a suspect. Greece also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

Greece has not adopted a system for reporting large currency transactions. Greece requires transactions above €1,500 (approximately \$1,875) be executed with credit cards, checks, or cashier's checks, and all business-to-business transactions in excess of €1,500 (approximately \$1,875) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check, or wire transfer. Transfers in excess of €100,000 (approximately \$122,195) are subject to examination.

Greece should explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. Greece also should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. The government should ensure domestic politically exposed persons (PEPs) are also subject to enhanced due diligence, ensure that designated non-financial businesses and professions are adequately supervised and subject to the same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime.

Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of synthetic drug precursors is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement agencies and judiciary, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking, corruption, and extortion are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. Law enforcement agencies report that money laundering continues to increase, especially by groups of air travelers heading to countries, such as Panama, with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and through a large number of small deposits in banks along the Guatemalan border with Mexico. In addition, lax oversight of private international flights originating in Guatemala provides an additional avenue to transport bulk cash shipments directly to South America. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Border Control Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There is a category of "offshore" banks in Guatemala in which the customers' money (usually Guatemalans with average deposits of \$100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2014, there were seven "offshore" entities, with head offices in Panama, the Bahamas, Barbados, and Puerto Rico. These "offshore" banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 16 active free trade zones (FTZs). FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking activity. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant

number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance, and video lotteries operate, both onshore and offshore. Unregulated gaming activity presents a significant money laundering risk.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks and offshore banks; credit unions; finance, factoring, and leasing companies; bonded warehouses; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 774: January 1 - October 31, 2014

Number of CTRs received and time frame: 8,345,729: January 1 - September 30, 2014

STR covered entities: Banks and offshore banks; credit unions; bonded warehouses; finance, factoring, and leasing companies; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; insurance brokers; independent insurance agents; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; real estate agents; armoring services and rental of armored vehicles; providers of fiscal domicile and other corporate services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 33: January 1 – October 31, 2013

Convictions: 47: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Guatemala is a member of both the Caribbean Financial Action Task Force (CFATF) and the Financial Action Task Force in Latin America (GAFILAT), FATF-style regional bodies. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=344&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although staffing of the FIU, the IVE, increased over the last several years, as has the number of filed STRs, there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of both law enforcement officials and Public Ministry, i.e., the Attorney General's office, staff may hamper these authorities from enforcing the law and successfully prosecuting more cases. Structuring of transactions to avoid cash reporting requirements is not against the law in Guatemala.

A 2011 law prevents new businesses from issuing bearer shares of stock. The law required any existing business with bearer shares to convert the shares to nominative by June 2013. According to information from the Mercantile Registry, about 97 percent of businesses that issued bearer shares prior to the entry into force of this law made the conversion to nominative shares by the June 2013 deadline. Shareholders of businesses holding bearer shares after June 2013 are not able to exercise their rights nor carry out any procedure with the Mercantile Registry.

A 2010 regulation establishes limits for cash deposits in foreign currency. According to law enforcement authorities, banks' purchases of foreign currency declined 0.4 percent in 2013 and 9 percent during the first nine months of 2014 in relation to the same period in the previous year.

Guatemala's AML law does not cover all designated non-financial businesses and professions (DNFBPs) included in the international standards, in particular, lawyers. Notaries are covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for notaries. Reportedly, covered entities expressed fear that there may be repercussions if they file reports.

The Government of Guatemala should put into force a gaming law to regulate the industry and reduce money laundering. A draft gaming law has been under review by members of Congress for the last two years, and it is unlikely action will be taken in the near term. Tipping off is not criminalized, and there is no provision to protect STR filers from liability. Guatemala should amend its AML/CFT legislation to include such provisions and to cover all applicable DNFBPs. Furthermore, Guatemala should enact its proposed gaming law.

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the UK, it relies on the UK

for its defense and international relations. While Alderney and Sark have their own separate parliaments and civil law systems, Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. Guernsey is a financial center, and as such, there is a risk that proceeds of crime will be invested in or pass through the Bailiwick. As the majority of customers of Bailiwick businesses are based elsewhere, any such proceeds are likely to arise from foreign predicate offenses.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds; safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and e-gaming services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 693 in 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2014

Convictions: 1 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

In lieu of a mutual evaluation, a report was prepared by the IMF; the report can be found at: <http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Guernsey's comprehensive AML/CFT legal framework provides a basis for an effective AML/CFT regime, and remaining shortcomings are technical in nature. While no weaknesses have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering convictions raise questions concerning the effective application of money laundering provisions.

The Financial Intelligence Service (FIS) is a law enforcement type of financial intelligence unit (FIU). The FIS primarily performs a pre-investigative and intermediary role before disseminating relevant information not only to domestic authorities but also to counterpart FIUs.

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the United States, using the full range of investigatory powers in the law. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick in 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey in 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the Bailiwick.

Guernsey has legislation in place regarding UN sanctions measures, which are implemented by way of an Ordinance under the European Communities (Implementation) (Bailiwick of Guernsey) Law 1994.

Guinea-Bissau

Guinea-Bissau turned a significant corner this year after the election of a new National Assembly and of José Mario Vaz as president. Taking office in June 2014, the president appointed a government that includes strong reformers in key roles, including prime minister, ministers of Justice and Finance, Attorney General, and director of the Judicial Police. The Government of Guinea-Bissau has committed itself to a program of security, judicial, and financial reform and has sought and received assistance from international partners. Signaling its seriousness about reforming the military, the government removed and retired the military chief of staff, Antonio Indjai, for whom a U.S. arrest warrant for drug trafficking was issued in 2013. In addition, more than 200 officers and 2,000 enlisted soldiers have been dismissed.

Despite initial efforts on the part of the new Bissau-Guinean government, the conditions that led to the labeling of Guinea-Bissau as a "narco-state" persist. The 88 islands that make up the

Bijagos Archipelago, combined with a military still able to sidestep the authority of the civilian government with impunity, continue to make the country a favorite transshipment center for drugs. Drug proceeds, often in U.S. dollars, circulate in Guinea-Bissau, albeit outside the formal financial system. Drug barons from Latin America and their collaborators from the region and elsewhere have taken advantage of Guinea-Bissau's extreme poverty, unemployment, history of political instability, lack of effective customs and law enforcement, and general insecurity to transship drugs destined for consumer markets, mainly in Europe. The value of the illicit narcotics trade in Guinea-Bissau, one of the poorest countries in the world, is much greater than its legitimate national income. Using threats and bribes, drug traffickers have been able to infiltrate state structures and operate with impunity.

On May 18, 2012, the UNSC adopted resolution 2048 imposing a travel ban on five Bissau-Guinean military officers in response to their seizure of power from the civilian government on April 12, 2012. On May 31, 2012, the EU followed with a travel ban and freezes on the assets of the military junta members. On April 8, 2010, the United States Department of the Treasury designated two Guinea-Bissau-based individuals, former Bissau-Guinean Navy Chief of Staff Jose Americo Bubo Na Tchuto and Air Force Chief of Staff Ibraima Papa Camara, as drug kingpins, thereby prohibiting U.S. persons from conducting financial or commercial transactions with those individuals and freezing any assets they may have under U.S. jurisdiction. The U.S. Drug Enforcement Administration arrested Na Tchuto in 2013. Combined with a police history of seizing only modest quantities of drugs in recent years, the 2013 arrest as well as the outstanding warrant against the then-head of the army underscore the extent of complicity with drug trafficking at the highest levels.

The formal financial sector is undeveloped, poorly supervised, and dwarfed by the size of the informal and cash sectors in addition to the underground economy. The cohesion and effectiveness of the state itself remain very poor, despite the beginning of the new government's efforts to initiate reforms. Corruption is a major concern and the judiciary has reportedly demonstrated a lack of integrity on a number of occasions. Many government offices, including the justice ministry, lack the basic resources, such as electricity, they require to function.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, nongovernmental organizations (NGOs), lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1: May 2013 - November 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks; microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, NGOs, and intermediaries such as lawyers, accountants, notaries, and broker/dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Guinea-Bissau is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Guine-Bissau.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Guinea-Bissau is not in full compliance with international standards and accords against money laundering and terrorism financing because of inadequate resources, weak border controls, under-resourced and understaffed police, competing national priorities, and historically low political will. The formal financial sector in Guinea-Bissau is undeveloped and poorly supervised; and the financial intelligence unit (FIU) is only partially functional, in part owing to the lack of resources, analytical staff, and proper office space. Guinea-Bissau has signaled its intention to adopt regulatory measures to implement the International Convention for the Suppression of the Financing of Terrorism, but has provided no specific timeframe for doing so.

The Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU), has been adopted by Guinea-Bissau, but its publication has been pending for several years; thus, the law is not yet in force. Guinea-Bissau has yet to criminalize most of the designated predicate offenses and lacks adequate legal provisions for the conduct of customer due diligence procedures. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could amount to informing the subject of an investigation. In addition, banks are reluctant to file STRs for fear of alerting the subject because of allegedly indiscrete authorities. There is no record of investigations, prosecutions, or convictions for the offense of money laundering. Although the law establishes asset forfeiture authorities and provides for the sharing of

confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries may hamper cooperation.

Guinea-Bissau lacks a framework for freezing terrorist assets pursuant to UNSCRs 1267 and 1373. In 2013, the Bissau-Guinean Council of Ministers approved a bill, which was before Parliament as 2013 closed, to validate the Portuguese translation of WAEMU Regulation 14 on the freezing of assets; approved a decree to designate the Ministry of Finance as the competent authority for the freezing of assets, although as 2013 closed it was still awaiting presidential signature; and agreed to designate the Ministries of Finance, Justice, the Interior, and Foreign Affairs as the Inter-Ministerial Committee on Asset Freezing. The current status of these proposed actions is unknown.

Guinea-Bissau needs to implement the Anti-Money Laundering Uniform Law. Further, Guinea-Bissau needs to improve the coordination of efforts at the national, sub-regional, regional, and international levels; reform the country's institutions; and conduct further internal investigations to gain an accurate understanding of the scale of the AML/CFT threat. Guinea-Bissau should continue to work with its bilateral and regional partners to establish and implement an effective AML/CFT regime, including by criminalizing outstanding predicate offenses to ML, criminalizing the provision of funds to an individual terrorist without the commission of a terrorist act, examining the feasibility and usefulness of a currency transaction disclosure system, establishing border controls, and developing a national system for the compilation of comprehensive statistics. Guinea-Bissau also should ensure the sectors covered under the AML law have implementing regulations and competent supervisory authorities. It should implement fully its terrorism financing law, recruit technical staff for its FIU, and ensure the FIU's operational independence. It should work to improve the training and capacity of its police, prosecutors, and judiciary to combat crimes. Guinea-Bissau also should undertake efforts to eradicate systemic corruption.

Haiti

Haitian criminal gangs are engaged in international drug trafficking and other criminal and fraudulent activity, but do not appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, especially via air hub routes to Central America. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency. All property confiscations to date have involved significant drug traffickers convicted in the United States.

Foreign currencies comprised 56.9 percent of Haiti's bank deposits in September 2014, according to the Haitian Central Bank, down slightly from a year earlier.

The weakness of the Haitian judicial system and prosecutorial mechanism continue to leave the country vulnerable to corruption and money laundering, despite improving financial intelligence and enforcement capacity.

Haiti has two operational free trade zones in Ouanaminthe and Carrefour. There are at least 62 casinos in Haiti, the majority unlicensed. Online gaming is illegal.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 68: January 1 – November 21, 2014
Number of CTRs received and time frame: 83,632: January 1 - November 21, 2014
STR covered entities: Banks, cooperatives, credit unions, currency exchanges, money order businesses, insurance companies, casinos, real estate firms, and accounting firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014
Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/d-m/haiti>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the past year, the Government of Haiti took steps to implement a new AML/CFT regime based on legislation passed in 2013. The legislation expands the obligation of suspicious transaction reporting to non-financial businesses and professions, criminalizes terrorism financing, enables immediate freezing of assets of UN-designated groups or individuals, and

allows courts to order seizure of assets for any parties convicted of money laundering or terrorism financing. Implementation of the law is in its early stages.

The country's financial intelligence unit (FIU), the UCREF, has continued to build its internal capabilities and to do effective casework, including analysis and investigation which led to the arrest of a prominent local businessman on drug trafficking and money laundering charges. Continued issues in the judicial sector, however, mean this progress is not yet reflected in conviction rates.

In May 2014, the Executive signed a long-delayed anti-corruption bill that imposes prison sentences of 3-15 years for a host of newly codified crimes, including bribery, embezzlement of public property, illegal procurements, and laundering of proceeds of crime. While implementation remains outstanding, the bill's passage after years of delay constitutes a strong positive step to try to address public corruption.

The FIU forwarded two cases to the judiciary in 2014. An investigating judge has two months from arrest to compile evidence, but there is no limit to the timeframe to schedule court dates, communicate with investigating agencies and prosecutors, and track financial data, meaning that investigations typically last at least a year.

Haiti should continue to devote resources to building an effective AML/CFT regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system. The 2013 AML/CFT law, despite strengthening the regulatory framework to combat financial crimes, undermines the independence and effectiveness of Haiti's FIU. The government remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. Draft criminal and criminal procedural codes that would address these problems were approved by the Council of Ministers, but are now under review by a presidential commission; after the commission's approval, the codes will go to Parliament for approval. Haiti also should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments.

Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of May 2014, Hong Kong's stock market was the world's sixth largest, with \$3.04 trillion in market capitalization. Already the world's eighth largest banking center in terms of external transactions and the fifth largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore renminbi (RMB) financing center, accumulating the equivalent of over \$122.8 billion in RMB-denominated deposits at authorized institutions as of September 2014. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls present vulnerabilities for money laundering, including trade-based money

laundering. Casinos are illegal in Hong Kong. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club (HKJC), a non-profit organization. The HKJC's compliance team collaborates closely with law enforcement to disrupt illegal gambling outlets. Government of Hong Kong officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are fraud and financial crimes, illegal gambling, loan sharking, smuggling, and vice. They attribute a relatively low percentage of laundered funds to drug trafficking organizations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, securities and insurance entities, money service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 31,390: January 1 – October 31, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 194: January 1 - October 31, 2014
Convictions: 122: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Hong Kong is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/hongkongcina/documents/mutualevaluationofhongkongchina.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A task force established in 2013 is to conduct a national AML/CFT risk assessment. Over the last two years, financial regulators, most notably the Hong Kong Monetary Authority, conducted

extensive outreach, including at the highest corporate levels, to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. China is responsible for Hong Kong's international affairs and may arrange for its ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

Hong Kong should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should closely examine trade-based money laundering. The government should establish a cross-border currency reporting requirement. Hong Kong should also implement a mechanism whereby the government can return funds to identified victims once it confiscates criminally-derived proceeds.

India

India is a regional economic power and financial center. Its economy has both formal and informal financial systems. India's extensive informal economy and remittance systems, persistent corruption, onerous tax administration, and currency controls contribute to its vulnerability to economic crimes, including fraud, cybercrime, identity theft, money laundering, and terrorism financing. India's porous borders and location between heroin-producing countries in the Golden Triangle of Southeast Asia and Golden Crescent of Central Asia make it a frequent transit point for narcotics trafficking. Proceeds from Indian-based heroin traffickers are widely known to re-enter the country via bank accounts, the hawala system, and money transfer companies.

The high degree of corruption in Indian society both generates and conceals criminal proceeds. The most common money laundering methods include opening multiple bank accounts, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering (TBML) to disguise the criminal origin of funds; and companies use TBML to evade capital controls. Illicit funds are also sometimes laundered through real estate, educational programs, charities, and election campaigns. Laundered funds are derived from narcotics trafficking, trafficking in persons, and illegal trade, as well as tax avoidance and economic crimes. Counterfeit Indian currency is also a significant problem. Criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of terrorist groups, both foreign and domestic. Several indigenous terrorist organizations coexist in various parts of the country; some are linked to external terrorist groups with global ambitions. Terrorist groups often use hawalas and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities report they have seized drugs for sale in India purchased by India-based extremist elements from producers and/or trafficking groups in neighboring countries.

India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of September 2014, there were 192 SEZs in operation, and 564 SEZs which have received formal approval but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML/CFT regulations as the domestic sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 54,000: April 2013 - March 2014

Number of CTRs received and time frame: 9,600,000: April 2013 - March 2014

STR covered entities: Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers,

and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

India is a member of the FATF, as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/india/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although India has taken steps to implement an effective AML/CFT regime, deficiencies remain. In 2012, the Government of India enacted amendments to the Prevention of Money Laundering Act (PMLA). While the amendments to the PMLA widen the definition of money laundering, the government has not changed its enforcement model. India also should address noted shortcomings in both the criminalization of money laundering and terrorism financing, and the domestic framework of confiscation and provisional measures. The government should ensure all relevant sectors of designated non-financial businesses and professions comply with AML/CFT regulations.

Even with passage of the PMLA amendments, observers and law enforcement professionals express concern about effective implementation of the current laws. As of November 2014, the government had not won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Furthermore, while India has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely among the federal, state, and local levels, and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their Indian counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities have led to numerous money seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators and related groups.

India is taking steps to increase financial inclusion through “small [banking] accounts” and the issuance of a biometric-enabled universal identification *aadhar* number, but should consider

further facilitating the development and expansion of alternative money transfer services in the financial sector, including mobile banking, domestic funds transfer, and foreign remittances. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities by shrinking the informal network, particularly in the rural sector. India's current safe harbor provision is too limited and only protects principal officers/compliance officers of institutions who file STRs in good faith. India should extend its safe harbor provision to also cover staff or employees of institutions.

Indonesia

Indonesia is neither a regional financial center nor an offshore financial haven, but the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Additionally, major indigenous terrorist groups, which obtain financial support from both domestic and foreign sources, are present in the country. These include Jemaah Islamiyah (JI), a loose network of JI spin-off groups including Jemaah Anshorut Tauhid (JAT), and others.

Most money laundering in Indonesia is connected to non-drug criminal activity such as corruption, illegal logging, illegal sale of subsidized fuel, illegal wild animal trafficking, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, illegal gambling, and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, made easier by thousands of miles of unpatrolled coastlines, sporadic and lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made some progress in combating official corruption via a strong, yet embattled, Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

The FATF has included Indonesia in its Public Statement since February 2012, with the most recent statement issued October 24, 2014. While the FATF noted improvement in Indonesia's AML/CFT framework, Indonesia has failed to implement its action plan within the agreed upon timelines and lacks an adequate legal framework and procedures for identifying and freezing terrorist assets.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks; finance companies; insurance companies and brokers; pension fund financial institutions; securities companies; investment managers; providers of money remittance; and foreign currency traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 29,035: December 1, 2013 - September 30, 2014

Number of CTRs received and time frame: 1,534,758: December 1, 2013 - September 30, 2014

STR covered entities: Banks and financing companies; insurance companies and brokers; pension fund financial institutions; securities companies, investment managers, custodians, and trustees; postal services as providers of fund transfer services; money remitters and foreign currency changers (money traders); providers of payment cards, e-money, and e-wallet services; cooperatives doing business as savings and loans institutions; pawnshops; commodities futures traders; property companies and real estate agents; car dealers; dealers of precious stones, jewelry, precious metals, art and antiques; and auction houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: December 1, 2013 to September 30, 2014

Convictions: 24: December 1, 2013 to September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Indonesia’s financial intelligence unit, known as the PPATK, works closely with the Indonesian central bank to oversee and implement Indonesia’s AML regime. PPATK publishes detailed, lengthy reporting statistics on its website on a monthly basis.

Although Indonesia’s CFT legislation provides for the freezing of terrorist assets linked to the UN list of designated terrorists and terrorist organizations, Indonesia continues to lack an

effective mechanism to implement UNSCRs 1267 and 1373. A joint regulation drafted by an Indonesian Counterterrorism Task Force in order to address these concerns is currently under review by international experts. As of December 2014, Indonesia had frozen the assets of all UNSCR 1267/1989 listees but had not yet issued freeze orders for Taliban-related individuals and entities pursuant to UNSCR 1988. To be compliant with international standards and further develop its asset freezing regime, Indonesia must ensure freezing without delay under all relevant sanctions.

Since the CFT law's inception in March 2013, 15 terrorism finance cases have been brought to court. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions.

Iran

Although not a global financial hub, Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, sanctions evasion, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Narcotics traffickers use illicit proceeds to purchase goods in the domestic Iranian market, often, for exportation to and sale in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are a prevalent form of money laundering. Many hawaladars and traditional *bazaari* have ties to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the United Arab Emirates, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. Government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. Widespread corruption and economic sanctions, as well as evasion of those sanctions, have undermined the potential for private sector growth and facilitated money laundering. The FATF has repeatedly warned of Iran's failure to address the risks of terrorist financing, urging jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia, such as the Houthi group Ansarallah in Yemen, the Assad regime in Syria, and multiple Shia militia groups in Iraq. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

In recent years, the international presence of Iranian banks has diminished as a growing number of governments move to sanction Iranian financial institutions in response to UN, U.S., and autonomous sanctions regimes as well as in reaction to the FATF statements on Iran's lack of adequate AML/CFT controls. Iran has used its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. Many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks. In March 2012, the Society of Worldwide Interbank Financial Telecommunication (SWIFT) removed Iranian financial institutions from its network, curtailing the institutions' ability to send and receive international wires, in order to comply with EU sanction violations. The United States has designated at least 20 Iranian banks and subsidiaries under counter-proliferation and terrorism authorities, and in a 2014 report, the UN also designated two banks.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: Not available Domestic: Not available

KYC covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: Not available

Iran is not a member of a FATF-style regional body. In 2014, it applied for observer status in the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals drawing on non-proliferation, counter-terrorism, human rights, and Iraq-related authorities that include legislation and more than a dozen Executive Orders (E.O.). To date, the Departments of State and Treasury have designated over 300 Iranian entities and individuals for proliferation-related activity, support for terrorism, and human rights abuses. Noteworthy actions taken against Iran under E.O.s include: 20 Iranian-linked banks, located in Iran and overseas, designated in connection with Iran's proliferation activities (E.O. 13382); one state-owned Iranian bank (Bank Saderat and its foreign operations) designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran's Islamic Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

Additionally, Iran has been the subject of several UNSCRs and International Atomic Energy Agency resolutions for its failure to comply with its international nuclear obligations. UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation-sensitive nuclear activities. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 amending the Iran Sanctions Act of 1996, makes sanctionable certain activities in Iran's energy sector, including the provision of refined petroleum or goods and services for Iran's refined petroleum sector.

In 2011, President Obama signed the National Defense Authorization Act for Fiscal Year 2012. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with U.S.-designated Iranian financial institutions risk being cut off from direct access to the U.S. financial system. The Iran Threat Reduction and Syria Human Rights Act of 2012 expands sanctions on Iran's energy sector and against human rights violators. These build upon the sanctions from previous U.S. legislation and UNSCRs.

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Since 2009, the FATF has urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. Most recently, in October 2014, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to

give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF, in its October 2014 Public Statement, said it remains particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing, and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF and recent submission of information. The FATF continues to urge Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements. If Iran fails to take concrete steps to continue to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen countermeasures in February 2015.

Iraq

Iraq's economy is primarily cash-based, and its financial sector is severely underdeveloped. Iraq has about 2,000 financial institutions, most of which are currency exchanges and hawalas. There is approximately one commercial bank branch for every 50,000 people, and ATMs are even less common. U.S. dollars are widely accepted. Due to weak supervision and regulation of banks and other financial institutions, there is little data available on the nature and extent of money laundering in the country. Iraqi law enforcement and bank supervisors have little recourse and poor capabilities to detect and halt illicit financial transactions. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Iraq lacks the capacity to adequately regulate these informal financial institutions.

Since June, when Iraq's ongoing conflict with the Islamic State of Iraq and the Levant (ISIL) escalated, it has been more difficult for the Government of Iraq to monitor AML/CFT in areas outside of central government control. This has created opportunities for ISIL and other groups to exploit the vulnerabilities in Iraq's inability to adequately monitor its entire financial system.

Smuggling is endemic, often involving consumer goods, including cigarettes, counterfeit prescription drugs, antiquities, as well as petroleum products. ISIL has been able to take advantage of insufficient law enforcement capacity by smuggling and illicitly trading crude oil and refined fuels. Bulk cash smuggling is likely common, in part because Iraqi law only allows for the seizure of funds at points of entry, such as border crossings and airports. Trafficking in persons, intellectual property rights violations, and currency counterfeiting also have been reported. Narcotics trafficking occurs on a small scale but is a growing concern to Iraqi authorities. Kidnappings for ransom are increasing, rising in tandem with violence levels. Extortion is rampant in ISIL-controlled areas. Corruption is pervasive among the local, provincial, regional, and national government levels and is widely regarded as a cost of doing business in Iraq.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life

of the project, including the foundation and construction phases. Trade-based money laundering is a significant problem in Iraq and the surrounding region.

On January 2, 2014, the Government of Iraq started to implement the first phase of a 2010 tariff law that replaces the across-the-board five percent tariff rate enacted a decade ago by the Coalition Provisional Authority, with a much broader scale of some lower, and mostly higher tariff rates. The government has stated it intends to fully implement the 2010 tariff law in phases, but it has not decided their timing or details. Implementation thus far has been inconsistent and variable. The Kurdistan Regional Government (KRG) applies the new tariff regime as well.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4 in 2013

Number of CTRs received and time frame: 1,320 in 2011

STR covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2012

Convictions: 3 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.menafatf.org/images/UploadFiles/Final_Iraq_MER_En_31_12.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Iraq's ability to detect and prevent money laundering and other financial crimes is limited by capacity constraints in public institutions, weak financial controls in the banking sector, and weak links to the international law enforcement community and regional financial intelligence units.

Iraq's Anti-Money Laundering Law, issued under Coalition Provisional Authority Order 93 in 2004, is the only AML statute in Iraq. The penalty under the 2004 law is only that of a misdemeanor. Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering. Iraqi law treats money laundering as a subsidiary crime, requiring a more serious predicate crime to also have occurred before the government can prosecute money laundering offenses. Iraq has drafted AML legislation that was reviewed by Iraq's Shura Council, but international experts have assessed the current draft law does not meet international standards. In particular, the law needs to do more to ensure the independence of Iraq's Money Laundering Reporting Office (MLRO), Iraq's financial intelligence unit. In 2014, the government continued to review and amend the draft law, aiming to bring it in line with international standards. Once revisions to the draft are completed, the law will be submitted to the Council of Ministers for approval, followed by the Council of Representatives for passage. The government is unable to provide a timetable for the passage of the AML/CFT law.

In 2013, Iraq formed a high-level committee chaired by then acting Governor of the Central Bank of Iraq (CBI) Abdulbasit Turki to follow up on noted deficiencies; however, the committee made little progress. In September 2014, Ali al-Allaq replaced Turki as acting CBI Governor. Allaq is focused on anti-corruption efforts, which he promoted in his previous positions as Secretary General of the Council of Ministers and chairman of the Joint Anti-Corruption Council.

Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Iraq reportedly has one judge assigned to process all money laundering cases, and that judge does not exclusively focus on money laundering. In addition, the current lack of implementing legislation, weak compliance enforcement, and the need for more technical capacity at the CBI's MLRO all undermine Iraq's ability to counter terrorism financing and money laundering.

Although former acting CBI Governor Turki approved an independent budget for the MLRO, it does not yet have sufficient operational independence and autonomy. Overseen by the CBI's Banking & Supervision directorate, the MLRO lacks the requisite organizational structure, funding, staffing, and technology to effectively perform its function. The MLRO staff lacks

adequate AML training and technology to receive, store, retrieve, and analyze data from the reporting institutions. In 2014, the MLRO transitioned from manual data processing to electronic reporting.

The MLRO is empowered to exchange information with other Iraqi and foreign government agencies, but rarely does so. Legal constraints on the MLRO's purview hinder its cooperation with the Ministry of the Interior's (MOI) Directorate for Economic Crimes, which is responsible for investigating financial crimes, including money laundering, bulk cash smuggling, and counterfeiting. The MLRO lacks the investigative authority of the MOI, but the MOI is unable to prosecute money laundering crimes without the MLRO's cooperation. Iraq should ensure the MLRO has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the financial sector are limited, and enforcement is subject to political constraints. In practice, despite customer due diligence (CDD) requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of CDD and other preventive measure requirements varies widely across Iraq's seven state-owned and 48 private Iraqi and foreign banks. Banks are required to file reports with the MLRO for transactions greater than \$10,000, a requirement with which banks generally comply. In practice, very few STRs are filed. Due to a weak institutional culture and the lack of robust penalties for noncompliance, banks often are unmotivated to file reports and sometimes conduct internal investigations in lieu of reporting to the MLRO. Iraqi authorities should encourage increased reporting by financial institutions through more in-depth onsite supervision as well as an increase in the penalties levied for noncompliance.

Greater overall coordination between the Iraqi government and the KRG is needed to regulate financial transactions, crack down on smuggling networks, and cooperate on AML/CFT efforts. KRG officials report they are abiding by Iraq's AML law, but there are no efforts to coordinate with the central government. Moreover, Kurdish customs requirements are less stringent than Iraq's, which risks enabling the smuggling of illicit and counterfeit goods into southern Iraq.

Although Iraq is a party to the UN Convention for the Suppression of the Financing of Terrorism, there is no formal mechanism in place to implement UNSCR 1267 and no legal mechanism to implement UNSCR 1373. Iraq should take steps to establish appropriate mechanisms. Iraq also should develop political support to create and safeguard the MLRO's independence in order to bolster Iraq's AML/CFT capacities.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the UK remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government offers incentives to high-technology companies and financial institutions that locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and

narcotics trafficking in other jurisdictions, including the UK. Identity theft and internet abuse are growing segments of financial crime activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio, and asset managers; estate agents; auditors, accountants, lawyers, and notaries; insurance companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,539 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 61 in 2012
Convictions: 37 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Compliance with international standards was evaluated by the International Monetary Fund's Financial Sector Assessment Program. The report can be found at:
<http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

The Isle of Man now formally participates in the mutual evaluation procedures of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL). MONEYVAL has not yet evaluated the IOM.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Isle of Man legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about that person's financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM.

A new Money Laundering and Terrorist Financing Code came into effect on May 1, 2013. The main purpose of the new code is to integrate the Proceeds of Crime (Money Laundering) Code 2010 and the Prevention of Terrorist Financing Code 2011. A separate code went into effect covering online gaming on the same date. The Isle of Man has proposed a new Anti-Money Laundering and Countering Terrorist Financing Code, which is slated to be implemented in the first quarter of 2015.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM in 1993; its ratification of the UN Convention against Corruption was extended to include the IOM in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM in 2012. In 2003, the United States and the UK agreed to extend to the IOM the U.S. - UK Treaty on Mutual Legal Assistance in Criminal Matters.

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, or EU, often utilize a maze of offshore shell companies and bearer shares to obscure ownership. Israel's illicit drug trade is regionally focused, with Israel more a transit country than a market destination. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value-added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods; liquor; cigarettes; cell phones; and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gaming rings, retail businesses suspected as money laundering enterprises, and public corruption. The government adopted the recommendations of the committee established by the Director General of the Prime Minister's Office to explore the possibility of reducing the overall supply of Israeli currency in circulation, as part of an effort to combat both counterfeiting and money laundering activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 47,856: January 1 - November 4, 2014
Number of CTRs received and time frame: 1,334,236: January 1 - November 4, 2014
STR covered entities: Banking corporations, credit card companies, trust companies, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses, and the Postal Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 60: January - November 2014
Convictions: 21: January - November 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Israel is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money service businesses will be required to implement customer due diligence (CDD) requirements as of March 20, 2015. As of July 15, 2015, dealers in precious stones will be subject to CDD requirements and, as of July 15, 2016, to suspicious transaction reporting (STR) requirements. Per an Order enacted by the Ministry of Justice on November 17, 2014, lawyers and accountants will be subject to CDD requirements as of September 2, 2015.

In fall 2014, the Government of Israel established an interagency group tasked with promoting advanced electronic means of payment as a means of reducing the overall supply of currency in

circulation as part of an effort to combat both counterfeiting and money laundering activity. The team includes representatives from the Bank of Israel, the Prime Minister's Office, the Ministry of Finance, the Israel National Police, the Israel Tax Authority, the Israel Antitrust Authority, the National Cyber Bureau, the Israel Money Laundering and Terror Financing Prohibition Authority, and the National Information Security Authority. Following testimony from both public entities and the private sector, the team will report on its recommendations in June 2015.

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

Israel's Financial Intelligence Unit, under the Ministry of Justice's Israel Money Laundering Prohibition Authority, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's Anti-Drug and Money Laundering Unit, and the Israel National Police. Israel cooperates on legal assistance and on extradition requests.

Italy

Italy's economy is large both in the European and global context. Its financial and industrial sectors are significant. The proceeds of domestic organized crime groups, especially the Camorra, the 'Ndrangheta, and the Mafia, operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax crimes, smuggling and sale of counterfeit goods, extortion, corruption, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of legal and contraband goods. Italy's total black market is equal to 12.4 percent of GDP and worth \$250 billion. A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest component of this black market is undeclared income, off-book transactions, or other tax evasion connected with otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore. Bulk cash smuggling has become less common, as the physical transfer of tangible currency is increasingly replaced by wire transfers, debit cards, cash transfer houses, and black market currency exchanges.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 37,632: January 1 – June 30, 2014
Number of CTRs received and time frame: 147,242,000: January 1 – June 30, 2014
STR covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 53: January 1 – October 31, 2013
Convictions: 29 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Italy is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/d-i/italy/documents/mutualevaluationofitaly.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Italy continues to combat the sources of money laundering and terrorism financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government’s fight against organized crime is ongoing.

In June 2013, Italy published its action plan to address the issue of beneficial ownership and committed to take a number of actions in order to enhance the transparency of companies and trusts. The Ministry of Finance and Economy (MEF) issued guidance for financial institutions and designated non-financial businesses and professions (DNFBPs) on the identification of non-EU jurisdictions that have introduced requirements equivalent to those mandated in the EU. The MEF and Italy's financial intelligence unit, the Financial Information Unit (FIU), issued implementing provisions on how obligated entities should handle the termination of business relationships when the required customer due diligence (CDD) measures cannot be completed. The regulations ensure the money trail is not lost in these cases and that suspicious transactions are properly reported to the FIU.

The Bank of Italy (BOI) issued the Instructions on Customer Due Diligence measures, in order to support banks and financial intermediaries in the definition of their CDD policies in accordance with the risk-based approach. The instructions provide guidance for proper identification and verification of customers and their beneficial owner(s), and for the implementation of an appropriate risk management system. As of January 2014, regulations require the application of enhanced CDD measures for domestic politically exposed persons (PEPs). The BOI also adopted the Instructions on the Electronic Data Base, requiring banks and other financial intermediaries to maintain data in order to register all business relationships and relevant transactions. Following a proposal by the FIU, the BOI issued indicators of anomalies for auditing firms and auditors who are responsible for statutory audits of entities of public interest, as defined by Article 16 of Legislative Degree 30 of 2010. They include, among others, banks, insurance companies, companies involved with asset management or issuance of financial instruments, electronic money institutions, financial intermediaries, management companies of regulated markets, and securities trading companies.

Although several actions taken in recent years endeavored to increase the number of suspicious transaction reports (STRs) filed by DNFBPs, these entities continue to file less than one percent of the STRs. Italy should continue to implement measures that will significantly increase the number of STRs from selected categories of these entities, especially from lawyers.

As in previous years, in 2014, the Guardia di Finanza, the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy-related crimes, and terrorism financing. The Central Directorate for Anti-Drug Services, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police (INP), also plays a central role in these efforts. With regard to countering organized crime, the INP's internal *Servizio Centrale Operativo* (SCO) division has the law enforcement lead. The SCO, with direction from the associated magistrates, focuses heavily on money laundering in terms of asset identification, seizure, and forfeiture.

Japan

Japan is a regional financial center but not an offshore financial center. The country continues to face substantial risk of money laundering by organized crime, including Japan's organized crime

groups, Mexican drug trafficking organizations, and other domestic and international criminal elements. The major sources of laundered funds include drug trafficking, fraud, loan sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern.

In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who reside in Japan. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

Japan has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; certified public accountants; certified public tax accountants; and trust companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 349,361 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; credit, agricultural and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 142 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Japan is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Japan%20full.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Japan's compliance with international standards specific to financial institutions was notably deficient until recently. On November 20, 2014, the Government of Japan enacted three pieces of AML/CFT legislation that address recognized deficiencies. The recent legislation criminalizes the provision of direct or indirect financing, including the provision of any goods and real estate, to terrorists; and it enables the freezing of terrorist assets without delay, including non-financial holdings. In addition, financial and non-financial sectors will be required to implement processes and procedures to perform enhanced customer due diligence.

Japan's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low. These numbers are the most telling measures of effectiveness of a country's AML/CFT regime. The National Police Agency (NPA) provides limited cooperation to other domestic agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters.

Japan should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in Japan and foreign jurisdictions. The government should release the number of money laundering convictions. Japan also should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the government should take steps to identify and combat trade-based money laundering. Japan should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Jersey

Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a self-governing British Crown Dependency with its own parliament, government, legal system, and jurisprudence. The UK is constitutionally responsible for Jersey's defense and international representation, while the Island has autonomy in relation to its domestic affairs, including taxation and the regulation of its financial services sector. Jersey can negotiate international agreements within the parameters of Letters of Entrustment provided by the UK Government, and enter into such agreements in its own name, albeit that the UK remains ultimately responsible in international law for such agreements.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires beneficial ownership information to be obtained and held by its company registrar and its regulated trust and company service providers, which can be readily accessed by law enforcement and tax authorities. Island authorities have undertaken successful measures, as recent high profile cases have shown, to protect the financial services industry against the laundering of the proceeds of foreign political corruption.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund, and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; company and trust service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,632 in 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; company and trust service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

In lieu of a mutual evaluation, a report was prepared by the IMF's Financial Sector Assessment Program. The report can be found at: <http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Under Jersey law, the Minister for External Relations (MER) has the power to give a direction to a relevant person to require that person to undertake enhanced customer due diligence (CDD) measures, provide information and documents, or limit or cease a business relationship if one or more of the following conditions are met in relation to a country or territory outside Jersey: the FATF advises there is a risk of money laundering or terrorism financing in a country or territory; the MER reasonably believes there is a risk of money laundering or terrorism financing in a country or territory, by the government of a country or territory, or by persons resident or incorporated in a country or territory, that poses a significant risk to Jersey; the MER believes the development or production of weapons in a country or territory, or anything that facilitates such development or production, poses a significant risk to Jersey.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead, in accordance with its laws, it is able to provide mutual legal assistance to any jurisdiction, including the United States. The United States and Jersey maintain a "special relationship" that includes a reporting regime based on the Foreign Account Tax Compliance Act (FATCA).

Under the Terrorist Asset Freezing (Jersey) Law 2011 a person designated by a European Council Regulation or the UK for terrorist purposes is automatically designated in Jersey, and any funds or economic resources of the designated persons are subject to asset freezes. In addition, a person may be designated if the Jersey Minister for External Relations reasonably suspects that the person is, has been involved in, or is connected with terrorist activity.

More recently, the Proceeds of Crime and Terrorism (Miscellaneous Provisions) (Jersey) Law 2014 came into force on August 4, 2014. The Law brings all of the provisions relating to the laundering of criminal proceeds, including the restraint and confiscation of such proceeds, into one law (the Proceeds of Crime (Jersey) Law 1999); addresses noted technical deficiencies; and aligns specific provisions with requirements of the UN Convention against Transnational Organized Crime and the Council of Europe Convention 141 on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, to allow for these conventions to be extended to Jersey.

The key rationale for creating one consolidated set of AML provisions is that, under the former provisions, the prosecuting authorities had to establish at any early stage whether the powers of Jersey's drug trafficking, terrorism, or criminal proceeds law should be used during an investigation. In the early stages of an investigation, there may not have been sufficient evidence

to establish which of these laws should be applied to the proceeds of criminal conduct, yet a decision had to be made as to which of the three laws' powers would be exercised. In addition to these practical issues, previous money laundering offenses varied in scope and material elements across the three laws. The prosecuting authorities also believed the previous money laundering offenses were too numerous and specific. The decision was made to produce a single statute which addresses the requirements of the jurisdiction more effectively.

Jersey authorities continue to indicate concern regarding the incidence of domestic drug-related crimes. The customs and law enforcement authorities devote considerable resources to countering these crimes.

Jersey, not being a sovereign state, cannot sign or ratify international agreements in its own right unless entrusted to do so by Letters of Entrustment provided by the UK government, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the UK's ratification of any international instrument to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in 2008. The UK is in the process of extending the UN Convention against Transnational Organized Crime to Jersey.

Where reliance is placed by a covered entity on identification measures already performed by a third party on a prospective customer (in accordance with criteria established in legislation), Jersey requires that covered entity to obtain all necessary CDD information from the third party before the beginning of the business relationship with the customer. However, simplified identification measures (in accordance with criteria established in legislation) may be applied to a customer that is acting on behalf of one or more third parties. Jersey authorities should explicitly require that all covered entities obtain all necessary CDD information from the intermediary at the beginning of a relationship and should consider requiring covered entities to perform spot-testing of an intermediary's performance of CDD obligations. Jersey's authorities are consulting on a change to CDD requirements that would strengthen due diligence obligations for foundations.

Kenya

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, and its banking and financial sectors are growing in sophistication. Money laundering and terrorism financing activity occur in both the formal and informal sectors, and derives from both domestic and foreign criminal activity. Such activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

Kenya's financial sector supports 43 licensed commercial banks, many with branches throughout East Africa; nine deposit-taking microfinance institutions in Kenya, with 69 branches; 91 licensed Forex Bureaus, with Nairobi hosting 75 bureaus and Mombasa nine; and one mortgage

finance company. Kenya holds more than half of the total bank assets in the region, which has grown to \$52 billion in 2013, up from \$45.2 billion in 2012.

Although banks, wire services, and mobile payment and banking systems are available to increasingly large numbers of Kenyans, there are also thriving, informal, and unregulated networks of hawaladars and other remittance systems that facilitate cash-based, unreported transfers that the Government of Kenya cannot track. Foreign nationals, and in particular the large ethnic Somali resident and refugee populations, primarily use hawaladars to send and receive remittances internationally. Diaspora remittances are growing annually, contributing significantly to the country's foreign exchange inflows. There are now nine licensed money remittance providers in Kenya, all located in Nairobi. Remittances in 2013 totaled \$1.3 billion and are already at \$1.1 billion through September 2014, with North America providing between 45-50 percent of all remittances, and with Europe and the "rest of the world" each providing approximately 25 percent.

The Communications Authority of Kenya (CAK) reports that Kenya's telecommunications sector enjoys 79.2 percent mobile phone penetration and supports 32.2 million mobile phone subscriptions. The CAK also reports there are 22.3 million internet users, raising the percentage of the population that has access to the internet to 54.8 percent. There are approximately 121,000 mobile-money agents in Kenya. Through August 2014, \$1.7 billion moved through Kenya's mobile-money systems.

Kenya is a transit point for international drug traffickers. Trade-based money laundering is a problem in Kenya, though the Kenya Revenue Authority has made recent strides in improving internal monitoring and collection procedures. There is a black market for smuggled and grey market goods in Kenya, which serves as a major transit country for Uganda, Somalia, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these northern corridor countries are not subject to Kenyan customs duties, but Kenyan authorities acknowledge that many such goods are often sold in Kenya. Trade goods often are used to provide counter-valuation in regional hawala networks.

Kenya's proximity to Somalia makes it an obvious and attractive location for the laundering of certain piracy-related proceeds and a financial facilitation hub for al-Shabaab, a UN- and U.S.-designated group.

The FATF first included Kenya in its Public Statement in February 2010. In February 2014, the FATF removed Kenya from its Public Statement in recognition of the significant progress Kenya has made in addressing its strategic AML/CFT deficiencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler’s checks, money orders, banker’s drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 201: January - November 2014

Number of CTRs received and time frame: 2,825: January – November 2014

STR covered entities: Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler’s checks, money orders, banker’s drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One in 2014

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=228

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), as amended, provides a comprehensive framework to address AML issues and contains appropriate sanctions; however, the POCAMLA has never been used to prosecute financial crimes. The Central Bank of Kenya (CBK) licensed the first money remittance provider in November 2013, following its issuance of the Money Remittance Regulations, 2013, in April 2013. In addition, Kenya's National Payment System Act is now in force. This Act, which among other things provides regulation over mobile money, is another important component of Kenya's move toward financial integrity and security. Regulations attendant to the POCAMLA, Supplement No. 521 of 2013, require covered entities to file currency transaction reports (CTRs).

Of the 345 STRs submitted to the Financial Reporting Centre (FRC), Kenya's financial intelligence unit, since its inception in 2012, 85 have been disseminated to law enforcement agencies for further investigation and possible prosecution. The FRC's analytical ability and efficiency would improve with an automated system to aid in the analysis. Although the FRC receives STRs from some money and value transfer services, this sector is more challenging to supervise for AML/CFT compliance.

All cell phone devices must be registered, and all mobile-money accounts also must be registered, with proper identification. While mobile payment and banking systems are increasingly important, the tracking and investigation of suspicious transactions remains difficult, although data on these transactions have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash. The lack of regulation/supervision of this sector, coupled with a lack of reporting from certain reporting entities, contribute to the risks posed by this sector. The CBK's strategy to increase financial integrity through increasing financial inclusion, and its associated regulatory interventions, has led to an increase in formal sector financial inclusion from 41 percent in 2006 to 67 percent in 2013.

To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court order. The confidentiality of this process is not well maintained, meaning that account holders are often tipped off about such investigations and so are able to move their assets or contest the orders.

Kenya is overhauling its criminal justice system. The government, and especially the police, must allocate appropriate resources and build sufficient institutional capacity and investigative skill to conduct complex financial investigations independently. Kenya also must address the bureaucratic impediments preventing it from pursuing investigation and prosecution of these crimes. Until 2013, Kenya had only 74 public prosecutors; however, the ODPP has greatly expanded and now has 605 prosecutors. The ODPP is organized into four broad thematic departments, with the Department of Economic International and Emerging Crimes (DEIEC) responsible for the prosecution of corruption and economic crime, cybercrime, narcotics, organized crime, money laundering, piracy, and terrorism cases. In order to streamline proceedings and enhance professionalism as well as develop expertise in its prosecutions, the DEIEC is divided into various thematic divisions, with the AML/CFT division, formed on July

18, 2014, and headed by the Senior Assistant Director of Public Prosecutions, specifically dealing with money laundering and terrorism financing offenses. The AML/CFT division is made up of 18 Prosecution Counsels from the Nairobi office, complemented by eight Prosecution Counsels from county offices. In 2014, nine money laundering cases were forwarded to the ODPP, four of which were closed and five of which are still pending.

The POCAMLA provides legal mechanisms to freeze, seize, and confiscate the proceeds of crime; however, this aspect of the law has not yet been used. The Prevention of Organized Crimes Act also provides for seizure of cash and property used by organized criminals to commit an illegal act. The Asset Recovery Agency, a semi-autonomous body based in the Attorney General's office, is now staffed and leading an interagency Asset Recovery Task Force.

The 2013 Westgate Mall attack, which resulted in the first cases being charged under Kenya's Prevention of Terrorism Act (POTA), demonstrates the critical importance of first responders, regulators, law enforcement, and prosecutors continuing to develop their expertise to investigate and charge high impact cases, including terrorism financing and money laundering offenses, and to pursue related asset recovery. Kenya passed the Finance Act of 2013, which includes amendments to the POTA, to include expanding the scope of Kenya's criminalization of terrorism financing. In November 2013, Kenya issued regulations to implement the POTA, and therefore, its obligations pursuant to UNSCRs 1267 and 1373. With this law, Kenya has taken significant steps toward improving its compliance with international standards.

Latvia

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by almost 15 percent, comprising 49.8 percent of total bank deposits. Non-resident cash continues to flow across the border from neighboring Russia and former Soviet states. Latvia's geographic location, large untaxed shadow economy (approximately 24 percent of the overall economy), and public corruption make it challenging to combat money laundering.

Officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution and fraud perpetrated by Russian and Latvian groups; and other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels. Latvian regulatory agencies monitor financial transactions to identify instances of terrorism financing.

There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the official financial system.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. The

zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; EU-owned entities; and any high-value goods merchant, intermediary, or service provider

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,299: January 1 - June 30, 2014
Number of CTRs received and time frame: 3,590: January 1 - June 30, 2014
STR covered entities: Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; any high-value goods merchant, intermediary, or service provider; and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10: January 1 - September 30, 2014
Convictions: 6: January 1 - September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Latvia is a member of the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Latvia joined the Eurozone bloc. On August 13, 2014, the Latvian Parliament acted to enhance the Law on the Prevention of Money Laundering and Terrorism Financing. The amendments are largely minor changes in legal definitions or procedural norms in order to ensure consistency and compliance with international standards.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not. The Financial and Capital Market Commission (FCMC) reports it is awaiting final approval of European Parliament regulations, providing that the rules on PEPs be extended to domestic PEPs, in order to pursue Latvian legislation in line with those regulations.

On May 31, 2013, at the request of the Bureau to Prevent and Combat Corruption Prevention (KNAB), the Prosecutor General's Office (PGO) brought criminal charges against former Riga City Council Housing and Environment Department Chief Arija Stabina for accepting bribes. KNAB arrested seven people, including Stabina and two other Riga City Council employees. KNAB has accused the Riga City Council officials of accepting bribes from residents in exchange for placement in municipal housing. Stabina was released on bail, but since June 2013, authorities have been unable to locate her. On July 22, 2013, the PGO issued a European Arrest Warrant for Stabina. On June 12, 2014, the PGO reported that Stabina's case has supported several other criminal cases, in which six people have been convicted of bribery, bribery support, and bribery appropriation.

During 2014, KNAB initiated additional high profile investigations against government officials. In April, KNAB started an investigation for bribery against the Riga City Council Cemetery Administration Chief. On November 10, KNAB had enough evidence and requested the PGO to bring criminal charges against him. On November 12, KNAB passed to the PGO materials to bring criminal charges against seven people for bribery of state officials, misuse of authority for personal enrichment and fraud in the amount of 850,000 euros (\$1.06 million). Also on November 12, KNAB officers detained a Riga Regional Court (RRC) Civil Cases Panel judge after searching RRC offices. On November 14, the judge was declared a suspect in a criminal case. KNAB's investigation is ongoing; no criminal charges have been brought to date.

Latvian banks continue to invest substantially in their IT systems to develop programs for identifying suspicious activities, especially with regard to high-risk clients. The FCMC should continue its work to strengthen its capacity by increasing its human and financial resources, specifically for AML purposes.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorism financing challenges; for example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at approximately \$7.3 billion annually over the last four years. Media reports suggest that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities.

Laundered proceeds come primarily from cybercrime money laundering operations and from Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Lebanon's Internal Security Forces (ISF) Cybercrime and Intellectual Property Unit tracked more than 50 cases of hackers located in Lebanon or abroad and who transferred funds embezzled from local depositors (totaling approximately \$18 million) to bank accounts located outside Lebanon, namely in the UK, Hong Kong, Malaysia, China, and the Philippines. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, and pirated software, CDs, and DVDs. Nevertheless, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

Lebanese expatriates in Africa and South America have established financial systems outside the formal financial sector, and some are reportedly involved in TBML schemes. Lebanese diamond brokers and purchasing agents are reportedly part of an international network of traders who participate in underground activities, including the trafficking of conflict diamonds, diamond trade fraud (circumventing the Kimberley process), and TBML.

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah, but the Bank of Lebanon (Lebanon's central bank) has strong regulations in place to regulate exchange houses. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has enacted regulations regarding the activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, financial and lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 148: January - October 2014
Number of CTRs received and time frame: 18: January - October 2014
STR covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9: January - October 2014
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Three proposed laws intended to strengthen Lebanon’s AML/CFT regime were passed by the Council of Ministers on March 14, 2012, and, as of the end of 2014, are still awaiting Parliament’s approval. These include amendments to the existing AML law (Law 318/2001); new legislation requiring the declaration of cross-border transportation of cash; and new legislation on the exchange of tax information, which would authorize the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

In 2014, the Bank of Lebanon issued circulars to improve its AML/CFT regime. These include Intermediate Circular No. 371, dated September 11, 2014, amending Basic Circular No. 83, requiring banks to establish an AML/CFT Branch Officer in each branch of a bank as well as to set up two departments within an individual bank’s compliance unit, one to oversee main headquarters and branches in Beirut, and the other to oversee the remaining branches across Lebanon; and Special Investigation Commission (SIC) Circular No.17 dated September 16, 2014, requesting banks to report suspicious transactions electronically to the SIC, Lebanon’s financial intelligence unit, through “E-STR” in order to improve the quality of suspicious

transaction reports (STRs). Despite no requirement to file currency transaction reports (CTRs) with the SIC 18 such reports were filed voluntarily.

The SIC sent 16 allegations to the Office of the Prosecutor General for prosecution between January and October 2014. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has increased steadily over the years, prosecutions and convictions are still lacking. In addition, Lebanese authorities need to place greater emphasis on proactive targeting and not simply rely on STRs filed by financial institutions as a trigger to initiate investigations. This deficiency could be attributable to the absence of laws and a lack of political will to effectively prosecute cases, or a lack of resources and familiarity with AML/CFT standards. Customs must inform the SIC of suspected TBML or terrorist financing; however, high levels of corruption within Customs make this problematic. Existing safeguards do not address the laundering of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies. In 2014, the SIC froze the accounts of a business group and of its owners on suspicion of money laundering, with the investigation still on-going.

From January 1, 2014 to November 10, 2014, the ISF received 32 allegations of money laundering from Interpol and 14 requests from the SIC, and has arrested two persons and prepared files on 10 suspected cases of money laundering. The ISF is in the process of investigating each of these cases. The ISF Money Laundering Repression Office staff lacks the training and skill set to conduct effective money laundering investigations, as well as equipment and software to effectively track cases. Likewise, the ISF Cybercrime Unit also needs equipment and software to better monitor social media and detect cybercrimes. Additionally, law enforcement entities often do not coordinate activities. The government should encourage more efficient cooperation among financial investigators, including the development of joint task forces, and with other relevant agencies, such as Customs, the ISF, the SIC, and the judiciary. There also should be greater cooperation among local and international law enforcement organizations to combat money laundering and terrorism financing.

Lebanon should strengthen its overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hizballah. Lebanon should enforce cross-border currency reporting and take action to immobilize bearer shares. Law enforcement authorities should examine domestic ties with the international network of Lebanese brokers and traders. Lebanon also should consider amending its legislation to improve the ability of the government to cooperate with international forfeiture actions and also provide legal authority for the return of fraudulent proceeds. Lebanon's parliament should enact the three proposed laws designed to strengthen Lebanon's AML/CFT regime. Finally, Lebanon should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Liechtenstein

The Principality of Liechtenstein is the richest country on earth on a per capita basis. It has a well-developed offshore financial services sector, relatively low tax rates, liberal incorporation and corporate governance rules, and a tradition of strict bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract both

licit and illicit funds from abroad. Liechtenstein's financial services sector includes 17 banks, 120 fund/asset management companies, 367 trust companies, 22 insurance companies, 50 insurance intermediaries, and 403 other financial intermediaries. The three largest banks in Liechtenstein manage 85 percent of the country's \$125 billion in wealth.

The business model of Liechtenstein's financial sector focuses on private banking, wealth management, and mostly nonresident business. It includes the provision of corporate structures such as foundations, companies, and trusts that are designed for wealth management, the structuring of assets, and asset protection.

In recent years Liechtenstein banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Government of Liechtenstein has recently renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases. On October 29, 2014, Liechtenstein also signed the OECD Multilateral Competent Authority Agreement, which will activate automatic exchange of information based on the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

There are no reported abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 293 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate

companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 55 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Liechtenstein is a member of the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The 2013 reporting year saw a slight decline of STRs, down by 8 percent compared to 2012. Forty-five percent of the STRs were for suspected fraud, 15 percent for money laundering (a rise from last year), and 40 percent enumerated other offenses. In 2012, 62 percent of Liechtenstein's STRs were forwarded to the Office of the Public Prosecutor. A total of \$28 million of assets were frozen in 2013.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-residence and trust or asset management accounts, are considered routine in Liechtenstein and are subject to normal customer due diligence procedures. Additionally, Liechtenstein does not explicitly designate trusts and foundations, entities with bearer shares, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities. Attempted transactions related to funds connected to terrorism financing or terrorism are subject to suspicious transaction reporting.

Despite Liechtenstein's efforts to bring money laundering offenses fully in line with relevant standards, there are some questions surrounding the efficacy of its implementation as there has been only one domestic money laundering conviction since 2007.

Luxembourg

Despite its standing as the second-smallest member of the EU, Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

Luxembourg has been called a “magical fairyland” for well-known corporations that seek to drastically minimize their tax bills. Abusive transfer pricing or the manipulation of the international trading system within the same multinational group to take advantage of lower jurisdictional tax rates represents enormous tax loss in the producing country. Hundreds of well-known multinationals have secured deals in Luxembourg that allow them to legally slash their taxes in their home countries. In many cases the Luxembourg subsidiaries of multinationals, that on paper handle hundreds of millions of dollars in business, maintain only a token presence or a simple front address.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,676: January 1 - November 30, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 230: January 1 - December 1, 2014

Convictions: 167: January 1 - December 1, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Luxembourg is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/luxembourg/documents/fur-luxembourg-2014.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2014, Luxembourg continued to strengthen its AML/CFT framework. Accordingly, a range of legislative and implementation measures were taken by competent authorities in the AML/CFT area. The Law of 18 July 2014 *approving the Council of Europe Convention on Cybercrime of 23 November 2001 and its Protocol concerning the criminalization of acts of a racist and xenophobic nature committed through computer systems of 28 January 2003* implements both the Convention and its Protocol into national law. The law introduces new criminal offenses in the area of cybercrime in the Criminal Code. The law also introduces an extension of the money laundering offense to the area of cybercrime. The Law of 28 July 2014 *regarding the immobilization of bearer shares* provides for the mandatory immobilization of bearer shares. The law requires the mandatory immobilization of bearer shares with a covered entity. The obligations set forth in the Law of 28 July 2014 are subject to criminal sanctions.

In 2014, the Supervisory Authority of the Financial Sector, the CSSF, focused its efforts on further strengthening its AML/CFT supervision. The CSSF conducted 41 onsite AML/CFT inspections in 2014. The measures taken within the scope of its supervisory powers include administrative financial sanctions, injunction orders, and refusal/withdrawal of the “fit and properness” character of a licensed person. The CSSF also increased its cooperation and

information exchange with the Office of the Public Prosecutor, the financial intelligence unit (FIU), and the criminal investigation police, as well as with the other supervisory authorities.

The Supervisory Authority of the Insurance Sector, the CAA, issued CAA Regulation no. 13/01 on December 23, 2013 *regarding the fight against AML/CFT*, which came into full effect in 2014. The regulation provides further clarification of AML/CFT requirements contained in the AML/CFT Law and the related Grand-Ducal Regulation, in particular with respect to the definition of the beneficial owner and ML/TF risk assessment. It also addresses preventive measures.

In 2014, the Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not supervised by self-regulatory organizations, adopted several circular letters regulating its supervised entities, including accountants, economic advisers, real estate agents, and dealers in high-value goods. AIT teams conducted 48 AML/CFT onsite inspections of its supervised entities and improved its webpage to add more AML/CFT material. The AIT also took measures within the scope of its supervisory powers, such as administrative financial sanctions.

The FIU continued to organize outreach to covered entities and to hold AML/CFT training jointly with other supervisory agencies and self-regulatory organizations. The FIU continues to be involved in a project to promote cooperation among European FIUs regarding the cross-border exchange of STRs related to electronic commerce.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

With estimated gaming revenues just under \$45 billion for 2014, Macau is the world's largest gaming market by revenue. The gaming industry relies heavily on loosely-regulated gaming promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from Mainland China. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts on the Mainland, where gambling is illegal. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,376: January 1 - September 30, 2014
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - September 30, 2014
Convictions: 0: January 1 - September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/documents/default.aspx?s=date&c=7&pcPage=5>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Macau continues to make considerable efforts to develop an AML/CFT framework that meets international standards. Its financial intelligence unit (FIU) has been an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and in developing close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with 11 foreign counterpart FIUs.

Nevertheless, important deficiencies remain. Legislation that would strengthen Macau's customer due diligence requirements is pending, as is legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately \$62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards. The government also should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators, mandating due diligence for non-regulated gaming collaborators, and implementing cross-border currency reporting. Macau also should enhance its ability to support international AML/CFT investigations.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 Drug Convention (1999), the UN Convention against Transnational Organized Crime (2003), the UN Convention against Corruption (2006), and the International Convention for the Suppression of the Financing of Terrorism (2006).

Mexico

Mexico is a major drug producing and transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of laundered funds include corruption, kidnapping, extortion, intellectual property rights violations, human trafficking, and trafficking in firearms. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's proximity to Central American countries, and the high volume of legal commerce to conceal illicit transfers to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers or armored vehicles remains a commonly employed money laundering technique. Additionally, the proceeds of Mexican drug trafficking organizations are laundered using variations on trade-based methods, particularly after Mexico put restrictions on U.S. dollar deposits. For example, checks and wires from so-called "funnel accounts" are used by Mexico-based money "brokers" to acquire goods which are exchanged for pesos in Mexico, or to sell dollars to Mexican businesses. The combination of a sophisticated financial sector and a large cash-based informal sector complicates money laundering countermeasures.

In 2010, the Government of Mexico implemented regulations limiting the amount of U.S. cash accepted for deposit. These measures substantially reduced the amount of money repatriated back to the United States via the formal financial system. Subsequently, in June 2014, Mexico revised the U.S. dollar restrictions. The impact of the revision is to be determined.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, *casas de cambio*, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations (NPOs), armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler's checks services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 86,293: January 2014 - September 2014
Number of CTRs received and time frame: 5,000,000: January 2014 - September 2014
STR covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, *casas de cambio*, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES, SOFOLES, general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, NPOs, armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler's checks services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 15 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Mexico is a member of both the FATF and the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/mexico/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, in an effort to boost economic growth, the Secretariat of Credit and Public Debt decided to revisit the 2010 regulation placing limits on the amount of U.S. dollar cash deposits that could be made into banks in border areas. The original intent of the 2010 regulation was to keep illicit cash proceeds smuggled from the U.S. out of the Mexican banking system. The regulations stated banks could not accept more than \$4,000 per month from individual account holders or more than \$14,000 from business entities operating in the U.S. border region or defined tourist areas. The 2014 modifications allow border- and tourist-area businesses to exceed the \$14,000 per month U.S. dollar cash deposit limit provided they have been operating for at least three years; provide additional information to financial institutions justifying the need to conduct transactions in U.S. currency; and provide three years of financial statements and tax returns. The limit on individual account holders remains unchanged. The additional information required, which can be shared with U.S. banks, could enhance the ability of the UIF, Mexico's financial intelligence unit, to monitor U.S. currency transactions as more U.S. dollars will enter the banking system instead of being diverted to less-regulated, non-bank financial institutions.

On March 5, 2014, the government enacted article 421 of the new National Code of Criminal Procedures that covers liability for legal persons. Mexico is converting from 32 codes to one federal code. Implementation of the new code is a large task and will be ongoing through 2016.

The October 2012 Federal Law on the Prevention and Identification of Illicit Financial Operations greatly expands the number of financial and designated non-financial entities required to submit reporting on financial transactions and apply KYC programs. The law also requires cash intensive businesses to apply restrictions to cash transactions and bans the use of cash for transactions over set amounts. The law is facing a barrage of legal challenges from businesses now confronted with additional legal and compliance obligations. The legal challenges, over 300 cases, may reach Mexico's Supreme Court, but the regulations and reporting requirements included within the law likely will be upheld, according to local experts.

In Mexico, the UIF, the National Banking and Securities Commission, and the Attorney General's Office are the main agencies involved in regulating and combating money laundering. In January 2014, the head of the UIF disseminated a resolution outlining its power to order reporting entities to freeze the assets of designated persons and entities, namely those involved in money laundering, terrorism, or terrorist financing. These rules establish the mechanism contemplated in the Federal Law for the Prevention and Identification of Transactions with Illicit Proceeds, passed in 2013.

In 2014, a major trade-based money laundering case involving the Los Angeles garment district once again demonstrated that Mexican-based drug cartels are using both legitimate businesses and front companies to provide value transfer via the export of goods to Mexico in a variation of the black market peso exchange. The fraud also saves the conspirators from paying taxes on the imports because they are exempt from customs duties under the North American Free Trade Act.

Corruption is the enabler of money laundering and its predicate offenses. Corruption is endemic at all levels of Mexican society and government. The Government of Mexico should combat corruption.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities often related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. Financial fraud, especially tax-evasion, is believed to generate a considerable portion of domestic money laundering activity. There are a few indications of syndicate-type structures in organized crime and money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although few border controls exist within the Schengen Area of the EU, Dutch authorities run special operations in the border areas with Germany and Belgium and in the Port of Rotterdam to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius, and Saba are officially considered “public bodies” under Dutch law.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers and surveyors, estate agents, civil law notaries, trusts and asset administrative companies, and electronic money institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 25,321 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administrative companies, and taxation offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Netherlands is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/fur-netherlands-2014.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Netherlands continues to correct noted deficiencies and to make progress in improving its AML/CFT regime.

The Netherlands utilizes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears “unusual” (applying a broader standard than “suspicious”), or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU analyzes UTRs and forwards them to law enforcement for criminal investigation. Once the FIU forwards the report, the report is then classified as a STR. There were 202,164 UTRs filed in 2013.

After consideration, the Netherlands has decided not to require all covered entities to report all transactions in currency above a fixed threshold but, instead, limits reporting to certain defined transactions and sectors. Based on previous experience, and particularly a EUR 15,000 threshold for car dealers which prompted too many UTRs, it was decided to establish thresholds targeted to specific risks and products.

The FIU is an independent, autonomous entity under the National Police Unit. It is expected that the National Police’s 2013 reorganization, scheduled for completion in 2016, will enhance law enforcement flexibility and effectiveness in responding to money laundering cases. A newly established Anti-Money Laundering Center combines expertise from government agencies, such as the FIU, the National Police, and the Food Authority; knowledge institutions; private sector partners; and international organizations.

On November 18, 2014, Parliament passed legislation that raises the maximum penalty for certain financial-economic crimes. The law will raise the maximum prison sentence for money laundering from four to six years, and will broaden the scope of corruption to include bribery of financial service providers.

Nigeria

Nigeria remains a major drug transshipment point and a significant center for criminal financial activity. Individuals, such as internet fraudsters and corrupt officials and businessmen, as well as criminal and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, inadequate enforcement, and poor socioeconomic conditions to launder the proceeds of crime. Criminal proceeds laundered in Nigeria derive largely from foreign drug trafficking and criminal activity rather than domestic activities. Drug traffickers reportedly use Nigerian financial institutions to conduct currency transactions involving U.S. dollars derived from the sale of illicit drugs.

Proceeds from illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft, including bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, also constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually. A recent FBI report estimates \$12.7 billion in losses to financial fraud in West Africa, much of which is attributed to Nigeria.

Money laundering in Nigeria takes many forms, including investment in real estate; wire transfers to offshore banks; political party and campaign financing; deposits into foreign bank accounts; abuse of professional services, such as lawyers, accountants, and investment advisers; reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds; and bulk cash smuggling. Cybercrime in Nigeria is becoming more sophisticated. Nigerian cybercriminals have not traditionally employed sophisticated hacking/exploit techniques to conduct their crimes, rather, they have relied on social engineering. In recent years, however, there has been an increase in the use of sophisticated techniques, such as e-mail hacking, intrusions, and the use of social media. There also have been a number of recent cases in which subjects located in Nigeria have owned and operated botnets through which they have conducted distributed denial of service attacks. Nigerian criminal enterprises are often adept at evading detection and subverting international and domestic law enforcement efforts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 722: January 1 – September 30, 2014

Number of CTRs received and time frame: 3,878,984: January 1 – September 30, 2014

STR covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 – September 30, 2014

Convictions: 0: January 1 – September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Nigeria.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Nigerian authorities continued to work to address strategic deficiencies in the country's AML/CFT regime. Notably, the Nigerian Financial Intelligence Agency (Establishment, etc.) Bill 2013, which would make the Nigerian Financial Intelligence Unit (NFIU) a stand-alone agency, as opposed to a subsection of the Economic and Financial Crimes Commission, (EFCC),

passed its second reading before the Nigerian Senate and went before the House of Representatives for consideration and harmonization of the different versions, with a goal of onward transmission to the president for assent.

Nigerian financial institutions appear generally conscientious in submitting currency transaction reports (CTRs) to the relevant authorities. However, the sheer volume of those reports combined with the fact that many, if not most, are likely to be legitimate transactions, given the cash-based nature of the Nigerian economy, make it particularly difficult for the government to detect suspicious activity.

Pervasive corruption, a lack of investigative capacity, inadequate legislative authority, and interagency dysfunction have hindered or blocked numerous prosecutions and investigations related to money laundering. Nigeria should ensure the EFCC and the NFIU are able to perform their functions without undue influence and free from political pressure; and, in accordance with international standards, should support the operational autonomy of its FIU. The government also should ensure the confidentiality of information the FIU collects or acquires. Additionally, Nigeria should strengthen its supervision of designated non-financial businesses and professions, work to thwart corruption at all levels of government, and make every effort to ensure the agencies that pursue money laundering-related and asset recovery cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, Special Control Unit against Money Laundering, Nigerian Customs Service, and National Police Force, have the resources, support, and capacity to function as investigators or investigative partners in such cases. Moreover, Nigeria should ensure it implements effective legislation to ensure the efficient recovery of criminal proceeds, especially in circumstances where an offender cannot be prosecuted by virtue of flight, immunity, or death. Particularly, the National Assembly should adopt a non-conviction-based asset forfeiture bill.

More generally, Nigeria should work to ensure law enforcement agencies cooperate effectively when investigating suspected money laundering. The ongoing inability and/or unwillingness of Nigeria's law enforcement agencies to share information or conduct joint investigations significantly hinder the government's efforts to combat money laundering. This issue is especially important with regard to CFT. The State Security Service (SSS), a.k.a. the Department of State Services (DSS), is the primary investigating agency for terrorism cases, but some agencies have asserted it does not have the capacity to investigate terrorism financing or money laundering and that it does not share case information with other agencies that conduct financial investigations. There remain general questions as to the role of the SSS/DSS versus that of the EFCC in the investigation of terrorism financing.

Nigeria should adopt safe harbor provisions to protect STR reporting entities and their employees. It also should consider developing a cadre of specially trained judges with dedicated portfolios in order to process financial crimes cases as quickly and effectively as possible.

Pakistan

Pakistan is strategically located at the nexus of south, central, and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband between Afghanistan and overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorism. The black market economy generates substantial demand for money laundering and illicit financial services.

Common methods for transferring illicit funds include fraudulent trade invoicing, money service providers, hundi/hawala, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering destination, since real estate transactions tend to be poorly documented.

Money laundering in Pakistan affects both the formal and informal financial systems. Pakistan does not have firm control of its borders with Afghanistan, Iran, or China, which facilitates the flow of illicit goods and monies into and out of Pakistan. From January through November 2014, the Pakistani diaspora legitimately remitted approximately \$18 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operators are prevalent throughout Pakistan, and it is estimated that use of these operators accounts for over half of the total remittances. Unlicensed hawala/hundi operators are also common throughout the region and are widely used to transfer and launder illicit money. Some support the financing of terrorism.

On February 16, 2012, The FATF added Pakistan to its Public Statement, reflecting Pakistan's failure to address deficiencies related to its AML/CFT regime. In June 2014, the FATF determined that Pakistan had substantially addressed its action plan at a technical level. As a result, the FATF removed Pakistan from its Public Statement.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, developmental financial institutions (DFIs), and exchange companies; mutual funds, asset management companies, investment banks, and leasing

companies; modarabas—a kind of partnership, wherein one party provides finance to another party for the purpose of carrying on a business; pension funds, stock exchanges and brokers; insurance and reinsurance companies, insurance brokers, and insurance surveyors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers, and insurance surveyors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years, the Government of Pakistan has taken steps to adequately criminalize money laundering and terrorist financing; establish procedures to identify, freeze, and confiscate terrorist assets; ensure a fully operational and effectively functioning financial intelligence unit (FIU); establish the regulation of money service providers; and improve controls for cross-border cash transactions. In 2014, the government took further actions to improve the framework for its AML/CFT laws. The government enacted legislation to address deficiencies in its criminalization of terrorist financing and its procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373.

Pakistani authorities should investigate and prosecute money laundering and terrorism financing, and not focus on the predicate offense creating the laundered proceeds. Raising awareness of AML/CFT issues is critical to the judicial sector. Weak legislation and lack of implementation have stymied Pakistan's AML regime. Enforcement deficiencies, particularly regarding the movement of cash, leave Pakistan's informal financial sector vulnerable to illicit exploitation. For example, the State Bank of Pakistan (SBP) requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies or hawaladars to operate without a license. However, few hawaladars have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi.

To address these deficiencies, Pakistan should resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies, specifically, by creating an appropriate sanctions regime and increasing the range of preventive measures applicable to such services; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime. Pakistan should also design and publicly release metrics that track progress in combating money laundering and terrorism financing, such as the number of financial intelligence reports received by its FIU and the annual number of money laundering prosecutions and convictions.

Pakistani law enforcement and customs authorities should also address trade-based money laundering and value transfer, particularly as it forms the basis for counter-valuation between hawaladars. A crack down on massive trade and customs fraud, including within the framework of the Afghan Transit Trade, would also translate to needed revenue for the Government of Pakistan.

Panama

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics center; and lax regulatory system make it an attractive target for money launderers. Money laundered in Panama is believed to come in large part from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Tax evasion, bank fraud, and corruption also are believed to be major sources of illicit funds. Numerous factors hinder the fight against money laundering, including the existence of bearer share corporations, a lack of collaboration among government agencies, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism. Money is laundered via bulk cash and trade by exploiting vulnerabilities at the airport, utilizing free trade zones (FTZs), and exploiting the lack of regulatory monitoring in many sectors of the economy. The protection of client secrecy is often stronger than authorities' ability to pierce the corporate veil to pursue an investigation.

Panama has 16 FTZs, including the Colon Free Zone (CFZ), the second-largest FTZ in the world.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; FTZ companies; finance companies; real estate brokers; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 894 in 2013

Number of CTRs received and time frame: 714,105 in 2013

STR covered entities: Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate brokers, pawnshops, and FTZs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 24 in 2013

Convictions: 11 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Panama is a member of the Financial Action Task Force in Latin America (GAFILAT). Its most recent evaluation can be found at: <http://www.imf.org/external/pubs/ft/scr/2014/cr1454.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2014, in response to continued criticism, Panama developed an action plan to address its AML deficiencies, and the Government of Panama offered a high-level commitment to implement the necessary actions. The government is working with international donors to draft and pass legislation to criminalize money laundering, address CFT, and cover designated non-financial businesses and professions. A key factor contributing to Panama's vulnerability to money laundering is that not all financial and non-financial sectors are subjected to regulations and supervision.

Numerous assessments over the last five years by an array of different institutions have identified Panama's financial intelligence unit, the UAF, as a point of primary concern. The UAF has historically been viewed as ineffective and susceptible to political pressure. Shortly after the new administration took office on July 1, 2014, the president named a new director of UAF and made its reform one of his priorities. The UAF's new director is working to establish an operationally functional unit by strengthening the unit's analytical ability, increasing its coordination with law enforcement and prosecutorial entities, and reviving its international cooperation with foreign counterparts. The new director's initial efforts to improve the UAF are promising but will require adequate funding and longer-term support to be successful.

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak, and judges remain susceptible to corruption. The transition to a U.S.-style accusatory judicial system, which began in September 2010, is expected to be implemented in all the provinces by 2016. All known money laundering convictions are tied to bulk cash cases with an obvious connection to a predicate crime.

The Panama Customs Authority's collaboration with U.S. agencies increased passenger scrutiny and notable seizures of undeclared cash at Tocumen International Airport. However, regional airports are undergoing renovation and gaining prominence, and could be new channels of access for money launderers. On January 11, 2014, Panama National Police and Panama Customs seized \$7,171,300 from the checked luggage of four Honduran nationals upon their arrival at Tocumen International Airport. Although Panamanian Customs can identify potential trade-based money laundering with information from the Trade Transparency Unit, a regional trade data-sharing entity, it can only levy fees for customs tax evasion.

The CFZ continues to be vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs enforcement and limited oversight of trade and financial transactions. Bulk cash is easily introduced into the country by declaring it is for use in the CFZ, but there is no official verification process to confirm its end use for lawful business in the free zone. The lack of integration of the CFZ's electronic cargo tracking system with Panamanian Customs hinders timely analysis. The new CFZ administrator, appointed in July 2014 by the president, has reinstated the CFZ's Office of Money Laundering Prevention and is aiming to expand its control over CFZ businesses and transactions.

Panama's Law 43 (2013) provides for the custody of bearer shares but does not come into effect until August 2015 and allows for a transition period of three years. Thus, Panama will not implement its provisions until 2018. Until the law is fully implemented, financial institutions face a serious risk associated with clients who maintain bearer share companies. Additionally, only banks have enhanced due diligence procedures for foreign and domestic politically exposed persons (PEPs).

On October 22, 2013, the Government of Panama signed a case-sharing agreement with the United States, creating a bilateral committee to manage \$36 million of forfeited assets for use by the Panamanian government to strengthen AML practices. However, there is limited cooperation and communication among the various government agencies. Agencies are under-resourced, and often lack the personnel and training to investigate and prosecute complex money laundering schemes. The U.S. and Panamanian governments jointly administer these shared funds to address these issues.

Panama needs to improve its AML legal and regulatory frameworks, strengthen the prosecutor's office and the judicial system, create a more transparent financial and trade network, and establish an adequate legal framework to freeze terrorist assets. The government's action plan is providing a roadmap for Panama to achieve these goals.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the tri-border region shared with Argentina and Brazil and facilitates much of the money laundering in Paraguay. While the Government of Paraguay believes proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, porous borders, bearer bonds, casinos, unregulated exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments disclosure, ineffective and/or corrupt customs inspectors and police, trade-based value transfer, underground remittance systems, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possibly terrorism financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy, and trade-based money laundering occurs in the region. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Paraguay is at the heart of the Latin American contraband cigarette trade. Some proceeds of these illicit activities were supplied to terrorist organizations.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering occurs in both the formal financial sector and the non-bank financial sector, particularly in exchange houses. Both sectors move illicit proceeds into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations that include banking centers in the United States.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; non-governmental organizations (NGOs); pawn shops; and dealers in precious stones, metals, art, and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,392: January – September 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; NGOs; pawn shops; and dealers in precious stones, metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2014

Convictions: 0 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Paraguay is a member of the Financial Action Task Force in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Paraguay_3era_Ronda_2008.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2014, Paraguayan authorities arrested the alleged mastermind of a scheme that laundered close to \$500 million. While working at an accounting firm in Ciudad del Este, the subject allegedly helped clients launder money using both the Forex S.A. exchange house and several major Paraguayan banks. These banks received letters of reprimand and disapproval in 2013 for failing to follow AML and KYC reporting requirements. U.S. authorities opened criminal investigations against several of these banks' correspondent institutions in the United States.

In November 2013, Paraguay approved a new law to prevent money-laundering and combat terrorist financing. The law took effect in February 2014 and strengthens the rules for reporting on financial transactions. Individuals and financial institutions must now provide significantly more information about their financial transactions and identities.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors, and public defenders is largely based on politics, nepotism, and influence peddling. Interagency cooperation is improving, but continues to be an

impediment to effective enforcement, prosecution, and reporting efforts. Money laundering enforcement data only represents cases prosecuted by the Attorney General's Economic Crimes Office. Paraguay does not have a centralized system for tracking money laundering cases prosecuted by other offices or by local prosecutors outside of Asuncion.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The autonomous government institution responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Credit unions respond to central bank ad hoc requests for money laundering indicators, even though they do not fall under the central bank's formal oversight. Currency exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited.

Paraguay's constitution requires all public employees to declare their financial assets both upon assuming and departing a government position. Following the inauguration of the new government in August 2013, the president, vice president, the 10 ministers of the executive branch, and 22 other minister-rank and high-ranking employees of the administration filed financial disclosure forms in compliance with the constitution, a first in Paraguay. New laws issued in 2013 mandated stricter guidelines on the information that must be disclosed by public officials and the penalties for non-compliance. As of January 2014, public employees must also disclose the assets and income of spouses and dependent children. Compliance with financial disclosure laws increased in 2014.

Customs operations at the airports and overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked. Paraguay has yet to put in place an effective framework for disposing of bulk cash seized in connection with undeclared or suspicious movements.

Although the Government of Paraguay is making progress in improving its AML/CFT regime, concerns remain regarding the country's ability and commitment to identify, investigate, and prosecute money laundering and related crimes effectively. Pervasive corruption is the facilitator. The lack of prosecutions and convictions is telling. Authorities should take additional steps to foster coordination among concerned agencies and departments and provide the training and resources necessary to effectively combat the laundering of illicit funds and value transfer.

Philippines

The Republic of the Philippines is not a regional financial center, but with a growing economy it is becoming an increasingly important player in Asia. The Philippines faces challenges from transnational drug trafficking organizations, as methamphetamine abuse remains a significant problem domestically and the Philippines has become a drug transit country for cocaine and methamphetamine going into East Asia. In particular, significant quantities of methamphetamine enter the Philippines in bulk shipments via maritime routes and also via drug couriers using commercial aviation flights into the international airports. Transnational drug trafficking organizations based in East Asia use the existing banking system, casinos, and

commercial enterprises to transfer drug proceeds from the Philippines to offshore accounts. Other transnational criminal organizations, such as African and Latin American based groups, are expanding their presence throughout East Asia and will likely exploit the Philippine financial system to launder and transfer drug trafficking proceeds. In addition, insurgent groups operating in the Philippines engage in money laundering through ties to organized crime, deriving funding from kidnapping for ransom, as well as narcotics and arms trafficking.

The Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned entity, regulates the growing gaming industry. PAGCOR reported gross revenues equivalent to about \$955 million in 2013.

The large Filipino expatriate community sends remittances that also provide a channel for money laundering. Banks and official money remitters are now able to capture the bulk of remittances, approximately 90%, sent by Filipinos overseas.

The Philippines is a leader in the use of cell phone technology for funds transfers. The Government of the Philippines has started using this technology for government-to-persons payments, such as through its Conditional Cash Transfer Program. The technology/systems that telecommunications firms use to facilitate financial transfers are subject to Philippine Central Bank study and approval.

The Philippine Economic Zone Authority (PEZA) regulates about 300 economic zones throughout the country. Local governmental units, the government-owned Bases Conversion Development Authority, or the Clark Development Corporation regulate a handful of other zones. Overall, the PEZA economic zones are properly regulated, but smuggling can be a problem in the locally-regulated zones. In addition, the central bank exercises regulatory supervision over three offshore banking units and requires them to meet reporting provisions and other banking rules and regulations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi banks; pawn shops and dealers in precious metals and stones;

insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 80,479: January 1 - October 31, 2014

Number of CTRs received and time frame: 37,861,454: January 1 - October 31, 2014

STR covered entities: Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - October 31, 2014

Convictions: 1: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/philippines/documents/mutualevaluationofthephilippines.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since February 2014, the financial intelligence unit (FIU), the AMLC, has been working to secure passage in both houses of the Philippine Congress of an amendment to include casinos in the Anti-Money Laundering Act (AMLA). Considering unsuccessful attempts in the past to include casinos, enactment into law during the remaining one and a half years of the current administration may be a challenge without continued international pressure.

The Philippine Congress did not approve the inclusion of real estate agents in the expanded list of covered institutions under 2013 amendments to the AMLA. Instead, a provision authorizes the AMLC to require reports and other documents from the government's Land Registration Authority and the Registries of Deeds. The AMLC and the government agencies concerned have yet to finalize operational and technical details/arrangements to implement reporting of real estate transactions.

The AMLC has not begun receiving reports from dealers in precious stones and metals despite their inclusion as covered entities in the 2013 AMLA amendments. The AMLC is consulting with the industry association on operational and technical details/arrangements to implement reporting and other requirements. There is no single government authority regulating jewelry dealers, and the industry association is not well-organized, which poses challenges for coordinating, monitoring, and enforcing their obligations as AMLA-covered entities.

There is no single supervisory authority for entities in the non-profit sector. Monitoring is weak due to insufficient coordination and limited resources of regulatory bodies.

While the Philippines has made progress in enacting legislation and issuing regulations, limited human and financial resources constrain tighter monitoring and enforcement. The small number of prosecutions and convictions is telling. AML/CFT agencies continue to receive assistance to build institutional and technical capabilities for monitoring, investigation, prosecution, and enforcement.

Russia

While there has been significant progress in improving Russia's AML/CFT legal and enforcement framework, the prevalence of money laundering in Russia remains a major obstacle to financial sector development. Money laundering continues to cost the Russian economy billions of dollars every year. The Central Bank of Russia (CBR) estimates that \$26.5 billion in 2013 and \$5.7 billion in the first half of 2014 left Russia through what the CBR terms "fictitious transactions." This definition, according to the CBR, includes payment for narcotics, bribes to government officials, and tax evasion. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, smuggling operations, and corruption. In particular, official corruption remains a significant problem at all levels of government, despite several recent high profile anti-corruption actions by the Government of Russia, and is a major source of laundered funds, with proceeds frequently moved offshore.

Russia is considered a significant transit and destination country for international narcotics traffickers. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, domestic and foreign real estate, and luxury consumer goods.

Gaming is only allowed in specified regions, with regulatory authority shared across multiple agencies, including the Ministries of Finance and Internal Affairs. The Federal Financial Monitoring Service (Rosfinmonitoring) has been designated as the competent AML/CFT authority for casinos. Only licensed casinos in special gambling zones can register with Rosfinmonitoring, which has inspected the two registered casinos. Online gaming is prohibited.

Cybercrime remains a significant problem. Russia's highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, a considerable amount of transfers are believed to occur through informal value transfer systems that may pose a vulnerability for money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance, and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and legal or accounting service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,072,765 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; pawnshops and dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and legal or accounting service providers; microfinance organizations; consumer credit cooperatives; and non-commercial organizations receiving funds from certain foreign entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Russia is a member of the FATF and two FATF-style regional bodies: the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); and the Eurasian Group on Combating Money Laundering and the Financing of

Terrorism (EAG). Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/russianfederation/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Russia took a number of regulatory and legal measures to strengthen its capacity to combat financial crime and money laundering. Among these measures are improved beneficial owner definitions; better access to information on bank accounts for tax inspectors and law enforcement investigators; the right of banks to unilaterally decline to open an account or terminate an existing account of a client suspected of criminal activities; and the ability of credit institutions to freeze any client's account if they suspect any involvement in extremist activities or terrorism. While this legislation is a major step forward for Russia, full and unbiased implementation will be required to address Russia's reputation as a center for money laundering.

Apart from taking responsibility for regulating non-bank financial entities, the CBR stepped up enforcement within the banking sector, revoking 26 banking licenses in 2013. Some of these revocations were related to money laundering and tax evasion schemes. It is unclear, however, how many of the license revocations specifically involved money laundering concerns.

A new law on public procurement was adopted in April 2013 and is the most significant improvement since 2005. The legislation has come into force gradually, beginning in January 2014. One of the more important components of the legislation has been the obligatory public discussion of all government procurement contracts with a value of more than 1 billion rubles (approximately \$21.3 million).

In 2014, building on the significant steps taken in the previous year, the Russian Government undertook additional measures centered on its tax system. For example, the National Plan on Countering Tax Evasion and Concealing Beneficial Owners was adopted in April 2014. The plan develops a number of items of important AML legislation. These steps include the introduction of beneficial ownership registries in June 2014, the improvement of beneficial ownership identification procedures in December 2014, and an enhanced system for information exchange on violations of AML/CFT rules in December 2015. Russia also enacted additional changes to the AML/CFT legislation to establish a lower, 100,000 rubles (approximately \$2500), threshold for Russian NGOs who are receiving money and in-kind assistance from abroad. Under new legislation, pawn shops began filing STRs on April 1, 2014.

In November 2014 the State Duma (the lower house of the Russian Parliament) also passed new legislation on "controlled foreign companies" to come into force January 1, 2015. The legislation states that offshore entities that are at least 50 percent Russian-owned must pay tax on unallocated profits, but the threshold will fall to 25 percent in 2017. Russian ownership in a controlled foreign company of more than 10 percent must be reported to the Russian authorities before April 1, 2015. Russia is unable to effectively enforce foreign forfeiture orders.

Singapore

Singapore is a major international financial and investment hub. Limited large currency reporting requirements and the size and growth of Singapore's private banking and asset management sectors pose inherent risks and make the jurisdiction a potentially attractive money laundering destination for transnational criminals and foreign corrupt officials.

As of November 8, 2014, there were 37 offshore banks in operation, all foreign-owned. Singapore is a major center for offshore private banking and asset management. Assets under management in Singapore total approximately \$1.42 trillion. As of the end of 2013, Singapore had at least \$1.09 trillion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of \$4.11 billion in 2013. Online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

In 2012, Singapore exempted the processing of gold and other precious metals from its Goods and Services Tax, which may attract a larger share of the trade in precious metals. Regionally, gold is often used as a commodity of choice in trade-based money laundering (TBML) schemes and is also used frequently in the settling of accounts in underground financial systems. Singapore is located on a key global trade route and is a major transshipment port. Singapore hosts ten free trade zones (FTZs) which may be used for storage, repackaging of import and export cargo, assembly, and other manufacturing activities approved by the Director General of Customs, in conjunction with the Ministry of Finance. Singaporean authorities recognize the vulnerability of these areas to trade fraud and TBML.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 22,417 in 2013

Number of CTRs received and time frame: 370,933 in 2013

STR covered entities: Banks, auditors, financial advisors, capital market service licensees, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents, and money changers and remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 79 in 2013

Convictions: 82 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Singapore is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/documents/documents/mutualevaluationofsingapore.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Singapore has a comprehensive suspicious transaction reporting (STR) regime and applies AML/CFT requirements to a broad range of entities. Currency transaction reporting (CTRs) above a certain threshold only pertains to casinos and, as of October 2014, to gem and precious metals dealers. There currently is no comprehensive requirement mandating CTRs for all currency transactions above a certain threshold amount for all types of financial institutions or designated non-financial businesses and professions (DNFBPs), which limits the ability to track significant financial movements.

Individuals who move cash into or receive cash from outside of Singapore in excess of SGD 20,000 (approximately \$15,100), or its foreign currency equivalent, are subject to a reporting requirement. This threshold was lowered from SGD 30,000 (approximately \$22,700) in September 2014.

Singapore's legal system provides for the investigation and prosecution of money laundering offenses. Singapore has taken steps over the last year to improve its investigation and prosecution of money laundering cases, including foreign-sourced cases. Singaporean police are successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate. The significant increase in the number of money laundering convictions in 2013 is attributed to the conviction of persons prosecuted in previous years, and possibly, to the enforcement of new predicate crimes added to the law in 2010 amendments.

Singapore has several double taxation treaties, all of which incorporate the automatic exchange of information. Since 2013, willful tax evasion and tax fraud have been designated predicate offenses for money laundering.

In 2014, Singapore announced it was stopping the issuance of new SGD 10,000 notes (approximately \$7,500) as part of a broader move to strengthen its AML/CFT regime. Large denomination notes are popular with money launderers.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses and use stand-alone money laundering charges to prosecute foreign offenders in Singapore. Singapore also should consider the adoption of CTR reporting for all types of financial institutions and DNFBPs.

Somalia

In September 2013, Somalia and the international community endorsed a New Deal Compact for Somalia that outlines peace- and state-building goals aimed at helping Somalia become more accountable to the people of Somalia and instituting political, financial, health, and security reforms. The Ministry of Finance (MoF) implemented basic reforms, including appointing a Central Bank Board of Governors and drafting key legislation to improve the transparency of the financial system. In 2014, the African Union Mission in Somalia and the Somali National Army made progress clearing al-Shabaab from large areas of south central Somalia, including the al-Shabaab stronghold port city of Baraawe. The Federal Government of Somalia (FGS) made some progress in drafting key legislation, establishing the foundation for creating federal states, and pursuing regional reconciliation.

Somalia's financial system is generally informal, operating almost completely outside of government oversight, either via the black market or unsupervised remitters and hawaladars. A 2013 Oxfam study pegged remittances at roughly \$1.3 billion per year, mostly sent by the Somali diaspora overseas to their relatives in the Horn of Africa, and mostly through financial centers in the Gulf.

With its long land borders and extensive coastline, the smuggling of currency and goods into and out of Somalia remains common, partly because customs officials lack the capacity to control points of entry. Ransoms are generally spent and/or laundered in northern Somalia, but may also be laundered in neighboring countries, the Middle East, or Europe. Delivery of ransoms reportedly occurs through cash drops to pirates holding ships off Somalia's coast; the money is divided among the pirates themselves, their support networks on shore, and possibly, national or international sponsors. Much of the ransom generally remains in cash. Anecdotal reports suggest that ransoms, sometimes comingled with funds of legitimate origin, may be invested in real estate, luxury goods, and businesses.

While Somalia has taken limited steps to improve transparency in its public financial management, corruption remains endemic and provides opportunities for money laundering. For example, some government officials in Somalia's northern regions of Puntland and Galmudug reportedly benefited from ransoms, and possibly, helped to facilitate ransom laundering or the transfer of ransom money to foreign destinations.

Al-Shabaab remains the most significant terrorist threat to Somalia and the region. This terrorist group raises funds through multiple sources, including donations from Somali and non-Somali sympathizers both inside Somalia and abroad, “taxation” and/or extortion of local businesses and private citizens, kidnapping for ransom, and exploitation of the illicit charcoal trade in southern Somalia. Despite the existing UN ban on the export of charcoal from Somalia, al-Shabaab continues to profit from illegal charcoal exports that may be worth more than \$250 million a year on the international market. Al-Shabaab moves some funds via cash couriers, but a significant portion reportedly passes through hawaladars and other money or value transfer services.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not applicable
Are legal persons covered: *criminally:* Not applicable *civilly:* Not applicable

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: None

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not applicable
Number of CTRs received and time frame: Not applicable
STR covered entities: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Somalia is not a member of any FATF-style regional body (FSRB) and has not been subject to a mutual evaluation. Somalia became an observer to the Middle East and North Africa Financial Action Task Force (MENAFATF) in 2014.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Somalia continues to stabilize, the government struggles with weak or non-functional state institutions.

With assistance from the international community, Somalia has begun to identify priority areas for new legislation to develop institutional capacity and create regulatory bodies. As of the end of 2014, however, Somalia has no AML/CFT laws and maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia's penal code, based on the 1930 Italian penal code, needs extensive revision. The code does not include any provisions or penalties addressing money laundering or terrorist financing. The key obstacles to enacting AML/CFT laws include the federal government's limited control over parts of southern and central Somalia beyond Mogadishu; a lack of legal and financial expertise necessary to draft substantive laws; pressing security threats to the government, including from the continuing al-Shabaab insurgency; a lack of capacity at all levels of government; and insufficient enforcement, policing, and investigative capacity. Parliament also has struggled in political discussions with the FGS on priorities, resulting in delayed passage of legislation. Political infighting between the president and various prime ministers has distracted FGS officials from pursuing necessary reforms and passing required legislation.

Somalia lacks a formal financial sector, with the exception of informal commercial banks operating without supervision or regulation. Somalia has no functioning government regulatory/supervisory agencies to oversee its financial sector, thereby allowing money transmitters and hawaladars to operate without any customer due diligence or suspicious transaction reporting requirements. In any event, they cannot provide AML/CFT-relevant information to any credible governmental authority. Somalia imposes no financial record-keeping requirements; to the extent that international standards are applied in Somalia, they are self-imposed by money transmitters, hawaladars, and other businesses that must abide by those standards to do business elsewhere in the world. Most money remittance companies, for example, use electronic AML/CFT filter systems which flag possible matches between customers and the individuals and entities on the UN 1267 Sanctions Committee's consolidated list. In May 2013, Barclay's Bank in the UK announced it would close bank accounts held by Somali money transmitters. Merchant's Bank in California, one of the largest banks to service Somali money transmitters in the United States, announced in May 2014 that it would discontinue service, but after conducting an AML/CFT investigation, it announced it would continue servicing Somali money transmitters.

The legal system in Somalia consists of traditional courts (*xeer*), as well as a variety of local and regional court systems. A legal system with both civilian and military courts operates under the federal government, but existing laws are difficult to enforce, given the weak capacity of judicial and law enforcement institutions and general instability. The federal government appointed a new Attorney General in August 2014. The new Attorney General has suspended five of twelve practicing prosecutors due to alleged corruption, and has launched investigations of alleged malfeasance in the Somali Supreme Court of Justice.

In theory, the police are reportedly responsible for investigating financial crimes. The police lack the capacity, including financial, technical, and human resources, to investigate suspected money laundering and/or terrorism financing. No government entity is charged with, or capable

of, tracking, seizing, or freezing either the proceeds of crime or terrorist assets. Somalia has no laws requiring forfeiture of the proceeds of crime or terrorist assets. The federal government has called on regional governments to help stem the flow of terrorism financing, including requesting local governments to trace, freeze, and seize funds believed to be related to al-Shabaab financing.

The MoF, and the wider government, struggle to combat corruption and the embezzlement of public funds. The October 2014 Somalia Eritrea Monitoring Group report claims the government misappropriates 70 to 75 percent of its revenue. The report also focuses on the practice of “secret contracting,” where the government signs contracts in exchange for signing bonuses. Although the government has made public declarations against corruption, it has yet to implement anti-corruption reforms. Somalia’s constitution provides for the establishment of an Anti-Corruption Commission to investigate allegations of corruption in the public sector; Somalia has yet to establish that Commission.

Somalia has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, and piracy and terrorist attacks committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information related to financial crimes, money laundering, and terrorism financing with other countries, but has indicated an interest in collaboration. The Central Bank of Somalia has worked with international donors to draft an AML/CFT law, in addition to collaborating with international partners to apply for observer status to the East and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Somalia should continue taking steps to combat corruption, enhance its ability to cooperate with international partners, begin to draft AML/CFT-related legislation, and take all necessary steps to become a member of an appropriate FSRB. As an urgent matter, Somalia should criminalize both money laundering and terrorism financing. The government should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget, and training – to investigate and prosecute financial crimes. Although the government has significantly increased the amount of revenue it collects, it lacks the funding necessary to effectively improve government capacity and will continue to rely heavily on donor funds.

Spain

Spain is proactive in identifying, assessing, and understanding its money laundering risks and has effective mechanisms in most areas to mitigate these risks. There are a range of money laundering risks as Spain is a trans-shipment point for cross-border illicit flows of drugs entering Europe from North Africa and Central and South America. The most prominent means of laundering money are through the purchase and sale of real estate; the use of complex networks of companies and legal arrangements; the exploitation of money or value transfer services; and the use of cash couriers.

The major sources of criminal proceeds are related to drug trafficking, organized crime, customs offenses, human trafficking, counterfeit goods, and financial support for terrorism. Illicit proceeds continue to be invested in real estate in the once-booming coastal areas in the south and

east of the country, but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; money exchangers or transmitters; realty agents; dealers in precious metals, stones, antiques, and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,025 in 2013

Number of CTRs received and time frame: 801,267 in 2013

STR covered entities: Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents, and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 64 in 2013

Convictions: 116 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Spain is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Spain has long combated both domestic and foreign terrorist organizations, and Spanish law enforcement entities have identified various threat finance vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for propaganda purposes; fraudulent tax and financial assistance collections; the establishment of “cultural associations;” and alternative remittance system transfers. Other outlets such as small convenience stores and communication centers that often offer wire transfer services, are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Muslim community. While AML/CFT supervision of banks appears to be robust, significant gaps regarding the identification of unlicensed operators, and the supervision of money or value transfer services operating under EU passporting rules remain. In May 2014, Spain approved regulations to implement its 2010 AML/CFT law.

Spain has a complex network of law enforcement agencies and intelligence services, including specialized units focused on money laundering, which are part of the Ministry of the Interior. Two national police forces, the National Police and the Civil Guard, have the authority to investigate all crimes nationwide and handle immigration matters.

The authorities and financial institutions consider the use of large cash sums a significant risk indicator of money laundering, notably related to tax avoidance. Carrying more than 100,000 euros (approximately \$122,000) in cash within the country is subject to disclosure. If the authorities discover an amount larger than that, they can seize and hold it until an administrative economic sanction is provided. In 2013, 21 million euros (approximately \$25.5 million) were seized in 667 interventions, and 8 million euros (approximately \$9.7 million) in penalties were imposed. Cash transactions between businesses and professionals are restricted to less than 2,500 euros (approximately \$3,040). Failure to comply with the restrictions can result in an administrative fine equivalent to 25 percent of the total value of the payment.

Spanish law does not allow civil forfeiture, but it has recognized and enforced foreign non-conviction based confiscation judgments presented by other countries. Moreover, even when no criminal punishment is imposed because the person is exempted from criminal accountability, such as by a statute of limitations, forfeiture may still be ordered in a criminal case if there is sufficient evidence of the illegal source of the assets. Finally, there is presumption of forfeiture for assets that are disproportionate in relation to the revenue lawfully obtained by persons who

have been found guilty of terrorism offenses or felonies committed within a criminal or terrorist organization or group even if there is no conviction for the underlying offense generating those proceeds.

Spain is currently implementing Article 43 of its AML/CFT Law that creates a “Financial Ownership File,” a database that will have the date of account opening, the name of the account holder, the name of the beneficial owner, the name of the financial institution, and the branch location for all bank and securities accounts in Spain. The database is housed at the Bank of Spain, but will be under the control of the FIU, and will be available to law enforcement. All specified financial institutions will be required by law to provide the prescribed database information at regular intervals. It should be fully operational by 2016, but since 2013 has been in a pilot stage involving nine major Spanish bank conglomerates.

A number of different types of money laundering cases have been prosecuted, including those involving third party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success in disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions actually imposed for money laundering offenses is a weakness, as is the limited capacity to handle complex money laundering cases in the judicial system in a timely fashion.

St. Maarten

Sint Maarten (St. Maarten) is an autonomous country within the Kingdom of the Netherlands. St. Maarten enjoys sovereignty on most internal matters and defers to the Kingdom of the Netherlands in matters of defense, foreign policy, final judicial review, human rights, and good governance. Drug trafficking is an ongoing concern for St. Maarten, and money laundering is primarily related to proceeds from illegal narcotics trafficking. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity to other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone.

St. Maarten does not have an offshore banking industry. Many hotels operate casinos on the island and online gaming is legal and subject to supervision.

St. Maarten’s favorable investment climate and rapid economic growth over the last few decades have drawn wealthy investors to the island. They invested their money in large scale real estate developments, including hotels and casinos. In certain cases the source of the money is considered dubious. In St. Maarten, money laundering of criminal profits occurs through business investments, and international tax shelters. Its weak government sector is vulnerable to integrity-related crimes.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, lawyers, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,281: January – November, 2013

Number of CTRs received and time frame: 1: January – August, 2013

STR covered entities: Banks, lawyers, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

St. Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The National Ordinance Reporting Unusual Transactions establishes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe a transaction is connected with money laundering or terrorism financing. If, after analysis of an unusual transaction, a strong suspicion of money laundering or terrorism financing arises, those suspicious transactions are reported to the public prosecutor’s office.

In 2014, St. Maarten’s FIU, the MOT, became a member of the Egmont Group of FIUs.

In 2014, an independent auditor, commissioned by the Governor of Sint Maarten, released a report on the integrity architecture of the government. According to the report, St. Maarten currently faces a substantial shortcoming in accountability that is largely attributable to a lack of enforcement across a full spectrum of integrity-related laws, policies, and procedures.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest on the Caribbean islands. The local container facility plays an important role in the region. Larger container ships dock their containers in Sint Maarten where they are picked up by regional feeders to supply the smaller islands surrounding St Maarten. Customs and law enforcement authorities should be alert for regional smuggling and trade-based money laundering and value transfer schemes.

The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands and the United States extends to St. Maarten. As part of the Kingdom of the Netherlands, St. Maarten cannot sign or ratify international conventions in its own right. Rather, the Kingdom may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to St. Maarten, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to St. Maarten. The UN Convention against Corruption has not yet been extended to St. Maarten.

Switzerland

Switzerland is a major international financial center. The country's central geographic location; political neutrality; relative social and monetary stability; sophisticated financial services sector; role as a global commodities trading hub; increasing presence in precious metals refinement; and long tradition of banking secrecy all contribute to Switzerland's success as a major international financial center, while also making Switzerland a prime target for money laundering abuse.

Reports indicate that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide, including financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorism financing, and corruption. Although Swiss actors launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America, and West Africa, dominate narcotics-related money laundering operations in Switzerland.

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (the highest authority of the executive branch) that needs to be renewed every 20 years. While casinos are generally well regulated, there are concerns they are being used to launder money. One possible method involves the structuring of cash purchases of casino chips to avoid reporting requirements, with subsequent chip redemption for checks/wire transfers drawn on casino bank accounts. Corrupt casino employees also are known to have facilitated drug money laundering activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; investment companies; insurance companies; casinos; financial intermediaries; commodities traders, and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,411 in 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; casinos; financial intermediaries; and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,116 in 2013
Convictions: 234 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Switzerland is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/switzerland/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Within Switzerland, there is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas. Swiss authorities should take steps to regulate these sectors.

Sports associations like the International Federation of Association Football (FIFA) or the International Olympic Committee are not businesses but associations. They do not pay taxes

and, as associations, are exempt from the Swiss anti-corruption legal framework. The exception provided to these entities makes them more vulnerable to money laundering activity. The government should consider efforts to change applicable laws with respect to these organizations, many of which are suspected of corruption.

Persons physically transferring money worth more than \$10,600 into or out of Switzerland need to be able to specify its origins, its future destination, and its owner, but only if asked by the Swiss authorities.

The number of STRs decreased by 11 percent from 2012 to 2013, encompassing a total of \$3.2 billion (down from \$3.4 billion in 2012). In 2013, 33 reports were related to terrorism finance, amounting to \$485,000.

Bearer shares, which are still common in Switzerland, should be abolished to improve transparency.

Taiwan

As a regional financial center, Taiwan's modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. Jewelry stores increasingly are being used as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade makes it difficult for law enforcement to detect and deter money laundering in this sector. Gambling is legal but only allowed in limited parts of Taiwan's territory. Taiwan has not yet passed legislation governing the gaming industry, and no casinos have been established. The extent of either online or other illegal gaming is unknown.

Official channels exist to remit funds, which greatly reduce the demand for unofficial remittance systems; however, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated, and possibly organized crime-linked, non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector, which are regulated by Taiwan's central bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers’ and fishermen’s associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,662: January - October 2014
Number of CTRs received and time frame: 3,422,102: January - October 2014
STR covered entities: Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers’ and fishermen’s associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 26: January - October 2014
Convictions: 11: January - October 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/documents/search-results.aspx?keywords=chinese+Taipei>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan continues to strengthen its AML/CFT regime but is not yet in full compliance with international standards. While Taiwan criminalizes the financing of terrorist activities, it is not an autonomous offense. There are also significant gaps in Taiwan’s asset freezing regime and implementation of UNSCRs 1267 and 1373; deficiencies in customer due diligence (CDD)

regulations, including in identifying and verifying customer identity; and the threshold for a serious money laundering offense is too high.

Regulations regarding the reporting of transactions by jewelry stores came into force in January 2012. The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. The government is not keeping statistics on jewelry store-related money laundering cases.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering and terrorism financing activity. Taiwan should exert more authority over non-profit organizations and should raise awareness of the vulnerabilities to terrorism financing of this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance systems, such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems such as *fei-chien* and its link to the international gold trade.

In 2014, Taiwan assisted U.S. law enforcement authorities and agreed to freeze a bank account containing nearly \$16 million in illicit proceeds tied to a trade-based money laundering scheme in Los Angeles involving Mexican drug cartels and the importation of garments and textiles into the United States. It was the first time Taiwan had facilitated a significant asset seizure as part of a U.S.-based criminal investigation.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. Taiwan is unable to ratify conventions under the auspices of the UN because it is not a UN member. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Taiwan should pass legislation to criminalize the financing of terrorism as an autonomous crime, clarify that the law covers terrorism-related activities conducted overseas, establish procedures to allow the freezing of terrorist assets without delay, and continue to address CDD concerns. Proposed legislative amendments to Taiwan's Money Laundering Control Act address a number of these deficiencies, but remain only in draft form.

Thailand

Thailand is a centrally located Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy, as well as to many categories of cross-border crime, including illicit narcotics and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit

consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, corruption, underground lotteries, and prostitution are laundered through the country's financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of narcotics trafficking and other criminal enterprises. In the informal money changing sector, there is an increasing presence of hawaladars that service Middle Eastern travelers in Thailand. Thai and Chinese underground remittance systems are also prevalent.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and state-owned banks, finance and personal loan companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, electronic card and payment businesses, credit card businesses, and deposit/lending cooperatives with total operating capital exceeding the equivalent of \$67,000

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,914 in 2014
Number of CTRs received and time frame: 1,120,059 in 2014
STR covered entities: Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, mortgage finance companies, land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, and electronic payment and credit card companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9: January 1 - October 31, 2014
Convictions: 17: January 1 - October 31, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Thailand is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=6ff62559-9485-4e35-bf65-305f07d91b05>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Thailand continues to make progress in its AML/CFT legal/regulatory framework, since its passage of the Anti-Money Laundering Act (No. 4) (AMLA (No. 4)) and the Counter Terrorism Financing Act in 2013. The AMLA (No. 4) transfers all supervision of reporting entities to the Anti-Money Laundering Office (AMLO), which serves as Thailand's financial intelligence unit. Previously, supervision for AML purposes appears to have been lax across the spectrum of regulators. AMLO has assumed its new supervisory role, and has credited its increased outreach to financial institutions for the significant decrease in suspicious transaction reports (STRs) received in 2014 compared with 2013 (74,596 STRs). According to AMLO, financial entities over-reported in prior years because they did not understand the guidelines.

Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as compared to criminal enforcement. In the international cooperation arena, where it is appropriate to repatriate or share forfeited proceeds with a foreign jurisdiction, there is a legal impediment barring the assets from being transferred outside Thailand. In spite of a high number of money laundering investigations (70 for 2014), the prosecution and conviction rates are low in comparison to 2013, a result likely attributable to law enforcement resources having been diverted during protests and unrest for much of the first half of the year, culminating in a May 22 military coup.

AMLO is drafting Anti-Money Laundering Act (No. 5), an amendment to the current act. The update is expected to name tax evasion as a predicate offense and to address cross-border bulk cash movement. AMLO hopes to implement the legislative changes in 2015.

Turkey

Turkey, which aspires to be a global financial center, is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. Turkey's economy has grown rapidly over the past decade, and its GDP has more than quadrupled in size since 2001. This rapid growth, combined with Turkey's geographical location and commercial relationships makes Turkey vulnerable to money laundering and terrorist finance risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. Narcotics trafficking is only one source of the funds laundered in Turkey, however. Other significant sources include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Terrorism financing is present, particularly in the form of cash flows across Turkey's southern border into Syria; and

terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are present in Turkey. Turkey's nonprofit sector remains vulnerable to terrorism financing.

Money laundering takes place in banks, non-bank financial institutions, and the informal economy. According to Turkish government officials, between one-quarter and one-third of economic activity is conducted by unregistered businesses. Money laundering methods in Turkey include: the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

The FATF first included Turkey in its Public Statement in 2010, for Turkey's lack of adequate terrorism financing legislation and the lack of a legal framework within which to freeze terrorist assets. In 2013, Turkey took legislative action to improve its compliance with international standards. Based upon an analysis of Turkey's overall legislative framework, together with evidence of its implementation over time, in June 2014, FATF removed Turkey from its Public Statement.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

KYC covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes;

dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 31,733: January 1 - November 21, 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Turkey is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/turkey/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Turkey has taken steps toward improving its CFT regime, including by establishing procedures to identify, freeze, and confiscate terrorist assets.

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, interagency cooperation, law enforcement capability, oversight, and outreach are weak and lacking in many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach; these areas need to be strengthened. Based upon recently enacted legislation, regulations and communiques, Turkey's

Financial Crimes Investigation Board (MASAK) has improved its capacity to collect and analyze financial information. MASAK continues to increase education efforts for financial institutions. Nevertheless, Turkey's nonprofit sector is not audited on a regular basis for terrorism financing activity and does not receive adequate AML/CFT outreach or guidance from the government. The General Director of Foundations issues licenses for and oversees charitable foundations. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; continuing to increase the capacity of MASAK to engage in greater data collection and analysis; and improving interagency cooperation to assure a comprehensive implementation of existing laws and regulations. To improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept adequate statistics on prosecutions and convictions since 2009. Subsequently, Turkey's record of official investigations, prosecutions, and convictions is unclear. Since 2009, MASAK has referred 1,236 individuals to public prosecutors based upon a suspicion of money laundering; of these, 275 were made in 2012, and 238 were made in 2013.

Turkey should provide the necessary resources and capacity to adequately supervise its NPOs. Turkey should introduce more transparency and accountability in its AML/CFT regime by resuming its retention and reporting of statistics related to prosecutions and convictions. Turkey also should continue to take steps to implement its legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373.

Ukraine

Although Ukraine is not a regional banking or financial center, it has had close ties with European banking networks. Over recent years, however, several international banks have pulled out of the country. In Ukraine, significant vulnerabilities to money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources markets. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship and fraud; trafficking in drugs, arms, or persons; organized crime; prostitution; cybercrime; and tax evasion.

The large shadow economy represents a significant vulnerability. An additional facilitating factor is the level of corruption throughout society, both in the private and public sectors. In the course of investigations conducted in the first ten months of 2014, the financial intelligence unit revealed large-scale corruption activities of the Yanukovich government that could have cost the government the equivalent of \$10.85 billion. The high level of corruption in the financial sector allows banking regulations to be bypassed or ignored.

Transnational organized crime syndicates are also present and both transit the country and conduct business in Ukraine. They are involved in drug trafficking, economic crimes, cigarette smuggling, trafficking in persons, public corruption, real estate and other frauds, violent crimes, and extortion. They are able to operate in Ukraine due to the corruption of the justice system.

Money launderers use various methodologies including real estate, insurance, bulk cash smuggling, financial institutions, and shell companies. According to Ukraine's State Tax Administration, there continues to be growth in formation of offshore companies. Few Ukrainian businesses are owned transparently. The British Virgin Islands has been a popular offshore destination for those who wish to obscure ownership and to avoid taxes.

There is a significant market for smuggled goods and a large informal financial sector in Ukraine. These activities are linked to evasion of taxes and customs duties. Many Ukrainians work out of the country; worker remittances using banking transfers or via international payment systems amounted to approximately \$4.8 billion in the first eleven months of 2014. However, not all worker remittances come through banking channels. The State Financial Monitoring Service acknowledges the existence and use of alternative remittance systems in Ukraine.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders

of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 241 in 2014

Convictions: 156 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Ukraine has made some recent progress in strengthening its AML/CFT regime, in particular in enhancing due diligence requirements for domestic politically exposed persons (PEPs) and introducing criminal liability (i.e., criminal fines) for corporations. The law introducing criminal liability for legal persons for money laundering crimes was passed on May 3, 2013 and enacted on April 27, 2014. A law enhancing due diligence for domestic PEPs was passed on October 14, 2014 and enacted on November 25, 2014.

Ukraine combines currency transaction reports (CTRs) and suspicious transaction reports (STRs) for statistical purposes. From January to September 2014, 849,907 reports were received.

Ukraine should address the rise of cybercrime and related transnational organized crime activities by examining the significant amounts of U.S. currency which appear to be diverted into this region using financial institutions. Ukraine should increase prosecution of large-scale financial crimes, corruption, and money laundering schemes. It also should improve implementation of its provisions for asset freezing, confiscation, and forfeiture. Ukraine should enhance regulatory oversight of its gaming industry and examine how gaming is used to launder money and its possible relationship with regional organized crime. The government should investigate how informal money and value transfer networks are used not only for remittances, but for the transfer of illicit proceeds.

While Ukraine has signed and ratified international treaties, implementation is weak in many instances. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance, and asset forfeiture. Ukraine should work aggressively to implement its treaty obligations.

United Arab Emirates

The United Arab Emirates (UAE) has long thrived as a regional hub for trade and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country vulnerable and attractive to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Risks associated with exchange houses, hawaladars, and trading companies in the UAE have received significant attention. With an immigrant population of more than 80 percent, money remittance is a pillar of the local economy. Since formal financial services are limited in large parts of many guest workers' home countries, hawaladars and other money/value transfer services are prevalent in the UAE. There are some indications that trade-based money laundering occurs in the UAE, including through commodities used as counter-valuation in hawala transactions or through trading companies, and that such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Pakistan, and Somalia. Activities associated with terrorist and extremist groups include both fundraising and transferring funds. Bulk cash smuggling is also a significant problem.

A portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Financial networks operating both in and outside the UAE almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorism financing.

Other money laundering vulnerabilities in the UAE include the real estate sector, the misuse of the international gold and diamond trade, and the use of cash couriers to transfer illicit funds. The country also has an extensive offshore financial center, totaling 36 free trade zones (FTZs) and one financial free zone, including one under development in Abu Dhabi. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the FTZs are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, insurance companies, exchange houses, and securities traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, insurance companies, exchange houses, and securities traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/UAEoptimized.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE continues to work on enhancing its AML/CFT program and, in 2014, worked to advance legislation strengthening efforts to combat ML/TF. In November 2014, the UAE amended its Anti-Money Laundering Law, expanding the list of ML predicate offenses, among other improvements. The law also stipulates that outbound and inbound travelers must declare the amount of money, convertible financial instruments, and precious metals and gems they hold under a disclosure regulation to be issued by the UAE Central Bank. Separately, in August 2014, the UAE issued enacted a new counterterrorism law which defines terrorist financing, imposes a minimum sentence of ten years for those found guilty of such crimes, and grants the Central Bank the authority to freeze bank accounts of those suspected of financing terrorist groups for up to seven days.

Several areas of AML/CFT implementation and enforcement require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigating ML/TF both federally at the Anti-Money Laundering Suspicious Cases Unit (AMLSCU) - the UAE's financial intelligence unit (FIU) - and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information sharing capability to support cooperative efforts with counterpart FIUs. Additionally, enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws. Furthermore, the UAE should criminalize tipping off.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAE has been considering moving forward with formulating a policy on all aspects of asset forfeiture, including asset sharing; it should take action to establish appropriate policies and procedures.

United Kingdom

The United Kingdom plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Observers feel the UK's current regulatory architecture and the high degree of financial secrecy afforded to directors of British firms also are attractive to global criminal syndicates. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. Money exchanges; cash smugglers (into and out of the UK); and traditional gatekeepers, including lawyers and accountants, are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high-value assets to disguise illicit proceeds. Underground alternative remittance systems, such as hawala, are also common.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 354,186: October 2013 – September 2014

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 64: January 1 - September 30, 2014

Convictions: 56: January 1 - September 30, 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The United Kingdom is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/uz/unitedkingdom/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The United Kingdom has a comprehensive AML/CFT regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK reviews and assesses the effectiveness and proportionality of its AML/CFT regime, including through the approval of updated and more accessible industry guidance. A further revision of the Money Laundering Directive was published in February 2013 and is currently being negotiated at an EU-wide level.

The Financial Conduct Authority (FCA) is in charge of consumer protection and the integrity of the UK's financial system. The FCA now has all financial crime responsibilities previously held by the British Financial Services Authority (FSA). The UK has worked to change and update its procedures to make compliance easier and more attractive under Her Majesty's Revenue & Customs Anti-Money Laundering Supervision Change Program. HM Treasury continues to work with the Home Office regarding the National Risk Assessment to provide sector-related insights and expertise. On April 1, 2014, the FCA took over regulation of the consumer credit industry, supervising compliance of over 50,000 firms with legal and regulatory financial crime obligations. In 2013 and 2014, the FCA fined two separate major banks over \$13 million for flaws in their AML controls.

There is no enhanced customer due diligence for British politically exposed persons (PEPs). The UK should consider changing its rules to ensure domestic PEPs are identified and, if appropriate, subject to increased due diligence requirements in accordance with international recommendations.

In 2014, a significant and wide reaching money laundering investigation was initiated in Moldova which involved an international web of companies, including a large number of UK firms. The complex scheme involved billions of dollars of tainted money primarily routed through Russia and layered through complicit British front companies.

The UK is continuing with plans to require beneficial ownership of companies and trusts to be listed in public registers. The measure is aimed at combating international money laundering and tax evasion.

Uruguay

Although the Government of Uruguay took affirmative steps in 2014 to counter money laundering and terrorism financing activities, and continues to make progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 80 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian, Mexican, and Russian criminal organizations are operating in Uruguay. There is continued concern about transnational organized crime originating in Brazil. In 2013 and 2014, there were five high-profile cases related to the alleged laundering of funds from Peru, Argentina, and Spain.

To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers also participate in other illicit activities like car theft and human trafficking, and violent crime is increasing significantly. Publicized money laundering cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, price differentials between Uruguay and neighboring countries support a market for smuggled goods. Bulk cash smuggling and trade-based money laundering occur.

Given the longstanding free mobility of capital in Uruguay, money is likely laundered via the formal financial sector (onshore or offshore). Six offshore banks operate in Uruguay, three of which cannot initiate new operations since they are in the process of being liquidated. Offshore banks are subject to the same laws, regulations, and controls as local banks, with the government requiring licenses through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the central bank, and any share transactions must be authorized by the central bank.

There are 12 free trade zones (FTZs) located throughout the country: three accommodate a variety of tenants offering a wide range of services, including financial services; two were created exclusively for the development of the pulp industry; one is dedicated to science and technology; and the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods (generally manufactured in China) or raw materials bound for Brazil and Paraguay.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other persons who carry out financial transactions or manage commercial companies on behalf of third parties

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 218: January – October 2014
Number of CTRs received and time frame: 7,700,000: January – October 2014
STR covered entities: Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier, or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators; and other persons who carry out financial transactions or administer corporations on behalf of third parties

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 36: January - June 2014
Convictions: 1: January - June 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Uruguay is a member of the Financial Action Task Force on Money Laundering in Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Uruguay_3era_Ronda_2009.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Significant AML/CFT developments in 2014 include several programs being carried out with the assistance of international donors. One program seeks to enhance the effectiveness of Uruguay's AML investigations, improve the local statistical system, and assess Uruguay's compliance with international standards. Donors also are assisting Uruguay in updating its money laundering risk assessment, which will guide the AML strategy of the new presidential administration that will take office in March 2015. Another project is assisting the central bank to create a strategic analysis division within UIAF, the financial intelligence unit (FIU), and deepen its capability to assess risk within the financial sector.

A financial inclusion law, No. 19.210, passed in May 2014, provides for mandatory payment of wages, pensions, and specified transactions by electronic means, thereby diminishing money laundering risks by increasing economic formalization.

In 2014, Uruguay continued its strategy of increased transparency by eliminating bearer share corporations that fail to register the owners of their shares and announcing its intention to adhere to automatic exchange of tax information. Uruguay also continued strengthening the technical staff of the FIU and the AML Secretariat, both of which have the authority to require all obligated entities to provide requested information. In 2014, the Uruguayan Customs Authority created a working group on AML, and the government continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Uruguay is in the process of improving its collection of statistics related to prosecutions, convictions, and amount of seized assets related exclusively to AML/CFT cases. Money laundering prosecutions can take several years, and most end with a conviction. The FIU did not freeze any assets in 2014. Uruguay is considering amending its legislation to allow asset seizure without a conviction.

Uruguay should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering, continue working with covered non-financial entities, and improve the management of seized assets and funds.

Venezuela

Venezuela is a major cocaine transit country. The country's proximity to drug producing countries, an ineffective AML regime, limited bilateral cooperation, and endemic corruption throughout commerce and government, including law enforcement, continue to make Venezuela vulnerable to money laundering and other financial crimes. The main sources of laundered funds are proceeds generated by drug trafficking organizations and corruption in Venezuela's currency control regime.

Money laundering occurs through the Venezuelan government currency control regime, commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Trade-based money laundering remains a prominent and profitable method for laundering regional narcotics proceeds. One such trade-based scheme is the black market peso exchange, through which money launderers provide narcotics-generated dollars in

the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos, which in turn are exchanged for Venezuelan bolivars at the parallel exchange rate and then used to repurchase dollars through the Venezuelan currency control regime at a stronger official exchange rate. It is reported some black market traders ship their goods through Margarita Island's free port, one of three free trade zones/ports in Venezuela. The use of free trade zones for trade-based money laundering has become less attractive in recent years because the margins gained by laundering money through the currency control regime have reduced the incentive to use a free trade zone to avoid import duties.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,086 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 170: January 1 - December 31, 2013
Convictions: 3: January 1 - December 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/venezuela>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since 2003, the Government of Venezuela has maintained a strict regime of currency controls, in which private sector firms and individuals must request authorization from a government-operated currency commission to purchase hard currency to pay for imports and for other approved uses (e.g., foreign travel). Government ministries that spend hard currency on public procurements also must request dollars from an intra-governmental committee coordinated by the central bank. Private sector banks and financial institutions cannot hold their own deposits of hard currency, so virtually all dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Venezuelan government officials - including the president, the executive vice president, a central bank president, a finance minister, and an interior minister - have all admitted publicly over the past 12-18 months that 30-40 percent of the roughly \$53 billion the Venezuelan government spent on imports in 2013 were paid out for over-invoiced or completely fictitious transactions, i.e., schemes to defraud the currency commission and other authorities of dollars. Venezuelan government officials have also admitted publicly that corrupt public-sector employees facilitate these transactions in exchange for kickbacks.

Banking sector and law enforcement officials believe Margarita Island's (and other free trade zones') role in trade-based money laundering has diminished in recent years. There is almost a 3,000 percent spread between Venezuela's official exchange rate of 6.3 bolivars/dollar and the parallel exchange rate of 180 bolivars/dollar. This margin was less than 100 percent as recently as February 2012. The massively increased bolivar profit margins achievable by defrauding the currency commission have reduced the incentive to traffic goods through duty exempt zones to avoid paying import taxes in bolivars.

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) continues to suspend the exchange of information with Venezuela's National Financial Intelligence Unit, after the unauthorized disclosure of information provided to Venezuela in January 2007.

Venezuela has implemented its 2010 action plan and improved AML/CFT deficiencies. In January 2012, the national assembly passed the 2012 Organic Law Against Organized Crime and the Financing of Terrorism. The law defines and sanctions both organized crime and terrorist financing; however, the politicized judicial system compromises the law's effectiveness.

The National Office against Organized Crime and Terrorist Finance has limited operational capacity. The Superintendent of Banking Sector Institutions supervises Venezuela's financial intelligence unit – the UNIF. The UNIF should operate autonomously, independent of undue

influence. The Government of Venezuela should increase institutional infrastructure and technical capacity to effectively implement its AML/CFT legislation and legal mechanisms.

West Bank and Gaza

The Palestinian Authority (PA) provides most governance, services, and security in “Area A” zones of the West Bank. The PA provides some governance and services in “Area B” zones of the West Bank, in which Israel retains security control. The PA has limited access to approximately 60 percent of the West Bank designated as “Area C,” which remains under full Israeli civil and security control. The PA also has little ability to work in the Gaza Strip, which has been under de facto Hamas control since the 2007 coup, although with the formation of an interim government of independent officials in June 2014 under the Fatah-Hamas reconciliation agreement, ministries based in Gaza are supposed to be under the control of technocrats. Security apparatuses in Gaza remain under the control of Hamas.

There are 17 banks operating in the West Bank and Gaza, seven local and 10 foreign, working through a network of 252 branches and offices. There are also 275 money changers in both the West Bank and Gaza, and nine specialized lending institutions.

The Palestinian economy is primarily cash-based. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. There is little data available on the extent of money laundering in the West Bank or Gaza. Minor narcotics trafficking and narcotics-based money laundering are present, principally in Palestinian areas that fall outside of the PA’s security control. Within territory located in Area A, narcotics trafficking and use are not major problems. PA security forces, however, have no effective control outside of Area A in the West Bank, which increases vulnerability to smuggling of consumer goods. Bulk cash smuggling, intellectual property rights violations, and counterfeit currency cases also have been reported. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Currently, PA officials consider trade-based money laundering and customs fraud are among the largest money laundering threats to the PA.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 51 in 2014

Number of CTRs received and time frame: 384,774 in 2014

STR covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 57 in 2014

Convictions: 3 in 2014

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO

Other mechanism: YES

With other governments/jurisdictions: YES

The PA is an observer to the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. The Palestinian Authority has not undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The PA has effective laws and regulations to address money laundering, notably Anti-Monetary Laundering Law #9 of 2007 (AML Law). However, the penal code (which is Jordanian law) is outdated, and most of the predicate offenses for money laundering are not felonies under this law. The PA currently has no laws to specifically address terrorism, terrorist acts, or terrorism financing, per se, but amendments to the AML Law to include terrorism, terrorist acts, and terrorism financing currently are under consideration by the Cabinet and, once approved, could be signed into law by executive decree. Presently, cases considered terrorism are investigated

and prosecuted under another specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

The PA submitted documents to accede to the UN Convention Against Corruption (UNCAC) on April 2, 2014, and according to the United Nations, the Convention entered into force on May 2, 2014. Although compliant with the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention, the PA has not sought to become a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing and does not implement UNSCRs 1267 or 1373.

KYC in the West Bank and Gaza is controlled by the AML Law and the Palestine Monetary Authority Law #2 of 1997. The PA has a very effective supervision and regulatory compliance function for financial institutions and non-financial businesses and professions (DNFBPs). The Palestine Monetary Authority (PMA) is an independent agency of the PA. The PMA is responsible for supervision and regulatory compliance of financial institutions and precious metal dealers. Recently, the PMA implemented effective controls over licensed money service businesses. The remaining DNFBPs are supervised by the Palestine Capital Market Authority.

The Financial Follow-Up Unit (FFU) is a fully functional financial intelligence unit with 12 employees and a computer system linking it with all 17 banks licensed to operate in the PA. The banks file both suspicious transaction reports (STRs) and currency transaction reports (CTRs) electronically through this system. The number of filed STRs increased in 2014, while CTRs decreased slightly over the past year. The FFU also has developed an Unusual Transaction Report, covering transactions that have not been articulated as suspicious but bear closer scrutiny. Although the FFU has adequate staffing, authority, and equipment, its full operational effectiveness has not been realized due, in part, to restrictions in AML Law #7 of 2007. Article 31 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office. The restrictions on information sharing have compromised the FFU's ability to disseminate information and minimized the FFU's function and ability to support law enforcement.

Prosecutors within the Attorney General's Office (AGO) are the chief investigators in the PA, holding all the powers of an investigative judge. The prosecutors' lack of manpower and investigative experience has slowed the successful prosecution of AML cases. In response, the PA has formed a multi-agency task force, under which the AGO prosecutors will delegate authority to law enforcement agencies and to the FFU to more thoroughly investigate cases before they are brought before judges. Although the task force is intended to increase information sharing among law enforcement agencies and the FFU, meetings have been held on an ad hoc schedule. Despite the noted problems, the number of prosecutions remained consistent between 2013 and 2014. At the close of 2014, in addition to the three convictions, eight cases were still under investigation, and 38 non-guilty verdicts had been reached. The PA continues to struggle to conclude AML cases primarily due to the limited capacity of police to investigate and document financial crimes appropriately.

Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and corruption. Serious financial crime in Zimbabwe generally may appear in the form of various violations of exchange control rules; underground banking; cross-border crime; organized syndicates, both domestic and international; and increased cooperation among criminal networks and links with legal business activity, resulting in serious corruption and bribery. Regulatory and enforcement deficiencies in Zimbabwe's AML/CFT regime expose the country to illicit finance risks, but there are no reliable data as to the actual extent of the problem. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Nearly all transactions in Zimbabwe are carried out with either the U.S. dollar or the South African rand.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on some political leaders and a limited number of private companies and state-owned enterprises for complicity in human rights abuses or for undermining democratic processes or institutions in Zimbabwe. Effective November 1, 2014, the EU lifted Article 96 restrictions, which previously limited EU development assistance to Zimbabwe. Currently, the EU maintains active restrictions against President Mugabe, Grace Mugabe, and Zimbabwe Defense Industries, an arms embargo, and suspended restrictions on 89 individuals and eight entities. The EU reviews its restrictions annually in February. Although the EU delisted the Zimbabwe Mining Development Corporation (ZMDC) and the Minerals Marketing Corporation of Zimbabwe (MMCZ) from its list of sanctioned entities in September 2013, the United States maintains sanctions on the ZMDC and MMCZ, so it remains illegal for U.S. persons to transact with these corporations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 355: January 1 - October 31, 2014
Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The government sometimes abuses AML legislation for political purposes. More broadly, widespread corruption impedes the proper implementation of Zimbabwe's AML/CFT regime.

Although several reform-oriented ministers from the opposition party are no longer in the government, Parliament's 20 portfolio committees, including some chaired by opposition members of parliament, continue to offer opportunities for oversight of the executive branch. For example, the Ministry of Finance has promised to tighten controls in future legislation and to enhance the revenue authority's oversight of the production and sale of diamonds. Ultimate responsibility for this legislation lies with the Ministry of Mines and Mining Development. The ministry has not yet produced a draft act, but the new Minister of this department has promised to improve accountability within the diamond mining sector. In 2014, Zimbabwe passed laws criminalizing human trafficking and piracy.

Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and financial crimes investigators. Regulatory and law enforcement agencies lack the resources to effectively combat money laundering, and many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. Zimbabwe's framework to freeze terrorist assets has yet to be proven effective. Financial institutions typically receive information related to UN designations from private sources or companies rather than from the government. In 2013, Zimbabwe issued regulations aimed at beginning its implementation of its obligations to identify and freeze terrorist assets under UNSCRs 1267 and 1373.

The Money Laundering and Proceeds of Crime Act (MLPCA), enacted in 2013, widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance (MLA). The MLPCA appears to amend the CMA to make MLA available for the investigation and prosecution of terrorist financing, but this has not yet been demonstrated. While the

MLPCA appears to have removed key legal impediments to MLA, only effective implementation of the CMA, as amended, will demonstrate a lack of practical impediments.

There were a number of prosecutions and convictions for money laundering in 2013, although the exact figures are not available because there is no centralized system for compiling and collating such statistics. Between January and October 2014, the FIU referred 15 cases to the relevant law enforcement agencies for further investigation. The outcomes of those investigations, as well as the 15 referred to law enforcement during the same timeframe in 2013, are still pending.

Zimbabwe should continue to make progress on its AML/CFT regime and work to ensure its financial intelligence unit is fully operational and effectively functioning. Additionally, Zimbabwe should ensure that implementation of the MLPCA is underway.