



**United States Department of State**

**Bureau for International Narcotics and Law  
Enforcement Affairs**

# **International Narcotics Control Strategy Report**

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**Volume I**

**Drug and Chemical  
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 of 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
NPS	New Psychoactive Substances
SELEC	Southern European Law Enforcement Center
SIU	Special Investigative Unit

SOUTHCOM	U.S Military Command for the Caribbean, Central and South America
TOC	Transnational Organized Crime
UNODC	United Nations Office on Drugs and Crime
UNCAC	United Nations Convention against Corruption
UNTOC	United Nations Convention against Transnational Organized 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 2016 INCSR, published in March 2016, covers the year January 1 to December 31, 2015 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 2016 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, 2015, 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, Ecuador, Egypt, El Salvador, Germany, Guatemala, Honduras, India, Indonesia, Iraq, Mexico, the Netherlands, Nigeria,**

**Pakistan, Peru, Republic of Korea, Singapore, South Africa, Switzerland, Taiwan, Thailand, the United Kingdom, and Venezuela.**

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, 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, Sint Maarten, Somalia, Spain, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, West Bank and Gaza, 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 14, 2015

## Presidential Determination No. 2015-12

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Presidential Determination on Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2016

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.

This determination also highlights the importance of international cooperation and certain countries of particular concern to the United States relevant to our drug-control policies and programs.

## International Framework for Narcotics and Crime Control

The United States remains a leader in galvanizing international efforts to cooperate in addressing the full range of negative consequences tied to the drug trade and its links to criminal enterprise. The global framework for this cooperation is articulated in the three U.N. drug-control

conventions as well as the U.N. conventions against transnational organized crime and corruption. The United States defines its priorities in this field in the annual *National Drug Control Strategy*, the *2011 U.S. Strategy to Combat Transnational Organized Crime*, and other Federal public policy guidelines.

The United States shares the view of the international community that the U.N. drug-control conventions are resilient enough to unify countries that often hold divergent views about the international narcotics problem, while at the same time providing a framework upon which to build the best solutions to it. The U.N. drug-control conventions allow sovereign nations the flexibility to develop and adapt the most appropriate policies and programs in keeping with their own national circumstances, while also achieving the conventions' aims. These aims include ensuring the availability of controlled substances for medical and scientific purposes, preventing drug abuse and addiction, and suppressing drug trafficking and related criminal activities.

In April 2016, member states, the scientific community, and civil society will assemble in New York City for the U.N. General Assembly Special Session on drugs (UNGASS) to assess the successes and shortcomings of drug policy and to identify ways to meet new challenges in the future. The UNGASS is an opportunity to improve and develop international drug-control policies, in particular with regard to (1) increasing international efforts to address the world drug problem from a public health perspective; (2) sharing best practices in criminal justice reform; and (3) strengthening international law enforcement cooperation.

The world drug problem is complex and dynamic. This determination focuses selectively on those countries in Asia and the Americas that have been designated as major drug producing or transit countries that significantly impact the United States. The global challenges also include sophisticated crime networks that traffic narcotics along coastal regions of Africa, across the steppes of Central Asia, and into developed markets in Europe, East Asia, and Oceania.

Illegal poppy cultivation in Afghanistan is among the most difficult international drug-control problems. For 15 of the last 16 years, Afghanistan has been the world's largest producer of opium poppy. The United States Government estimated that in 2014 Afghanistan cultivated 211,000 hectares of opium poppy and produced 6,300 metric tons of opium (up 7 percent and 15 percent over 2013 levels, respectively).

A number of U.S. programs, in collaboration with multinational partners, have had positive results in developing economically viable alternatives for Afghan farmers. Successful programs include the U.S.-funded Good Performers Initiative that rewards provinces demonstrating verifiable counternarcotics achievements against defined standards with development assistance for alternative livelihood projects. The program promotes holistic and integrated action on counternarcotics and encourages farmers to forgo poppy cultivation by strengthening and diversifying alternatives to illegal poppy cultivation. United States funds also support the development of the specialized drug interdiction units of the Afghan Counternarcotics Police. In 2014, the Afghan police seized 23 metric tons of opium poppy. At the December 2014 London Conference on Afghanistan, the Kabul government pledged to intensify its drug-control efforts. United States and international experts agree that political resolve is integral in efforts to combat the production and trade of Afghan-sourced opiates. President Ghani has expressed a clear



commitment to address Afghanistan's narcotics crisis comprehensively. Most recently, the Afghan Ministry of Counternarcotics shared with United States Government officials its draft National Drug Action Plan, which covers the full spectrum of government efforts for interdiction, eradication, treatment, education, and alternative development.

The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific is an organization of 21 countries dedicated to providing technical assistance on drug-control issues to Afghanistan and the region. The Colombo Plan has taken the lead in strengthening Afghanistan's drug treatment services, especially for vulnerable populations such as women, children, and the homeless.

The Golden Triangle, which includes Burma and Laos, is also central to the Colombo Plan's regional focus. Burma and Laos are the second and third largest illegal opium poppy cultivation countries, respectively. As in Afghanistan, countering illegal drug cultivation in Burma and Laos will require strengthening of state institutions and sustainable economic development.

The international community is also taking steps to focus attention on illegal drug activity in China, especially precursor chemicals produced in China that are diverted from legitimate commerce to criminal elements for the production of illicit plant-based and synthetic drugs.

### **Mexico, the Caribbean, and Central America**

Through the Merida Initiative, the United States and Mexico have engaged in an unprecedented partnership to break the power and impunity of transnational criminal organizations; strengthen border, air, and maritime controls; expand the capabilities and professionalism of Mexican law enforcement at the federal, state, and local levels; and improve the capacity of justice systems to investigate and prosecute cases. The two countries also collaborate to further respect for human rights and the rule of law, increase citizen security, and reduce the demand for drugs. The Merida Initiative is guided by four goals: (1) disrupt the capacity of organized crime to operate; (2) institutionalize the capacity to sustain the rule of law; (3) create a 21<sup>st</sup> century border; and (4) build strong and resilient communities. Each of these goals has a positive impact on our countries' ability to combat narcotics trafficking. For example, the United States has provided scanners, x-ray machines, other non-intrusive inspection equipment, as well as trained canines, to enhance Mexican authorities' ability to detect illicit goods at key checkpoints and ports of entry along the border, resulting in significant seizures of illicit drugs, currency, weapons, and explosives. The Mexican government has also undertaken innovative efforts to implement alternatives to incarceration for non-violent, low-level, drug-use offenders by instituting drug treatment courts in many Mexican states.

The seven Central American and four Caribbean nations are included in this year's determination as major drug transit countries that impact illegal drug activities and consumption in the United States. According to seizure data of cocaine destined for U.S. markets, an estimated 86 percent transited through the Central American corridor and the remaining 14 percent traveled via the Caribbean in 2014.

In recent years, Haiti has demonstrated serious political will as a regional partner to counter transnational criminal activity. In 2014, for example, with U.S. technical assistance and financial support, Haiti took meaningful steps to enhance the capabilities of its Police Brigade in the Fight against Narcotics Trafficking (BLTS). United States assistance continues to help improve Haiti's ability to address the drug problem, in particular by strengthening the operational capacity of its national law enforcement; providing infrastructure and equipment enhancements; and, facilitating training opportunities. Institution building is also being carried out to strengthen Haiti's maritime interdiction capabilities, which is a fundamental tool given the large percentage of drugs smuggled via its surrounding waterways. Working with the U.S. Coast Guard and the Drug Enforcement Administration, two operations in Haiti resulted in the seizure of almost a metric ton of cocaine and nearly five metric tons of marijuana. In 2014, Haiti also signed a law formally criminalizing public corruption, establishing standard penalties for corrupt practices by Haiti's officials.

### **South America**

Within South America, Colombia and Peru demonstrate highly effective leadership in countering illegal drug trafficking and transnational organized crime. While Peru remains the top cocaine producer in the world, the Peruvian government has a comprehensive 5-year counternarcotics strategy to aggressively eradicate illicit coca, implement alternative development programs, interdict illicit narcotics, and reduce domestic drug abuse. With support from the United States, Peru exceeded its historic 2014 goal to eradicate 30,000 hectares of illicit coca, eradicating a total of 31,205 hectares. Peru has achieved success establishing state institutions and building infrastructure in coca-producing regions, and developing alternative livelihoods for farmers previously dependent on illicit cultivation. Peru has also achieved historic results in seizures of cocaine, netting nearly 30 metric tons in 2014. In total, 300 metric tons of cocaine was removed from global supply through Peruvian interdiction and eradication.

Colombia also continues to be a strong partner on counternarcotics. Annually, Colombian authorities seize well over 100 metric tons of cocaine. Due to sustained coca eradication efforts and drug enforcement activity, coca cultivation dropped 52 percent between 2007 and 2013, and cocaine production potential declined by 58 percent for the same time period. The government made substantial gains in establishing a state presence in remote areas, developing alternatives for coca producers, and improving the capacity of its law enforcement and judicial institutions. Calendar year 2014, however, saw a reversal in illegal crop cultivation, due primarily to increased cultivation in areas off limits to aerial eradication. Colombia is also exporting its hard-won security expertise to third countries. From 2009 to 2014, the Colombian National Police reported training nearly 26,500 international police personnel from over 61 countries from Latin America, Africa, and Europe.

### **The Way Forward**

The United States will continue to expand and enhance collaborative counternarcotics and anti-crime partnerships to advance common goals and increase citizen security. The United States will also continue to support like-minded nations through evidence-based technical assistance to modernize law enforcement, reform justice systems, support training, and develop drug demand

reduction and treatment programs. Such global undertakings aim to build sustainable national capacity and permanent international partnerships to counter the threat to international security posed by the world drug trade and other illegal activities associated with transnational organized crime.

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 2016**

### **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. Due to a lack of sufficient cooperation from the Bolivian government on counternarcotics activities, the United States government closed the Department of State's International Narcotics and Law Enforcement Affairs section at U.S. Embassy La Paz in 2013. Bolivia compromised its ability to interdict drugs and prosecute major traffickers and to cooperate with transnational criminal investigations when the country expelled the U.S. Drug Enforcement Administration personnel in 2009.

Bolivia has neither maintained adequate controls over licit coca markets to prevent diversion to illegal narcotics production, nor has it closed illegal coca markets. 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. Nonetheless, 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 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.

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 a European Union-sponsored study concluded was needed for Bolivia's legal internal consumption.

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; to protect its citizens from the deleterious effects of drugs, corruption, and drug trafficking; and to reduce coca cultivation significantly.

To diminish Bolivia's appeal as a convenient trafficking venue for drug smuggling, further government action is required. In particular, 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 effectively, and to bring criminal enterprise to justice through the rule of law. In addition, Bolivia should increase its level of international cooperation to prevent the production and transit of illicit drugs and precursor chemicals.

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 2016**

### **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. A national interest waiver for Burma permits support for programs in the national interest of the United States, such as democratization and human rights.

According to the 2015 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 57,600 hectares under cultivation in 2014, a 0.3 percent increase reported over 2013. Although opium poppy and/or heroin are trafficked through all of Burma's porous borders, the most significant routes lead to Laos, 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 routes to Thailand, China, Laos, and Bangladesh. 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 15,188 hectares of opium poppies in 2014 compared to 12,288 hectares in 2013 and 23,584 hectares in 2012. Such government statistics cannot be independently verified. Furthermore, U.S. and U.N. reporting often reflect the fact that eradication occurs after the poppies have been harvested.

The Government of Burma has intensified its focus on increasing the country's capacity to conduct counternarcotics activities. For example, the Central Committee for Drug Abuse Control (CCDAC), chaired by the Minister of Home Affairs, is in the process of multi-year restructuring and expansion of its counternarcotics law-enforcement entity, the Drug Enforcement Division (DED). The DED has expanded from 26 to 50 task force units – with a greater presence throughout the country, including high-traffic areas such as Shan and Rakhine states. In addition to expanding the presence of DED, managerial reforms included creating regional coordinators, at the lieutenant colonel level, within three critical areas of the country. These officers support coordination efforts and information sharing among police, forestry, customs, and immigration units.

Notwithstanding these efforts, counternarcotics police officers still lack adequate training and resources to sufficiently address the breadth of the country's narcotics problems. The task force units are still not fully staffed, many officers have no prior experience or exposure to narcotics-related crimes, and many units lack a decision-making authority. Overall, Burmese police and prosecutors continue to focus on interdiction and low-level traffickers with no demonstrable effort to investigate higher-level criminal trafficking and money laundering syndicates. Because

of this strategy, there is no substantive reduction in the production or supply of illicit drugs in Burma.

Burma has indicated a willingness to work regionally on counternarcotics law enforcement and demand reduction initiatives, including those coordinated through the U.N. Office on Drugs and Crime (UNODC) and other partners, including the United States. In March 2015, the United States Government, the World Health Organization, UNODC, and the Colombo Plan, in partnership with the government of Burma, organized the first Stakeholders Meeting for Drug Demand Reduction in Burma. The conference brought together the government and the nongovernmental organization community to discuss the challenges represented by drug use and to translate scientific research into practice.

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, reduce illegal crop cultivation 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 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.

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 2016**

### **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 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. Credible reporting indicates that individual members of the government and security forces, however, engaged in or facilitated drug trafficking activities. In 2014, President Maduro continued Venezuela's existing operational 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. 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.

Venezuelan authorities reported seizing 46 metric tons of illegal drugs in 2014 compared to 46.8 metric tons in 2013. 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. For maritime interdictions, however, Venezuela did not provide follow-up information to the United States on the drug trafficking organizations involved or the legal disposition of suspects. 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.

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.

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

This year marks the 30<sup>th</sup> anniversary of the International Narcotics Control Strategy Report (INCSR), which was first published in 1986. The INCSR was mandated by the United States Congress to “provide a factual basis for the Presidential narcotics certification determination for major drug producing and/or drug transit countries.” This year’s report contains an analysis of the current state of affairs in countries most directly impacted by the threat of illegal drugs. The basis of each country report, both in Volume I and II, are actions taken by these countries over the past year, including plans, programs, and timetables related to drug control efforts and the challenges faced.

The context in which these efforts and challenges are analyzed are the international convention obligations to which nearly all countries in this report are party. The most notable of these conventions are the three United Nations drug-related treaties: the [Single Convention on Narcotic Drugs](#) (1961), [the Convention on Psychotropic Substances](#) (1971), and the [Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances](#) (1988). The United States is a party to each of these treaties and takes our obligations – and those of our international counterparts – with the utmost seriousness.

Drug use and trafficking are international challenges, and successfully addressing them requires an agreement on international standards and a commitment to collective action. We also recognize that drug use affects people in common ways throughout time. As a result, the major elements of successful, comprehensive drug control strategy in any one country could well be successful in others – and each national strategy will be strengthened when implemented in collaboration with others.

The [United Nations Office of Drugs and Crime \(UNODC\)](#) estimates that nearly a quarter-billion people used an illicit drug in 2013, with more than one out of 10 being a problem drug user-defined as someone with a drug use disorder, or drug dependence. In the United States alone, it is estimated that illicit drug use costs our nation nearly \$200 billion each year, and since 2000 more than a quarter-million Americans have died from a drug overdose.

The 2016 INCSR provides a foundation upon which assessments on the status of implementation can be made as it includes the activities of countries as they relate to: the trafficking, transit, and trade of illicit drugs; the illicit production/diversion of precursor or essential chemicals used to manufacture illicit drugs; and the actions of key drug trafficking facilitators, most notably financial intermediaries, along with related issues.

### United Nations Special Session on Drugs

This year is particularly important for the international drug control community as the United Nations will host a [General Assembly Special Session on the World Drug Problem \(UNGASS\)](#) in New York in April 2016. This is the first special session on drugs hosted by the United Nations in a generation. It will present a unique opportunity for the United States and all UN

member states to reaffirm their commitment to the three conventions, and to their full implementation.

The United States believes all nations have an opportunity – and an obligation – to apply the knowledge and experience acquired by the international community to drug policy. There is a growing consensus among nations that a science and evidence-based approach leads to a greater emphasis on the public health challenges of substance abuse. The United States will seek a consensus at the UNGASS to elevate the role of public health in national drug policies. Member states should allocate adequate resources to public health responses and adopt evidence-based interventions which make use of the advances in medical and behavioral science. States must also cooperate to improve the availability of narcotic drugs and other controlled substances for medical and scientific purposes, particularly for the relief of pain and suffering, in accordance with the UN conventions.

As part of a balanced national drug policy, the United States believes that supply reduction efforts and the dismantling of violent drug trafficking organizations are critical to achieving the desired outcomes of healthy societies free from violence. The United States will encourage UNGASS participants to recognize that criminal justice policies must be designed and implemented with the aim of improving the health and safety of individuals while preventing and reducing violence and other harmful consequences to communities. Accordingly, law enforcement institutions should coordinate with public health and social services agencies. Criminal justice tools should adhere to the principle of proportionality and include a full spectrum of responses including deprivation of liberty penalties as well as alternatives to incarceration. And governments must continue to improve their capacity to counter transnational criminal organizations, reduce impunity and corruption, and improve the bonds between citizens and the state. The United States has a critical role to play in assisting international partners in achieving these objectives.

### **Focus on Heroin and Opioids**

The universal nature of drug addiction and the global character of drug trafficking networks are evident in two emerging threats highlighted throughout this report. One threat, from heroin and other opioids, stretches back to before even the oldest international drug conventions, while the other, synthetic New Psychoactive Substances (NPS), has emerged globally in just the past decade.

Each day 120 Americans die as the result of a drug overdose, and more than half of these overdosed on heroin or prescription opioids. The number of Americans dying from opioids, including heroin, increased 200 percent in the last 15 years, and last year more died than any previous year on record. It is an epidemic, and today it is the number one drug threat in the United States. This plague is not limited to the United States; it is a major cause of death in countries across the globe, in both what has traditionally been referred to as “consumer” countries, as well as those that are “producers” of heroin. Today and throughout history all heroin and cocaine found on American streets has been imported.

Opium poppies can be found in nearly every region of the world, and growers can produce multiple crops a year, with the narcotic properties of opium gum remaining active for many years. As a result of a variety of factors, traditional major producers of opium have increased production in recent years, while many other countries with declining or dormant production capacity have become active producers and exporters. Unless countries that are sources of production put resources towards fighting these illicit crops and those responsible for their spread, heroin and opioids will continue to fuel corruption, lawlessness, and public health crises worldwide. The United States will continue to work with international partners to seek the elimination of illicit cultivation of opium poppy, coca bush and other dangerous narcotics, through a comprehensive approach that stresses the special importance of alternative development and implements lessons learned to ensure effective and sustainable programs.

### **Emerging Threat: New Psychoactive Substances**

Ten years ago, New Psychoactive Substance (NPS) were not a significant drug threat in any country. UNODC reports that in 2014, there were 541 chemically different NPS, which are sometimes referred to as Synthetic Designer Drugs, being sold in 95 countries. This probably underestimates the number of chemically different NPS being produced in significant quantities worldwide and the number of countries where they are to be found today.

Today NPS are being created and sold at a rate faster than they can be controlled. They are a rapidly spreading danger, particularly in Africa and in much of Asia. Unlike cocaine, heroin, or marijuana, these synthetic drugs can be produced virtually anywhere cheaply, though the vast majority of the active ingredients found in NPS in the United States today are imported from foreign sources. Addressing the spread of NPS and finding an international consensus for dealing with this threat will be an important topic at UNGASS 2016 and in multilateral drug control organizations in the years ahead.

Since the first INCSR was produced in 1986 there have been tremendous changes – mostly for the better – in our understanding of the nature of drug use, and the need for international cooperation to control use and trafficking. This learning includes many successes that reflect strong international cooperation such as the recent capture of some of the most notorious and violent drug traffickers in history, including the head of the largest drug trafficking cartel in the world today. It includes the rapid deployment of treatment services and drugs, such as Naloxone, which has saved thousands of Americans from overdosing on heroin. It also includes an increasing international consensus for enhanced emphasis on public health approaches to addressing substance abuse, and to confronting threats like NPS.

The international community cannot be complacent: even with international global consensus on a unified approach to the drug problem, there must be a commitment by governments to put resources towards demand reduction, treatment, and recovery programs, as well as supply reduction efforts. Our citizens deserve nothing less than this commitment.

## 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 decrease drug use, related crime, and violence in targeted country populations, (2) significantly delay onset of first use in the targeted country population and (3) establish self-sustained drug prevention, treatment, and aftercare programs in partner countries. In achieving these objectives, INL supports the following:

- Capacity building and training aimed to educate governments and public organizations on evidence-based 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 evidence-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 2015 include:

**Establishment of the International Society of Substance Use Prevention and Treatment Professionals:** In July 2015, INL and a consortium of international organization partners launched the International Society of Substance Use Prevention and Treatment Professionals (ISSUP). ISSUP supports the transformation of research into practice by promoting evidence-based prevention and treatment interventions as well as the training and credentialing of a drug demand reduction workforce.

**Universal Prevention Curriculum:** INL's Universal Prevention Curriculum (UPC) consists of two series, one for coordinators/managers of prevention programs and one for prevention implementers/prevention workers. This training program is based on UNODC's Standards for

Drug Use Prevention, offering innovative evidence-based approaches to drug prevention in a variety of settings such as family, school, workplace, media, and the community. The development of examinations and an International Certified Prevention Specialist credential is now underway.

**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. Protocols for treating opiate addiction have been successfully implemented in Afghanistan.

**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's Guiding the Recovery of Women (GROW) curriculum addresses the unique needs of female addicts worldwide. The full curriculum has been translated into Spanish and all 10 courses are currently being trained in Peru.

**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. These guidelines are currently being translated into several official World Health Organization languages and will be disseminated worldwide.

**Research Programs:** INL conducted the first drug use survey that included toxicological testing in Afghanistan, the first survey of its kind to be completed anywhere in the world. The survey revealed that 31 percent of all households in Afghanistan, and 11 percent of the population as a whole tested positive for one or more drugs, with drug use three times greater in rural than urban areas of the country. As a result of the survey, INL will be expanding treatment to rural areas and initiating a new prevention program to mainstream prevention across the government ministries.

**Regional Treatment Training:** 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 40 countries. Advance courses are underway.

**Drug-Free Communities:** INL assists civil society and grassroots organizations to form and sustain effective community anti-drug coalitions that fight illegal drugs. INL support has resulted in the establishment of over 120 active coalitions in 22 countries around the world (Bolivia, Brazil, Cabo Verde, Colombia, Costa Rica, Ghana, Guatemala, Haiti, Honduras, Iraq, Kazakhstan, Kenya, Kyrgyzstan, Mexico, Nigeria, Peru, Philippines, Senegal, South Africa, Tajikistan, Tanzania, and Uruguay).

**Afghanistan:** As the largest supporter of demand reduction programs in Afghanistan, INL works closely with the Ministry of Counter Narcotics and the Ministry of Public Health to implement a comprehensive program that includes prevention, treatment, and aftercare; technical assistance; and capacity building. This includes anti-drug outreach programs targeting Afghan youth. INL currently supports 97 residential and outpatient treatment programs in Afghanistan serving nearly 28,000 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 schools.



## 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 of 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 are useful for determining trends, even the best U.S. government estimates are ultimately only approximations.

As needed, we revise our estimate process and – 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 affects our ability to gather data, particularly in the Andes, where cloud cover can be a major problem.

Improved technologies and analytical techniques may also lead us to 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. These illicit drug statistics represent the current 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 necessary. They then estimate cultivation in the new survey area using proven statistical techniques.

The resulting 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 as a result of field studies conducted in Latin America. Such studies led to a reduction in our estimates of productivity for fields that had been sprayed with herbicide but not completely destroyed. In such fields, some 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 on coca leaf 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, cannabis, 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 and Latin America, it is not unrealistic to assume that virtually all poppy is harvested for opium gum, but substantial amounts of Asian opium are consumed as opium rather than being processed into heroin; the proportion of this 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 U.S. government and the UN to understand each other's methodologies with the goal 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 non-governmental organizations. Such data is attributed to the source organization, especially when we cannot independently verify it.

# Worldwide Potential Illicit Drug Production 2007-2015

(all figures in metric tons)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Opium*</b>									
Afghanistan	8,000	5,500	5,300	3,200	4,400	4,300	5,500	6,300	4,100
Burma	270	340	305	530	450		795	900	
Colombia	15		17					13	
Guatemala						4	6	14	
Laos	6	17	12	23	57				
Mexico	150	325	425	300	250	220	225	360	In Process
Pakistan		26	26			28	220	105	In Process
<b>Total Potential L. America Heroin Production</b>	<b>20</b>	<b>38</b>	<b>52</b>	<b>36</b>	<b>30</b>	<b>26</b>	<b>26</b>	<b>44</b>	<b>In Process</b>
<b>Coca Leaf</b>									
Bolivia	38,500	36,500	35,500	35,500	39,500	32,500	37,500	47,000	In Process
Colombia	134,000	82,000	76,500	70,500	52,500	48,000	54,000	70,000	In Process
Peru	38,000	38,000	40,000	57,500	52,500	50,500	54,500	58,500	In Process
<b>Total Coca Leaf</b>	<b>210,500</b>	<b>156,500</b>	<b>152,000</b>	<b>163,500</b>	<b>144,500</b>	<b>131,000</b>	<b>146,000</b>	<b>175,500</b>	<b>In Process</b>
<b>Potential Pure Cocaine</b>									
Bolivia	130	150	150	160	175	145	165	210	In Process
Colombia	450	265	260	240	180	165	185	245	In Process
Peru	185	185	195	280	260	250	265	285	In Process
<b>Total Potential Pure Cocaine</b>	<b>765</b>	<b>600</b>	<b>605</b>	<b>680</b>	<b>615</b>	<b>560</b>	<b>615</b>	<b>740</b>	
<b>Potential Export-Quality Cocaine</b>									
Bolivia	140	165	170	175	195	165	210	280	In Process
Colombia	540	335	345	330	240	215	245	315	In Process
Peru	210	210	230	325	310	320	320	345	In Process
<b>Total Potential Export-Quality Cocaine</b>	<b>890</b>	<b>710</b>	<b>745</b>	<b>830</b>	<b>745</b>	<b>700</b>	<b>775</b>	<b>940</b>	

\* Opium reported at zero percent

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moisture

Note on Pakistan opium  
production:

Estimates use yield values from similar growing areas in Afghanistan  
because of the lack of Pakistan yield data

Note on Guatemala opium  
production:

Estimates use yield values from Mexico because of the lack of  
Guatemala yield data

# Worldwide Illicit Drug Crop Cultivation 2007-2015

(all figures in hectares)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Poppy</b>									
Afghanistan	202,000	157,000	131,000	119,000	115,000	180,000	198,000	211,000	201,000
Burma	21,700	22,500	19,000	45,500	36,500		51,000	52,000	
Colombia	1,000		1,100					800	
Guatemala						220	310	640	
Laos	1,100	1,900	940	1,800	4,400				
Mexico					12,000	10,500	11,000	17,000	<i>In Process</i>
Pakistan		700	705			755	4,300	2,800	<i>In Process</i>
<b>Coca</b>									
Bolivia	24,000	26,500	29,000	29,000	25,500	25,000	27,000	35,000	<i>In Process</i>
Colombia	167,000	119,000	116,000	100,000	83,000	78,000	80,500	112,000	<i>In Process</i>
Peru	36,000	41,000	40,000	53,000	49,500	50,500	59,500	46,500	<i>In Process</i>
<b>Total Coca</b>	<b>227,000</b>	<b>186,500</b>	<b>185,000</b>	<b>182,000</b>	<b>158,000</b>	<b>153,500</b>	<b>167,000</b>	<b>193,500</b>	
<b>Cannabis</b>									
Mexico					12,000	11,500	13,000	11,000	<i>In Process</i>

Note on Colombia  
poppy cultivation:

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

Note on Guatemala  
poppy cultivation:

2012 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; 2007-2010 estimates have therefore been removed

Note on Pakistan  
poppy cultivation:

2008 and 2012 estimates are for Bara River Valley in Khyber Agency only. 2009 estimate is for Khyber, Mohmand, and Bajaur Agencies only. 2013 includes Khyber, Mohmand, Bajaur, and selected areas in Balochistan. 2014 includes Khyber and areas in Balochistan.

## *Parties to UN Conventions*

(with dates ratified/acceded)

As of 31 December, 2015

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	8 July 2015
66. Georgia	5 September 2006	8 January 1998	4 November 2008
67. Germany	14 June 2006	30 November 1993	12 November 2014



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	1 April 2015
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	5 November 2015	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.Papa 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	17 December 2014	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	12 August 2014	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. South Sudan			23 January 2015
165. Spain	1 March 2002	13 August 1990	19 June 2006
166. Sri Lanka	22 September 2006	6 June 1991	31 March 2004
167. Sudan	10 December 2004	19 November 1993	5 September 2014
168. Suriname	25 May 2007	28 October 1992	
169. Swaziland	24 September 2012	3 October 1995	24 September 2012
170. Sweden	30 April 2004	22 July 1991	25 September 2007
171. Switzerland	27 October 2006	14 September 2005	24 September 2009
172. Syria	8 April 2009	3 September 1991	
173. Tajikistan	8 July 2002	6 May 1996	25 September 2006
174. Thailand	17 October 2013	3 May 2002	1 March 2011
175. Tanzania	24 May 2006	17 April 1996	25 May 2005
176. Timor-Leste	9 November 2009	3 June 2014	27 March 2009
177. Togo	2 July 2004	1 August 1990	6 July 2005
178. Tonga	3 October 2014	29 April 1996	
179. Trinidad and Tobago	6 November 2007	17 February 1995	31 May 2006
180. Tunisia	19 July 2003	20 September 1990	23 September 2008
181. Turkey	25 March 2003	2 April 1996	9 November 2006
182. Turkmenistan	28 March 2005	21 February 1996	28 March 2005
183. Tuvalu			4 September 2015

184.UAE	7 May 2007	12 April 1990	22 February 2006
185.Uganda	9 March 2005	20 August 1990	9 September 2004
186.Ukraine	21 May 2004	28 August 1991	2 December 2009
187.United Kingdom	9 February 2006	28 June 1991	9 February 2006
188.United States	3 November 2005	20 February 1990	30 October 2006
189.Uruguay	4 March 2005	10 March 1995	10 January 2007
190.Uzbekistan	9 December 2003	24 August 1995	29 July 2008
191.Vanuatu	4 January 2006	26 January 2006	12 July 2011
192.Venezuela	13 May 2002	16 July 1991	2 February 2009
193.Vietnam	8 June 2012	4 November 1997	19 August 2009
194.Yemen	8 February 2010	25 March 1996	7 November 2005
195.Zambia	24 April 2005	28 May 1993	7 December 2007
196.Zimbabwe	12 December 2007	30 July 1993	8 March 2007

\*Not included on this list is the “State of Palestine,” which the United Nations informed the Government of the United States on April 9, 2014 had purportedly acceded to the UN Convention against Corruption. Similarly, on January 6, 2015, the United Nations informed the Government of the United States that the “State of Palestine” had purportedly acceded to the UN Convention against Transnational Organized Crime. The Government of the United States of America notified the United Nations that it does not believe the “State of Palestine” qualifies as a sovereign state and does not recognize it as such. Therefore, the Government of the United States of America believes that the “State of Palestine” is not qualified to accede to the Conventions and does not believe that it is in a treaty relationship with the “State of Palestine” under the Conventions.

## **USG ASSISTANCE**

# U.S. Department of State FY 2015-2016 Budget

## Counternarcotics Program Area

\$ in thousands for all items	FY 2015 Initial Actual	FY 2016 Request
<b>TOTAL</b>	\$ 541,563.00	\$ 570,817.00
<b>Africa</b>	\$ 330.00	\$ 500.00
<b>Liberia</b>	\$ 330.00	\$ 500.00
International Narcotics Control and Law Enforcement	\$ 330.00	\$ 500.00
<b>East Asia and Pacific</b>	\$ 2,625.00	\$ 4,225.00
<b>Burma</b>	\$ 800.00	\$ 1,450.00
International Narcotics Control and Law Enforcement	\$ 800.00	\$ 1,450.00
<b>Indonesia</b>	\$ 475.00	\$ 475.00
International Narcotics Control and Law Enforcement	\$ 475.00	\$ 475.00
<b>Laos</b>	\$ 250.00	\$ 1,250.00
International Narcotics Control and Law Enforcement	\$ 250.00	\$ 250.00
Development Assistance	\$ -	\$ 1,000.00
<b>Timor-Leste</b>	\$ 100.00	\$ 50.00
International Narcotics Control and Law Enforcement	\$ 100.00	\$ 50.00
<b>State East Asia and Pacific Regional</b>	\$ 1,000.00	\$ 1,000.00
International Narcotics Control and Law Enforcement	\$ 1,000.00	\$ 1,000.00
<b>Europe and Eurasia</b>	\$ -	\$ 150.00
<b>Ukraine</b>	\$ -	\$ 150.00
International Narcotics Control and Law Enforcement	\$ -	\$ 150.00
<b>South and Central Asia</b>	\$ 143,722.00	\$ 170,900.00
<b>Afghanistan</b>	\$ 127,750.00	\$ 155,000.00
Economic Support Fund	\$ 15,000.00	\$ 31,000.00
International Narcotics Control and Law Enforcement	\$ 112,750.00	\$ 124,000.00
<b>Kazakhstan</b>	\$ 322.00	\$ 230.00
International Narcotics Control and Law Enforcement	\$ 322.00	\$ 230.00
<b>Pakistan</b>	\$ 11,500.00	\$ 11,500.00
International Narcotics Control and Law Enforcement	\$ 11,500.00	\$ 11,500.00
<b>Tajikistan</b>	\$ 150.00	\$ 170.00
International Narcotics Control and Law Enforcement	\$ 150.00	\$ 170.00
<b>Central Asia Regional</b>	\$ 4,000.00	\$ 4,000.00
International Narcotics Control and Law Enforcement	\$ 4,000.00	\$ 4,000.00
<b>Western Hemisphere</b>	\$ 329,161.00	\$ 325,246.00

<b>Colombia</b>	\$ 167,002.00	\$ 162,345.00
Economic Support Fund	\$ 56,502.00	\$ 66,995.00
International Narcotics Control and Law Enforcement	\$ 110,500.00	\$ 95,350.00
<b>Mexico</b>	\$ 46,999.00	\$ 37,500.00
International Narcotics Control and Law Enforcement	\$ 46,999.00	\$ 37,500.00
<b>Peru</b>	\$ 59,600.00	\$ 72,160.00
Economic Support Fund	\$ 24,000.00	\$ 37,160.00
International Narcotics Control and Law Enforcement	\$ 35,600.00	\$ 35,000.00
<b>State Western Hemisphere Regional (WHA)</b>	\$ 55,560.00	\$ 53,241.00
International Narcotics Control and Law Enforcement	\$ 55,560.00	\$ 53,241.00
<b>INL - International Narcotics and Law Enforcement Affairs</b>	\$ 65,725.00	\$ 69,796.00
<b>INL - CFSP, Critical Flight Safety Program</b>	\$ 6,000.00	\$ 7,000.00
International Narcotics Control and Law Enforcement	\$ 6,000.00	\$ 7,000.00
<b>INL - Demand Reduction</b>	\$ 12,500.00	\$ 12,500.00
International Narcotics Control and Law Enforcement	\$ 12,500.00	\$ 12,500.00
<b>INL - Inter-regional Aviation Support</b>	\$ 34,881.00	\$ 34,886.00
International Narcotics Control and Law Enforcement	\$ 34,881.00	\$ 34,886.00
<b>INL - International Organizations</b>	\$ 3,400.00	\$ 3,400.00
International Narcotics Control and Law Enforcement	\$ 3,400.00	\$ 3,400.00
<b>INL - Program Development and Support</b>	\$ 8,944.00	\$ 12,010.00
International Narcotics Control and Law Enforcement	\$ 8,944.00	\$ 12,010.00

## 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 United States 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 United States 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 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 anticorruption.

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 653 students in 2015.

**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 1038 students in 2015.

**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 1341 students in 2015.

**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.

**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 trained approximately 1214 students in 2015.

## Drug Enforcement Administration (DEA)

The mission of the DEA is to enforce the controlled substances laws and regulations of the United States and bring to the criminal and civil justice system of the United States, or any other competent jurisdiction, those criminal organizations and principal members of Drug Trafficking Organizations (DTOs) based in the United States or foreign nations involved in the cultivation, manufacture, or distribution of controlled substances, as well as, the money laundering of illicit finances derived from drug trafficking.

To achieve this mission, DEA has nearly ten percent of its Special Agent and Intelligence Analyst work force permanently assigned overseas at 89 DEA foreign offices located in 68 countries. DEA's foreign offices act as conduits of actionable and strategic information, intelligence, and evidence to law enforcement and prosecutorial components in the United States and vice versa. In this manner, DEA is able to identify, target, and dismantle the entire global spectrum of the DTO. DEA's foreign offices are tasked with four principle missions:

- Conduct bilateral and multilateral investigations with host law enforcement partners;
- Coordinate counternarcotic intelligence gathering with host governments;
- Implement training programs for host country police and prosecutor agencies;
- Support the advancement and development of host country drug law enforcement institutions;

The emphasis placed on each objective is determined by the host nation's unique conditions and circumstances as it relates to their drug trafficking threat, infrastructure and law enforcement capabilities. DEA works side by side with host nation counterparts to develop relevant training, promote intelligence sharing, conduct bilateral investigations, and support joint counter-drug operations. The vast majority of DEA's foreign efforts and resources are dedicated to conducting international drug and drug money laundering investigations. In addition to that mandate, in 2015 DEA dedicated considerable effort in the fields of training, multinational law enforcement collaboration, and forensic science as detailed herein.

**International Training:** In 2015, DEA's Training Division conducted formal bilateral and multilateral seminars for over 5,800 participants from 96 countries. DEA has been conducting international counter-narcotics training since its creation in 1973. DEA is recognized as the world pioneer in international training and serves as the model for a variety of international law enforcement training efforts. The specific courses and curricula offered by DEA have evolved over the years 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.

**International Drug Enforcement Conference (IDEC) - Strengthening International Relations:** IDEC was established by DEA in 1983 with the objective of creating a multilateral forum for the international police and prosecutor community to strengthen international relations and counternarcotics cooperation, 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. What began with less than a dozen countries in 1983 has grown to well over 100 member and observer IDEC countries, and several affiliate police observer organizations. The conference is co-sponsored each year by the United States and hosted by one of the international participating IDEC member nations. Over the years, IDEC has emerged from a liaison and policy forum to an operational and strategic planning platform. Critical and sensitive issues in international drug enforcement, international money laundering, and narco-terrorism are deliberated upon, and investigative targets and operational objectives are prioritized, selected, and agreed upon by member nations. The 32<sup>nd</sup> annual IDEC was held in June 2015 in Cartagena, Colombia co-hosted by the Colombian National Police. The IDEC was attended by 107 countries, including more than 380 official delegates, the most delegates in attendance than any previous IDEC. In addition to the General Assembly various geographical regional and multi-regional working groups were held to identify collective targets, agree upon multilateral counter-drug enforcement and interdictions operations and assess the progress and evaluate the intelligence on existing and emerging targets. For the first-time the IDEC co-sponsor, the Colombian National Police integrated a concurrent demand reduction training program held throughout the week to accredited local and international schools in Cartagena, Colombia. The 33<sup>rd</sup> annual IDEC will be held in 2016 in Lima, Peru hosted by the Government of Peru and the Peruvian National Police.

**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 (STRL) 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 drug source countries world-wide, as well as drug processing laboratories within those countries. By collaborating with the partner nations, numerous such "authentic" are submitted annually to the laboratory from the DEA foreign offices. Currently, the laboratory classifies several thousand U.S. seized and foreign seized drug exhibits every year. The CSP recently announced the ability to determine the sub-regional geographic origin of seized cocaine, meaning that cocaine can be traced back to known illicit growing regions in South America to include sixteen regions in Colombia, two regions in Peru, and one region in Bolivia. The HSP recently announced a new classification for heroin produced in Mexico with South American heroin processing methodology. 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 350 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 law enforcement 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 interdiction forces have the highest tactical advantage, and best opportunity to interdict drug movements. The next step in the maturation of maritime law enforcement is conducting operations specifically targeted to disrupt and dismantle the TOC networks that traffic illicit materials. The result can produce deleterious impacts on criminal networks.

**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. A crucial ingredient for continued maritime drug interdiction success, are the USCG's counter drug bilateral agreements and operational procedures held with over 40 partner nations. By facilitating operational communications and enabling USCG law enforcement officers to stop, board, and search vessels suspected of illicit maritime activity, these agreements deter smugglers from using another nation's vessel and/or territorial seas as a haven from law enforcement efforts.

**International Cooperative Efforts:** In 2015, the USCG had 52 personnel deployed abroad to facilitate maritime counterdrug activities including security assistance, intelligence collection and dissemination, and liaison internally and externally. The USCG, in concert with the Department of State, hosts three Counter Drug Summits per calendar year: two biannual Multilateral Maritime Counter Drug Summits (Central and South America) and the annual Multilateral Maritime Interdiction and Prosecution Summit (Caribbean). These summits have a combined annual attendance of more than 35 countries, over 60 international agencies and more than 300 people. Topics range from maritime interdiction to prosecution, criminal investigations

and improving regional success in all aspects of the interdiction continuum. 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 2015, the USCG deployed 55 MTTs to 33 countries, and partner nation students attended 242 resident courses at USCG training installations.

**Operational Highlights:** In 2015, the USCG expended over 2,300 cutter days, 1,400 Airborne Use of Force capable helicopters days, and 4,000 surveillance aircraft hours on counterdrug patrols, and USCG Law Enforcement Detachments (LEDET) deployed for over 1,100 days aboard U.S. Navy, British, Dutch and Canadian warships. As a result, the USCG disrupted 228 drug smuggling attempts, which included the seizure of 145 vessels, detention of 503 suspected smugglers, and removal of 143 metric tons (MT) of cocaine and 35 MT of marijuana.

## **U.S. Customs and Border Protection (CBP)**

The Department of Homeland Security's U.S. Customs and Border Protection (CBP) processes all goods, vehicles, and people entering and exiting the United States. CBP officers intercept narcotics and other contraband, improperly classified merchandise, unlicensed technology and material, weapons, ammunition, fugitives, undocumented immigrants, and unreported currency at America's 329 international ports of entry (POEs).

United States Border Patrol (USBP) agents are assigned the mission of securing the border against all threats between the POEs along the over 8,000 miles of land and coastal border. These threats include criminal/undocumented aliens, drug smugglers, potential terrorists, wanted criminals, and persons seeking to avoid inspection at the designated POEs. CBP's drug interdiction activity includes staffing 35 permanent and 140 tactical checkpoints nationwide. CBP checkpoints utilize experienced agents, canine teams, technology and shipper-CBP partnerships to detect and apprehend the above mentioned threats. Additionally, agents patrol targeted border areas that are frequent entry points for the smuggling of drugs and people into the United States.

Since its creation, CBP has also been charged with the border regulatory functions of passport control and agriculture inspections in order to provide comprehensive, seamless border control services. This division of responsibilities is intended to simplify border security operations and is termed: "One face at the border." CBP is the nation's first line of defense against the introduction of narcotics and dangerous drugs from foreign sources.

### **International Training and Assistance**

As part of its efforts to extend the nation's zone of security beyond U.S. ports of entry, CBP works with other U.S. government and foreign government partners 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.

CBP coordinates and presents over 200 technical assistance programs to thousands of foreign participants each year. Training and technical assistance programs target the full range of border control and commercial operations, including: WMD training, anti-narcotics, port security, integrity, supply chain security, and commercial operations. The majority of these programs take place outside the United States, although CBP also hosts training events at specific U.S. ports of entry.

The primary areas in which training and assistance are provided are:

- International narcotics and crime control (International Law Enforcement Academies, or ILEA);
- Non-proliferation, export control and related border security (EXBS);
- Commercial operations (Trade Enforcement);
- Private sector partnership programs (WCO-World Customs Organization);

- Immigration programs (Fraudulent Document, Identifying Imposters); and
- Anti-corruption programs (Integrity Training, Anti-Corruption Awareness).

In 2015, CBP 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. CBP supported ILEA programs by developing and conducting core and specialized training on a variety of topics, including: Land Border Interdiction; Contraband Concealment Techniques; International Controlled Deliveries and Drug Investigations (conducted jointly with the Drug Enforcement Administration); Complex Financial Investigations (conducted jointly with Immigration and Customs Enforcement); and Customs Forensics Lab capabilities and techniques.

In Fiscal Year 2015, CBP provided 222 technical assistance and capacity building sessions in 52 countries for foreign partners, including 22 courses at the ILEAs.

**International Visitors Program:** The State Department's International Visitors Program can provide 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. International visitors can also participate in on-site tours of selected U.S. ports and field sites to observe actual CBP operations.

In Fiscal Year 2015, CBP made arrangements for 457 visits for over 2,500 officials from 90 countries. These visits were sponsored by the Department of State, Department of Defense, Drug Enforcement Administration, U.S. Coast Guard, various State National Guard Units, U.S. Embassies, and other components of the Department of Homeland Security.

**Port of Entry Interdiction Training:** The correct approach to border interdiction varies with border environments, i.e., land, seaport, rail and airport. Training has been designed for the problems encountered and interdiction techniques useful for each type of operation. Each training class is normally five days in duration and is comprised of interactive classroom discussion and practical exercises using actual CBP border facilities. In addition to port of entry operations, CBP provides specialized U.S. Border Patrol training in techniques used by smugglers who do not use official ports of entry to cross borders, but who attempt to smuggle contraband in lightly patrolled green border areas.

**International Bulk Currency Smuggling Training:** With an increased enforcement focus on money laundering, organized criminals and terrorists have turned to bulk cash smuggling to move valuables across borders. 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.

**Overseas Enforcement Training:** Overseas Enforcement Training encompasses a curriculum which includes Border Enforcement Training; Supply Chain Security; Detection, Interdiction and Investigation; Concealment Methods; Bulk Currency Smuggling; False and Fraudulent Documents; Train-the-Trainer; Anti-Corruption; Targeting and Risk Management; Hazardous Materials; and X-ray Systems. These courses can also be conducted at foreign ports of entry.



They include both basic training and refresher training/mentoring abroad for graduates of training at U.S. port facilities. CBP hopes that participation in this training will assist in establishing regional and global associations of border control officials who share concerns about transnational criminal networks and who will cooperate in their dismantling. In addition, at the request of the State Department's Bureau for International Narcotics and Law Enforcement Affairs, CBP's Border Patrol Tactical Unit (BORTAC) conducts training of foreign law enforcement agencies in an effort to intervene early in the drug smuggling process, focused on South and Central American countries.

**CBP Attachés, Representatives and Advisors and Special Customs' Programs:** CBP deploys a growing network of attachés, representatives and advisors who serve abroad in U.S. Embassies and consulates, or directly for foreign customs departments. These personnel work closely with CBP's foreign counterparts in the on-going effort to counter drug smuggling. Attachés have a broad mandate, including enforcement and investigative activities on behalf of CBP. They also exchange expert information with foreign counterparts, improving the effectiveness of law enforcement activity, policies, and resources relating to border enforcement. Their efforts help to ensure that enforcement cooperation is seamless across borders and that the battle against smuggling is effective.

**Customs Mutual Assistance Agreements:** CBP is the lead negotiator of Customs Mutual Assistance Agreements (CMAAs). CMAAs are negotiated with foreign governments and provide for mutual assistance in the enforcement of customs-related laws. Under the provisions of CMAAs, CBP provides assistance to its foreign counterparts, and receives assistance from them in an exchange of information that facilitates the enforcement of each country's laws. The Agreements have a high level of flexibility that allow parties to quickly communicate concerns and requests to each other. There are currently 76 CMAAs in force, with five being signed during Fiscal Year 2015 – Costa Rica, Gabon, Malaysia, Senegal, and Singapore.

## **CHEMICAL CONTROLS**

## Introduction

“Precursor” and “essential” chemicals play two critical roles in the production of illegal drugs: as compounds required in the production of synthetic drugs 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. For instance, diversion of less than one percent of worldwide licit commercial use of these chemicals would be sufficient to produce the world’s supply of heroin. Precursors can also be obtained from licit medicines as is the case for ephedrine and pseudoephedrine in finished cold medicine products.

## 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 their international trade in chemicals listed in 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 their international transactions involving these chemicals. Article 8 of the Convention requires licensing or similar control of 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 drug control policy-making body – have provided additional guidance to states on how to implement their obligations according to specific best practices, and have encouraged states to make better use of the INCB’s 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, assists Governments in overcoming difficulties. The United States provides funding to the INCB to monitor the measures called for in the Conventions, and improve detection and tracking of chemicals subject to being diverted.

In addition to ISSL, the INCB has developed a number of instruments to address the challenges of precursor chemicals:

- The Pre-Export Notification Online system (PEN Online) is an online database system that enables the 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 responses to acknowledge receipt and to notify the exporting country of clearance to export of chemicals. Since the PEN online system was first launched in March 2006, 151 exporting as well as importing governments have so far registered to use the system. On average, 2600 PENs pre-export notifications are submitted via the online application on a monthly basis.
- The Precursors Incident Communication System (PICS) is another INCB tool that provides real-time communication to share intelligence and facilitate direct contact between national authorities to further investigations into chemical trafficking. PICS has shared final intelligence on more than 800 chemical trafficking interdictions to various registered law enforcement and regulatory agencies around the world. As of November 2015, there were 480 registered PICS' users, representing some 200 agencies from 94 countries and territories, and 10 international and regional agencies.

**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 implementation of CND resolutions.

### Chemical Control Activities and New Trends

**Heroin.** The main precursor chemical used to produce heroin is acetic anhydride, a substance that is also widely used in legitimate industry. Drug trafficking organizations continue to channel acetic anhydride to illicit producers through diversion, or smuggling. 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 and smuggling.

The Government of Afghanistan has reiterated there is no legitimate use for acetic anhydride in Afghanistan and has taken measures in the last few years to block all imports of the substance. Afghan authorities believe that acetic anhydride is diverted primarily from neighboring countries. The United States, Afghanistan's neighbors, and other international partners continue to work with Afghanistan to address this issue through expanded law enforcement cooperation and information coordination.

Mexico, the world's third largest source of opium poppy, also legitimately produces, imports, and exports acetic anhydride. Acetic anhydride may also be used as a compound substance to produce a chemical reaction in the production of methamphetamine.

The United States continues to work with participant countries of the INCB Precursor Task Force of Project Prism and Project Cohesion. The INCB Precursor Task Force is currently focusing on legitimate domestic trade and end-use of acetic anhydride. The United States also provides assistance to expand the International use of the INCB's PEN Online and the PICS systems to control the diversion of acetic anhydride.

Countries and regional organizations are also stepping up efforts to target illicit acetic anhydride. For instance, the European Union adopted regulations that strengthened controls over acetic anhydride in November 2013 and enabled increased coordination on law enforcement activities in Europe. In addition, the OAS' Inter-American Drug Abuse Control Commission (CICAD) is in the initial phases of developing programs that analyze consumption and production trends related to heroin in the western hemisphere.

**Methamphetamine.** Methamphetamine is produced using a variety of methods, but most require one or more of 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 due to increased diversion controls, traffickers have started using other chemicals, or seeking non-controlled pre-precursor chemicals or esters, and derivatives of phenylacetic acid to produce the precursor chemicals necessary for methamphetamine production. New production methods have also emerged. Traffickers, particularly in Europe, began using a pre-precursor, APAAN, or alpha-phenylacetoacetonitrile. Although this chemical was added to the list of internationally controlled chemicals under the 1988 UN Convention in 2013, traffickers continue to use it as many governments are only beginning to implement controls.

Meanwhile, methamphetamine production continues worldwide and there are indications that trafficking to the United States increased in 2015. 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 large scale 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 controls

Countries in Africa and Asia where precursors like P-2-P and APAAN are relatively unknown continue to rely on ephedrine and pseudoephedrine to produce top quality methamphetamine. Last year, nine kilograms (kg) of crystal methamphetamine were seized at Ghana's Kokota International Airport. According to airport officials, this was the largest seizure of crystal methamphetamine seized by airport authorities in that country.

In Europe, APAAN continues to be widely used for illicit amphetamine and methamphetamine manufacture, although seizures peaked in 2013. The legitimate uses for APAAN are limited in Europe, and therefore imports are likely to be intended for conversion to benzyl methyl ketone (BMK), an amphetamine precursor. According to the INCB, APAAN seizures in 2014 amounted to more than 11 metric tons (MT) and were all reported by countries in Europe.

The diversion and smuggling of APAAN is not just a European problem. In recent years, Canada has also reported large seizures of APAAN. As a result, the Canadian government is now proceeding through the stages of its federal regulatory process to add APAAN to its internal regulatory control.

**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 cultivating large quantities of coca leaf, chemical trends continue along the lines outlined in previous years, with traffickers continuing to divert chemicals from legitimate industry either from domestic or international sources. Investigations from 2013 through 2014, and increased reporting of licit shipments through PEN Online reveal that traffickers 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.

INCB's Project Cohesion monitors the imports of potassium permanganate to cocaine processing areas. Alternative precursor chemicals used in cocaine manufacturing have also been detected. Additionally, traffickers are recycling the chemical containers, making it difficult to trace the origin of the chemicals inside. The United States, the INCB and others are encouraging countries in South America to continue obtaining and sharing information on these new trends; at the same time, developing an effective multilateral effort focused on potassium permanganate has been difficult because of the large number of licit uses for this chemical.

**New Psychoactive Substances (NPS).** NPS are difficult to track because they are formulated and marketed so quickly that authorities do not often recognize them. Many cannot be identified through commonly available drug tests, and if they are truly new, they are not listed in the tables established by the international drug conventions. Producers modify and experiment with chemical formulas in search of new NPS. Distributors are able to spread the NPS widely before legislation to control it can be enacted. As of 2014, 95 countries reported the presence of NPS and alerted the global community through the UNODC tool, Global Synthetics Monitoring: Analyses, Reporting and Trends (SMART). Of the NPS identified by 2015, nearly 40 percent were synthetic cannabinoids and less than one-third had been controlled under the international drug control conventions.

At the 2015 CND, the United States sponsored a resolution that promoted the development of an international response to NPS that focused on increased review of these substances under the conventions, as well as the expansion of the INCB operational task forces to include NPS.

In April 2015, during an INCB-hosted conference in Bangkok on drug-related scheduled and non-scheduled precursor chemicals and NPS, 40 countries participated and adopted a statement of proposed measures to prevent the misuse of these substances. Among other things, delegates endorsed collaboration between national authorities and private industry, and expansion of the

ISSL of non-scheduled precursor chemicals to include a limited prioritized list of NPS not under international control to allow for measures to be taken against the distribution and abuse of these substances.

**Continuing Trends.** Illicit drug producers are adapting. In the past, diversion of international shipments accounted for a greater proportion of precursor chemicals than it does now. Now, precursor chemicals are produced outside of domestic controls, and subsequently mislabeled for shipment or smuggled abroad. Domestic chemical diversion is the biggest challenge in countries where controlled substances are already produced. In coming years, it will be important to adapt policies and law enforcement efforts to overcome these challenges.

Increasingly, drug traffickers use chemicals that are not controlled under the convention or the domestic laws of the source or importing country. They exploit countries that have limited enforcement and regulatory capacity. International cooperation against chemical diversion has also pushed trafficking groups to exploit domestic industry in a significant way. Traffickers continue to obtain chemicals produced in the country where illicit drugs are produced, thereby escaping international monitoring, surveillance, and interdiction efforts.

The Internet continues to facilitate bulk sales and distribution of chemical compounds containing controlled substances, as well as the sale of uncontrolled NPS.

The methodologies of synthetic drug producers, aided by experienced chemists, are changing and becoming a major concern for authorities. In Belgium, as well as in the Netherlands, Poland, and the Czech Republic, the production of synthetic drugs is on the rise. In July 2014, for example, the Dutch police raided one of the biggest synthetic drugs labs for the production of ecstasy ever found in the Netherlands. Also in 2014, a joint Finnish and Dutch police operation uncovered a drug warehouse in the Netherlands and seized a large quantity of numerous forms of synthetic drugs, including sophisticated equipment for the production of NPS. 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 identify and stop diversion and/or smuggling of new substitute chemicals that can be used for illicit drug production.

The 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 as well as 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 precursor chemicals. 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 other member states through the CND and other multilateral venues. In the Western Hemisphere, for example, the CICAD advances voluntary cooperation on precursor chemical controls. CICAD's Group of Experts on Chemical Control and Pharmaceutical Substances (Chem/Pharm) carries out a variety of initiatives in this important field. Of note, Chem/Pharm is exploring options for soliciting private sector input from the Western Hemisphere into the discussion on controlling substances that are legal but are used to make illegal drugs.

Moreover, the United States is supporting partner nation efforts in various regions of the world to develop and strengthen precursor laws and regulations to ensure compliance with international drug control conventions, including further steps to enhance and foster communication among 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 industries that have significant trade with drug-producing regions and those with significant chemical commerce susceptible to diversion domestically for smuggling into 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 24 chemicals listed in the 1988



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) is responsible for regulating the control of precursor chemicals and shares enforcement of the illicit use and diversion of precursor chemicals with the National Drug Law Enforcement Agency (NDLEA).

The Federal Republic of Nigeria does not have a large petrochemical industry engaged in the manufacturing of precursor chemicals. Chemicals for industrial and illicit production of drugs are imported from China and India. The largest precursor chemical import is ephedrine which is used in Nigeria for the production of cold medication and illegally diverted for use in the manufacturing of methamphetamine.

The NDLEA has reported seizures of 583 kg of ephedrine in 2015, an increase of 61 percent over the previous year. Of this amount, 98 percent was intercepted at four of the five Nigerian international airports (Lagos, Abuja, Kano and Enugu). All of the ephedrine/pseudo-ephedrine imported into Nigeria was imported solely from India. All imports are deemed legitimate but some of the ephedrine was diverted to clandestine laboratories for methamphetamine production. 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 give better yields and better quality of methamphetamine. No listed chemicals were exported or imported between Nigeria and the United States in 2015.

The NAFDAC regulates and controls the importation, exportation, distribution and use of narcotic drugs, psychotropic substances and chemicals and other controlled substances. 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. It also grants authorizations for the importation of bulk narcotics and purchase of finished narcotics from Federal Medical Stores.

### **South Africa**

South Africa is a leading regional importer of chemicals used in the production of illegal drugs, particularly synthetic drugs. Domestically, South Africa enforces the 1988 UN Drug Convention's requirements for scheduled precursor chemicals. With heroin and cocaine primarily trafficked in their usable form, the chemicals used in their production are not as commonly found as those used to manufacture methamphetamine and mandrax.

The South African Police Service (SAPS) has a trained, dedicated team to detect clandestine laboratories. The SAPS division of the Directorate for Priority Crime Investigation (DPCI) estimates 40-50 clandestine laboratories are dismantled annually. The SAPS reported seizure of 324 kg of methamphetamine in the SAPS 2013/2014 annual report. The South African Revenue Service (SARS) published the trade of chemical products as a broad category in the trade statistic report. SARS Customs and Enforcement teams also seize illicit drugs and substances scheduled as precursors.

Ephedrine and pseudoephedrine used in South Africa to synthesize methamphetamine largely originate in Nigeria and India. There is also a trend of seizures from passengers at the O.R. Tambo International Airport arriving from the United Arab Emirates. Although it is a challenge to gather trade information to assess illicit use and trade of precursors, South Africa reported on substances frequently used in the illicit manufacture of narcotic drugs and psychotropic substances to the INCB as a party to the 1988 UN Drug Convention. Also, South Africa is registered with PICS. Restricting and analyzing the trade of precursors is a component of the South Africa National Drug Policy (NDP), which mandates the establishment of computerized inventory control systems for scheduled chemicals and regular regulation and monitoring of the purchase of medicines containing precursors via a registry system. Such measures have not been fully implemented.

The nexus between wildlife trafficking and trade for precursors and illicit drugs is being investigated. The United States has sponsored research in this field and awaits the final report. U.S. agencies coordinate with South African authorities. Container shipments which the United States identifies as containing possible illicit materials, to include precursors, are investigated by South Africa and acted on. U.S. law enforcement collaborations with South Africa in investigations are purposeful, yet regular and enhanced interactions would prove useful.

## **The Americas**

### **Brazil**

Brazil is a party to the 1988 UN Drug Convention and is one of the world's 10 largest chemical producers. Brazil licenses, controls, and inspects essential and precursor chemical products, including potassium permanganate and acetic anhydride. These controls allow for either product 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, subordinate to the DPF Executive Directorate, and the Criminal Diversion Investigations unit which reports to the Organized Crime Division. However, 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 system requires all companies to use an on-line system for registration and to report all activity being conducted, including the submission of mandatory monthly reports of all chemical related movements as well as existing chemical stocks in their inventories.

The Government of Brazil adheres to 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 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) and its regulations provide a legislative framework for the control of chemical precursors. Scheduling of substances under the CDSA and its regulations provides law enforcement agencies with the authority to take action against activities that are not in accordance with the law. These instruments also authorize Health Canada to communicate information collected to law enforcement agencies, border control officers, foreign competent authorities and the INCB if necessary.

Health Canada submits an annual report to the INCB with respect to its obligations under the 1988 UN Drug Convention. The annual report provides information on licit imports and exports for the previous year, as well as stopped shipments and seizures, and refusals of permit applications due to objections from foreign authorities, information received from the INCB, and incomplete or invalid application information. Canada cooperates fully with the INCB in cases where shipments may pose a concern.

As a State party to the 1988 Convention, Canada is also obligated to impose controls on substances in response to decisions of the CND. In March 2014, the Commission voted to control APAAN and its optical isomers, which are used in the illicit manufacture of P-2-P, itself a scheduled precursor to amphetamines (primarily methamphetamines). Health Canada is now proceeding through the stages of the federal regulatory process to add APAAN and its salts, isomers, and the salts of its isomers, to the schedule to the *Precursor Control Regulations* (PCR). Canada signaled its intent to support the international controls through a Notice in Canada Gazette in 2014.

To address the problem of chemical diversion, the 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.

## 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 PEN Online.

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, maintain customer records, and are subject to inspections. Chilean law enforcement entities have specialized chemical diversion units and dedicated personnel assigned with 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 to combat bureaucratic inefficiencies and technological deficiencies. Although Chile still struggles with a lack of sufficient personnel, it continues to work hard to strengthen its chemical control regime. In 2015, Chile conducted documentary and on-site inspections of companies to ensure that the registry reflects active users of controlled chemicals and to enhance administration of the chemical control regime. Improvements in the registry process mean that there are now 553 registered users in REUSQC, compared to 183 in 2011. In 2015, there were three instances of unregistered companies exporting controlled chemicals, including isopropyl alcohol, sodium carbonate, acetic acid, and sodium hydroxide. Those companies were fined and then registered in REUSQC.

## **Mexico**

Methamphetamine production and importation of precursor chemicals continue to pose problems in Mexico. Mexico controls all chemicals listed in the 1988 UN Drug 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.

With respect to synthetic drugs, Mexican seizures of methamphetamine, which totaled 14.6 MT in 2013, decreased 56.1 percent when compared to the year before. Seizures of clandestine drug labs increased slightly. Mexico seized 143 labs in 2014, an 11.7 percent increase over seizures 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 almost all 24 chemicals listed in Tables I and II of the 1988 UN Drug 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 U.S. 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 advance 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 UNODC and the INCB to develop information sharing procedures to better control precursor chemicals, including pseudoephedrine and ephedrine, the principal precursors in one method of methamphetamine production. U.S. officials are members of a combined task force for both Project Cohesion and Project Prism. The United States has 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 it also adopted recommendations from the INCB, 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 the substances compared to elsewhere in the region. The Costa Rican Drug Institute has a special unit dedicated to the control and regulation of precursor chemicals, and this unit has broad powers to monitor and respond to illegal activity. By law, importers and businesses that handle chemical precursors or certain types of prescription drugs are required to submit monthly reports through an online tracking system. As of August 2015, approximately 3,000 businesses were registered in this system and submit regular reports, including 150 importers of chemical precursors. The system tracks the movement of chemical precursors and solvents and also alerts personnel to cases that merit additional investigation.

The United States is in the midst of a project to assist in evaluating and preparing Costa Rica’s forensics laboratory for international certification.

#### **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 24 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 is used in the Dominican Republic as an additive for gasoline and as a solvent for paint. Production of methamphetamines is not significant in the Dominican Republic. The DNCD has reported no seizures of precursor chemicals since 2010. As of October 31, Dominican authorities had not seized methamphetamine in 2015.

The DNCD regulates and enforces the importation and use of precursor chemicals. The DNCD receives pre-notifications for precursor imports and issues certificates of importation. 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.

### **El Salvador**

El Salvador is party to the 1988 UN Drug Convention, and invokes its rights to pre-notification of scheduled precursor chemicals under Article 12. However, precursor chemical trafficking continues to be a developing problem as methamphetamine production spreads from Mexico into neighboring Guatemala. Major but sporadic seizures of precursor chemicals imported from China have been reported at the Acajutla seaport in prior years; no such seizures were made in 2015, and Salvadoran authorities reported the destruction of the last remaining stockpiles from prior seizures. Salvadoran authorities recorded the seizure of 2 kg of methamphetamine on September 16, 2015, a large amount for the country, and discovered a small laboratory in the suspect's San Salvador apartment the following day, September 17, the first of its kind found in El Salvador.

The OAS, with U.S. funding, worked with Central American countries to destroy existing stockpiles of seized precursor chemicals. The OAS signed a cooperative agreement with the Government of El Salvador in February 2015, for technical assistance in the management and disposal of controlled chemical substances. The OAS also provided test kits for chemical identification and personal protective gear to Salvadoran authorities over the course of the year.

### **Guatemala**

The manufacture of methamphetamine and other synthetic drugs in Guatemala remains a problem as highlighted by the ongoing seizures of precursor chemicals. After a decrease in

seaports seizures over the previous two years, authorities captured large shipments of chemicals at the nation's ports in 2015.

Since 2005, the Guatemalan government has been storing large quantities of seized precursor chemicals. In 2013, the Guatemalan government accepted a U.S. government-funded OAS proposal to improve the national capacity to manage and dispose of precursor chemicals in compliance with the United Nations Chemical and Waste Management Program and Guatemalan laws, provide a national standard operations procedure (SOP) for the handling of dangerous chemicals seized in law enforcement operations, improve the safety and security of the main Guatemalan government storage facility by providing training, equipment, and technical and administrative support in the management of seized precursors, and safely dispose of all precursor and related hazardous materials.

After completing set-up preparations including SOP development, structural improvements at the primary storage location, and initial chemical destruction training, the OAS project began the process of diluting, neutralizing, and burning the stockpiled chemicals in April 2014.

As of October 2015, there were approximately 3,500 tons of seized precursor chemicals in Guatemala, of which half were phenyl acetate. Authorities store the majority of these seized precursors in 196 containers at seaports. Since January 2015, authorities have transported 17 containers, previously stored at one of the three main seaports, to Estazuela. By the end of 2015, 197 tons of phenyl acetate has been disposed of under the auspices of the OAS and at the current pace. In total, of the estimated 36,000 drums of seized precursor chemicals in country, 1,076 have been neutralized to date.

The United States, through its Office of International Narcotics and Law Enforcement (INL-G) in Guatemala City, initiated the purchase process to acquire an incinerator that once is installed and functioning at full capacity, would dispose of all precursors in Guatemala seized to date in an estimated two years or less. Guatemalan government officials are pursuing an agreement among neighboring Central American countries to permit transport and subsequent disposal of seized precursors from countries in the region.

## **Honduras**

Precursor chemicals are a developing problem in Honduras. There is little information on the exact amount or types of chemical precursors that are transiting the country.

There is Honduran legislation banning the import of many chemical precursors used in illicit drug manufacture, but enforcement of these laws is weak. Fines and penalties for importation of banned chemical precursors are also insufficient and there is limited end-user accountability.

## **Asia**

### **Bangladesh**



Bangladeshi authorities continue to combat drug traffickers who smuggle precursor chemical preparations (incorporating ephedrine, pseudoephedrine, toluene, and acetone) out of the country. The chemicals are illicitly purchased from Bangladeshi pharmaceutical or chemical companies and smuggled to international trafficking organizations where the ephedrine-pseudoephedrine is extracted and used to produce methamphetamine.

The Government of Bangladesh is committed to the implementation of the 1988 UN Drug Convention and regional agreements regarding control of narcotic drugs, psychotropic substances, and precursor chemicals. Twenty-two of the 24 precursor chemicals listed in the 1988 UN Drug Convention are included in the “Schedule of Drugs” of the Narcotics Control Act to comply with the provisions of Article 12 of the 1988 UN Drug Convention. The Narcotics Control Act also allows financial investigations and freezing of assets derived from trafficking in drugs and precursors. The Directorate General of Drug Administration developed a draft national drug policy, for approval from the Parliamentary Standing Committee, in response to the threat posed by the abuse of and trafficking in pharmaceutical preparations and other drugs.

The Department of Narcotics Control (DNC) issues licenses for the import, export, transport, shipment, manufacture, sale, distribution, purchase, possession, storage, or other use of controlled precursors. The Narcotics Control Rules regulate the control, monitoring, and supervision of use of precursors for industrial, scientific, and medical purposes through a licensing system. The DNC lacks sufficient staff and equipment to consistently detect and interdict precursors. Bangladeshi law enforcement agencies work closely with the DEA to seize and disrupt illicit drugs and precursor chemicals.

Bangladesh has also established District Drug Control Committees (DDCC) to monitor and coordinate activities of all agencies responsible for interdicting drugs and precursors. The Police, Customs, Rapid Action Battalion, Border Guard, and Coast Guard are empowered to detect and intercept illegal precursor chemical and drug operations. The counterdrug unit of the Dhaka Metro Police has successfully assisted the DEA in conducting investigations targeting Dhaka-based traffickers of pseudoephedrine chemical preparations. Despite government efforts, Bangladesh struggles to control precursors through the application of existing laws and resources.

## **Cambodia**

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. Cambodia continued to be a producer and exporter of safrole oil, which was also used in the manufacture of legal products such as perfumes, insecticides, and soaps. Active safrole oil extraction and production continued in 2015 despite the fact that the harvest, sale, and export of safrole oil remained illegal in Cambodia.

## **China**

China remains one of the world's top producers and exporters of precursor chemicals. Although the majority of precursor chemical production and export is intended for legitimate use,

precursors are being diverted by transnational criminal organizations to produce illicit drugs. China's close proximity to drug production centers in Southwest and Southeast Asia, insufficient regulatory oversight capacity of the precursor chemical industry, lower production costs, as well as numerous coastal cities with large precursor chemical factories and modern port facilities, make it an ideal source for precursor chemicals intended for illicit drug production.

In 2014, 3,847 MT of precursor chemicals were seized in China and a total of 5.88 MT of precursor chemicals intended for international export were stopped due to irregularities. Notably, seizures of ephedra decreased from 1,271 MT in 2013 to 422.9 MT in 2014. Illicit demand for China-sourced ephedra continues to decline as illicit drug manufacturers have shifted toward the P-2-P method of methamphetamine production, which does not require this substance.

## **India**

India is one of the world's largest legitimate manufacturers of narcotic drugs, psychotropic substances, and precursor chemicals, including acetic anhydride, ephedrine and pseudoephedrine.

India issues pre-export notifications for exports of precursors using an online system developed by the INCB, and administers a sophisticated licensing regime to control dual use pharmaceutical products. India regulates 17 of 24 precursor chemicals listed by the 1988 UN Drug Convention. Of the 17 chemicals, India's NDPS Act designates five as "Schedule A" substances (subject to the most stringent controls): acetic anhydride, ephedrine, pseudoephedrine, n-acetylanthranilic acid, and anthranilic acid.

The diversion of precursor chemicals from licit producers to illicit brokers is a serious problem in India. India-based precursor trafficking organizations are involved in the illicit exportation and domestic sale of precursor chemicals such as ephedrine and pseudoephedrine, both of which are used in the manufacture of methamphetamine. In light of this challenge, India has undertaken significant efforts to control precursor chemicals produced in its large chemical industry and actively participates in international precursor control initiatives as Project Cohesion and Project Prism.

Law enforcement agencies in India continued extensive cooperation with the DEA. NCB and DEA have made joint arrests and seizures of significant amounts of narcotics. For example, in 2015, Indian authorities acting on DEA information seized over 1.14 million tablets of various pharmaceutical drugs destined for illicit diversion in the United States and international markets.

## **Singapore**

Singapore's geographic advantage and robust port infrastructure contribute to its rank as one of the world's top trade hubs, including the trade of precursor chemicals. The Government of Singapore continues to be a partner with concerned countries in international chemical control initiatives to prevent the diversion of synthetic drug precursor chemicals, including ephedrine and pseudoephedrine, commonly used in the illegal production of methamphetamine. Singapore

does not produce ephedrine or pseudoephedrine; however, Singapore sees significant volumes of ephedrine and pseudoephedrine coming through its ports. Singapore exported 29.07 MT of pseudoephedrine and 4.83 MT of ephedrine over the first six months of 2015, and imported 29.9 MT and 5.5 MT, respectively. Most of the ephedrine imported to Singapore is from India and Taiwan, the bulk of which is re-exported to Indonesian pharmaceutical companies. The imported pseudoephedrine is mostly from India, China, Germany and Taiwan, and then often re-exported to pharmaceutical companies in Indonesia. Singapore also exports both chemicals to Vietnam, Cambodia, Malaysia and Nepal for pharmaceutical purposes. Ephedrine and pseudoephedrine that are not re-exported are used primarily by the domestic pharmaceutical industry.

The Central Narcotics Bureau (CNB) is the Competent Authority (CA) in Singapore for the 1988 UN Drug Convention and is tasked with undertaking measures to prevent the diversion of Ephedrine and Pseudoephedrine. All imports, exports and transshipments of these controlled substances require a permit from the CNB and supporting documentation must be kept by the companies for a minimum of two years and made available for inspection by the CNB. Supporting documents may include invoice, sale contracts and documentary proof from the competent authority of the exporting countries. The movement of these controlled substances is also tracked and monitored by CNB. If the permit application is approved, CNB will provide pre-export notification via PEN Online to the CA of the importing country for any exportation of substances.

Information on all goods imported and exported through Singapore's borders must be provided in advance to enable Singapore Customs, the Immigration and Checkpoints Authority (ICA) or other controlling agencies to facilitate legitimate and secured trade through measures such as timely pre-clearance risk assessment. Singapore does not screen containerized transshipments unless they involve vessels from select countries of international concern, a Singapore consignee, or if the shipment contains strategic or controlled items, including certain chemicals. In instances where precursor diversion for illicit drug manufacturing purposes was suspected, Singapore authorities assisted foreign law enforcement agencies. The Government of Singapore conducts site visits 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 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. In 2014, South Korea imported 21,250 kg of ephedrine, and 35,302 kg of pseudoephedrine. As of 2015, 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. 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 2011, the National Assembly passed a law requiring 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 without having to be reported. 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.

### **Thailand**

Precursor chemicals are not produced in Thailand, but the government imports chemicals in bulk for licit medical and industrial purposes. To prevent the diversion of precursor chemicals from legitimate industry, the Precursor Chemical Control Committee was established in 1993. This committee is responsible for formulating the national strategy on precursor controls, supervising the controls, and integrating the activities of the agencies engaged in preventing diversion. 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.

Improved law enforcement capabilities of Thai authorities and more intense scrutiny of end-user requirements have meant the diversion of licit chemicals through Thailand has become less profuse over the past several years. The growing availability of drugs and chemicals from sources in China and India has further mitigated the use of Thai chemical channels.

Limited quantities of certain chemicals, such as acetic anhydride and ephedrine, transit Thailand en route to clandestine laboratories in Burma. 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. The most recent reported seizure of precursor chemicals occurred in September 2014, 3.8 kg of pseudoephedrine from courier originating from India.

In 2012, the Thai Food and Drug Administration announced a ban on the sale of pseudoephedrine tablets at local pharmacies. The law includes penalties for possession of pseudoephedrine tablets: less than five grams – results in up to a five-year imprisonment; more than five grams results in between five and twenty year imprisonment and fines.

### **Europe**

Chemical diversion control within the EU is based upon EU regulations binding on all 28 Member States. EU regulations meet the chemical control provisions of the 1988 UN Drug 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 EU Member States.

EU regulations establish common risk management rules to counter chemical diversion at the EU's borders. Member States are responsible for investigating and prosecuting violators.

The U.S.-EU Chemical Control Agreement, signed May 28, 1997, is the formal basis for U.S. cooperation with the EU and its 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.

In December 2013, the EU adopted new basic legislation that strengthens controls on ephedrine and pseudoephedrine, and tightens controls on companies in the EU using acetic anhydride.

For external trade, the change strengthened controls on medicinal products containing ephedrine or pseudoephedrine exported from or transiting through the EU. The EU developed a new category of scheduled substances (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 a quick reaction mechanism to add new chemicals to the list of scheduled substances, developing an EU database on drug precursors, and improving data protection provisions.

On 1 July 2015, a Commission Delegated Regulation and a Commission Implementing Regulation entered into force (replacing previous implementation legislation). These regulations complete the revision of the EU drug precursor legislation which started at the end of 2013.

Bilateral chemical control cooperation continues between the United States, and EU and its Member states. Many EU Member 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. A new version of these guidelines will be adopted in 2016.

## **Belgium**

Belgium is neither a major producer of nor destination for the chemical precursors used for the production of illicit drugs. The country does, however, manufacture methamphetamine precursors for licit products to a very limited extent, and in recent years, Belgium has emerged as a transshipment point for ephedrine and other methamphetamine precursors. Belgium requires and enforces strong reporting requirements for the import and export of precursor chemicals (bulk pseudoephedrine and ephedrine, safrole oil and benzyl methyl ketone), and the Belgian Federal Police have the lead role in enforcing these controls. However, 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.

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. Pseudoephedrine and ephedrine contained in these medications can be extracted and used in the production of methamphetamine. Since ephedrine is strictly regulated in the United States and other countries in the Western Hemisphere, Belgium, and other Western European countries have been used as transshipment points for ephedrine and other methamphetamine 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. There were no ephedrine or pseudoephedrine seizures in 2014.

## **Germany**

Germany continues to be a leading manufacturer of legal pharmaceuticals and chemicals. In 2014, Germany was the second largest exporter of ephedrine (40,200 kg) and the second largest exporter of pseudoephedrine (313,500 kg). Most of the 24 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 the UN Office on Drugs and Crime, and is an active participant in chemical control

initiatives led by the International Narcotics Control Board, 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 on the Prevention of Misuse of Chemicals 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. In recent years, law enforcement, especially in the south, reinforced its efforts against synthetic drugs and pre-precursors.

The Financial Investigation Service (FIOD) of the Ministry of Finance oversees implementation of the WVMC and has responsibility for law enforcement efforts targeting precursors. Customs monitors the trade 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 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 also 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.

### **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 third largest importer of pseudoephedrine in 2014, with 71,275 kg imported globally.

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 exchanges 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 remains a leading producer of precursor chemicals, particularly ephedrine, which can be used in the production of illicit drugs. However, because the UK applies a strict regulatory regime to the production and trade of precursor chemicals, including mandatory licensing and reporting obligations, relatively small amounts are believed to be diverted for illicit use. The Home Office Drug Licensing and Compliance Unit is the regulatory body for precursor chemical control in the UK. The United States and UK cooperate closely in international bodies to promote global regulation of precursor chemicals.

### **Middle East**

#### **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. With the large amounts of ephedrine imported relative to the population of Egypt, it is possible that not all of it is used for legitimate medicinal production. The Egyptian government, however, has not reported any large-scale diversion of ephedrine or other chemicals, made any significant seizures, or observed any increase in the use of methamphetamine in the local populace.



## 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 related efforts.

### Asia

#### Afghanistan

In Afghanistan, porous borders and a lack of law enforcement capacity to monitor incoming shipments of chemicals hamper adequate control of precursor chemicals. Smugglers primarily traffic chemicals from Iran into Nimroz, Farah, Kandahar and Helmand Provinces with a final destination into Pakistan, according to Afghan authorities. They store the chemicals in Pakistan along the Afghanistan border where smugglers do not face restrictions. Chemicals are also smuggled from Pakistan into eastern Afghanistan.

After an upward trend over several years, the amount of precursor chemicals smuggled into Afghanistan decreased in 2015. Afghan officials believe the decrease is due to the transfer of clandestine laboratories operations to Pakistan. One-third of the opium grown in Afghanistan was estimated to have been converted into morphine or heroin before leaving the country in 2015; this was down from an estimated two-thirds in 2014. Afghan authorities reported the seizure of over 2.35 MT of solid precursors and 19,774 liters of liquid precursors for the first nine months of 2015.

Both acetic anhydride and ammonium nitrate are legal in Afghanistan and have no legitimate uses. Hydrochloric acid, acetone, and sulfuric acid are controlled substances and are subject to seizure for other reasons, such as customs violations. Ammonium chloride is not illegal; however, if found at a laboratory site, Afghan authorities say they will seize and destroy it. The Afghan government estimates its annual, legitimate requirements for imports of four common methamphetamine precursors as: 50 kg of ephedrine preparations; three MT of pseudoephedrine preparations; and no requirements for 3,4-methylenedioxyphenyl-2-propanone or 1-phenyl-2-propanone.

Since 2013, the United States has funded an expansion of UNODC's Container Control Program that supports additional training for customs and law enforcement personnel at the Kabul inland container depot, and is establishing new interagency Port Control Units to monitor, examine, and interdict drug shipments in container traffic at two dry ports in northern Afghanistan, Hairatan and Sher Khan Bandar, and one dry port in eastern Afghanistan, Jalalabad. Hairatan and Sher Khan Bandar are two of the most important ports for containerized imports and exports between Afghanistan, Uzbekistan, and Tajikistan, and Jalalabad is a key transit route between Afghanistan and Pakistan.

The Precursor Chemical Unit (PCU) of the Counternarcotics Police of Afghanistan uses PICS developed by the INCB to enhance information sharing between national authorities on precursor incidents. The PCU also communicates directly with the Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking of Narcotic Drugs, Psychotropic

Substances and their Precursors (CARICC), and PENS Online. Afghanistan also has a Drug Regulation Committee (DRC) to monitor and regulate the licit precursor chemical trade. The DRC licenses chemicals for licit use and stores data on the use of chemicals so that the authorities can better understand emerging trends. The DRC can authorize investigations and spot checks on companies importing chemicals.

## **Burma**

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 (later expanded to 27) substances as precursor chemicals, and prohibited their import, sale or use in Burma.

Significant amounts of heroin and amphetamine-type-stimulant (ATS) produced in Burma reflect the volumes of essential and precursor chemicals smuggled into the country for illicit drug production. The illicit production and export of synthetic drugs in Burma continued to increase in 2015. 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 precursor chemicals into Burma through borders shared with Bangladesh, China, Laos, India, and Thailand. The precursors are then transported to heroin refineries and ATS laboratories, many located in regions of Shan State which are under the control of armed militia groups or in other areas that are lightly policed. There are also mobile ATS laboratories along the Burma-Bangladesh border where law enforcement requires military security due to ongoing communal tensions.

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 ATS 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 from the DED, and retailers must also apply for a certificate to transport chemicals across and within Burma's borders.

Official seizure statistics for 2015 related to ATS production also included 1.27 MT of pseudoephedrine, 111.94 kg of ephedrine, and 9.93 MT of caffeine powder. Burmese police also

seized 49.95 million ATS tablets, 10,639 liters of precursor chemicals, and 2.26 MT of crystal methamphetamine during the reporting period.

### **Indonesia**

Indonesia's 2009 National Narcotics Law gave the country's 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, the extent of enforcement is largely unknown. Some NGO officials who focus on precursor chemicals have expressed concern that Indonesian Customs is unable to tell whether an importer is genuine or not, and identify the end user.

The National Narcotics Board reports that it regularly conducts unannounced inspections to companies that are listed importers of precursor chemicals. Indonesia is 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.

### **Pakistan**

Pakistan is one of the world's top transit countries for the movement of acetic anhydride and other illicit precursor chemicals used in the production of heroin and amphetamine-type stimulants, such as methamphetamine. 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 participation in the Paris Pact Initiative, covering the importation of seven multi-use chemicals: acetic anhydride, pseudo-ephedrine, anthranilic acid, acetone, potassium permanganate, methyl-ethyl ketone, and toluene. Pakistan's Anti-Narcotics Force (ANF) is charged with managing this precursor control mechanism and does so largely by conducting ground checks on importing businesses, licensing those businesses, and reviewing pre-export notifications requesting the sale of the above substances within Pakistan. During the first nine months of 2015, ANF received 123 PENs. It approved 103 shipments and denied 20. It is likely that significant imports of precursor chemicals circumvent the PEN Online via mislabeled shipping containers and small sailing boats unloading cargo along Pakistan's largely unpatrolled coastline.

During this nine-month period, ANF reported that it seized 993.5 liters of acetic anhydride. In 2015, both ANF and Customs continued to provide information in the INCB's PICS, which distributes real-time information on precursor seizures to law enforcement agencies worldwide.

### **Latin America**

#### **Bolivia**

Bolivia continues to be a transit country for diverted precursor chemicals for cocaine processing. According to the Chemical Substances Investigations Group (GISUQ) of the counternarcotic police (FELCN), the majority of those chemicals originate from Peru (about 40 percent), followed by Paraguay (30 percent), Brazil (20 percent), and Argentina and Chile, with five percent each.

Diverted chemicals are most commonly seized by authorities en route to drug factories (where base paste is prepared) and cocaine labs (where base paste is transformed into cocaine hydrochloride) within Bolivia. The number of labs discovered within Bolivia has significantly increased over the last three years; these labs process Peruvian base paste as well as Bolivian coca into cocaine.

The most common chemicals found in cocaine factories and labs are: sulfuric acid, hydrochloric acid, sodium carbonate, caustic soda, ammonia, phenacetin, sodium metabisulfite, isopropyl alcohol, activated carbon, urea, ethyl acetate, and levamisole. The last seven products are not listed as controlled substances under Bolivian or international law, and GISUQ believes they are increasingly used as alternative processing agents to circumvent law enforcement controls.

In 2011, the GISUQ found drug traffickers using isopropyl alcohol, liquid ethyl acetate, sodium bisulfate, and cement to produce cocaine. In 2012, the GISUQ found traffickers using ethyl acetate to purify cocaine into HCL.

Drug traffickers have continued to use the aforementioned chemicals in addition to activated carbon and phenacetin. Traffickers use activated carbon to deodorize and discolor water and other liquids and phenacetin, a highly toxic analgesic, to increase volume of cocaine. Through the first 10 months of 2015, the GISUQ seized 481 MT of solid substances and 882,158 liters of liquid precursor chemicals. These respective amounts are a 42 percent and 82 percent increase respectively over the same period in 2014.

GISUQ coordinates activities with the General Directorate for Controlled Substances, a civilian entity under the Government of Bolivia that administers and licenses the commercialization 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 commercialization generates only an administrative violation, penalized by a fine and the possible loss of merchandise if 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 illegal commercialization of illegal methamphetamine. The United States urges Bolivia not only to introduce and pass stronger precursor chemical controls, but also to ensure that they are enforced.

## **Colombia**

Precursor chemical diversion continues to be a serious problem in Colombia. There are approximately 3,000 chemical companies authorized to handle controlled chemicals for

legitimate use, down from 5,000 in early 2015. The number fell dramatically after the Government of Colombia implemented a new computer system to track the importation and sale of controlled chemicals, requiring sellers to enter all sales information and for buyers to acknowledge the purchase and receipt of the chemicals. The Colombian government inspected and audited 1,521 Colombian chemical companies during fiscal year 2015, and uncovered 71 firms with regulatory issues, resulting in the seizure of 331.2 MT of solid controlled substances and 5,818 liters of liquid controlled substances. In addition, the Colombian government immobilized 278,729 kg of solid controlled substances and 725,573 liters of liquid controlled substances.

Although chemical companies require government permission to import or export specific chemicals and controlled substances, the police have the burden to prove that seized chemicals were intended for illicit drug production. While the Government of Colombia tightened controls on coca processing chemicals as well as strengthened chemical control legislation, traffickers camouflage precursors to import them clandestinely into the country. Additionally, traffickers and clandestine laboratories recycle controlled chemicals and use non-controlled chemicals in place of controlled chemicals.

The Government of Colombia implements restrictions on other needed chemicals for coca processing, such as gasoline, cement, sulfuric acid, hydrochloride acid, and potassium permanganate. These restrictions include reduced numbers for production, distribution and storage of chemicals and, in some areas, prohibition of particular chemicals in certain zones. Additionally, 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, companies can import these precursors for the manufacture of pharmaceutical preparations, which can then be re-exported. During the first nine months of 2015, Colombian authorities seized over 25,000 liters of liquid precursors and 74 MT of solid precursor chemicals.

## **Ecuador**

Under Ecuadorian law, potassium permanganate and acetic anhydride are designated as controlled chemicals. Buying, selling, or importing such chemicals requires the permission of the National Council for the Control of Narcotic Drugs and Psychotropic Substances (CONSEP), the primary agency responsible for precursor chemical control in Ecuador. According to Article 219 of the 2014 Penal Code (COIP), using precursor chemicals to produce, manufacture, or prepare illicit materials like cocaine or heroin is punishable by three to five years in prison.

The chemical unit of the National Antinarcotics Directorate (DNA), under the Ecuadorian National Police, plays an active role in chemical control by carrying out investigations and intelligence operations. The DEA also plays a large role by, when possible, providing training and equipment to the DNA chemical unit.

Although DNA's chemical unit is a highly competent entity, its small size and outdated technology hinder operations. The unit employs only 20 people, 10 in Quito and 10 in Guayaquil, but does not have a presence in northern Ecuador where drug labs and trafficking

continue to pose a problem due to the porous land border with Colombia. Due to its small workforce, the chemical unit often uses police officers from other units; however, these officers generally do not have adequate chemical training. Furthermore, the chemical unit is using outdated technology, which makes testing for precursor materials a time consuming process.

Ecuador has been importing large quantities of potassium permanganate for at least the past 10 years. According to the Central Bank of Ecuador, between January and August of 2015, Ecuador imported 34.79 MT of potassium permanganate, compared to 35.96 MT during all of 2014. Potassium permanganate is a controlled chemical and requires an import license to be imported into the country. Most imports originate from China.

Between January and August, Ecuador imported 67.22 MT of acetic anhydride; in 2014, it imported 48.66 MT. It should be noted that during 2013, Ecuador only imported 370 kg, and in 2012, only 10 kg. Ecuadorian authorities have not been able to explain this significant jump. Most imports originate from India and the United States.

## **Peru**

Peru remains a major importer of 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 United Nations study. Peru also produces sulfuric acid for this purpose. These chemicals are often diverted from legitimate channels, despite significant regulatory controls, to cocaine production primarily in Peru's principal coca producing areas of the Upper Huallaga Valley and Valley of the Rivers Apurimac, Ene, and Mantaro.

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. Although it results in inferior quality cocaine, the PNP reports that cocaine purified with alcohol commands the same price in Peru's production zones as cocaine made with potassium permanganate. In 2015, the Peruvian National Police (PNP) seized 2.43 MT of potassium permanganate, a slight decrease from the 2.7 MT seized in 2014. This may indicate increased use of alcohol as a substitute. The PNP identified the principal routes of precursor chemicals from Lima into the drug source areas and is building its capacity to intercept these shipments.

In 2015, the PNP Chemical Investigations Unit (DIVICDIQ) continued its chemical enforcement and regulatory operations, leading to the seizure of 2,786 MT of precursor chemicals, including calcium oxide (808 MT), sulfuric acid (65 MT), hydrochloric acid (13.6 MT), and acetone (70.8 MT). The counternarcotics police (DIREJANDRO) 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 2015, this operation resulted in the arrest of 61 chemical traffickers and the seizure of 40 MT of acetone, 11 MT of hydrochloric acid, and 40.4 MT of sulfuric acid.

Peruvian law enforcement conducted chemical enforcement operations, including with Brazil and Colombia, resulting in seizures that included several floating gas stations and 374,277 liters of gasoline. 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's 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 Global Trade Atlas (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. The most recent year for which full-year data is available is 2014. 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.

During the preparation of the 2016 CMEA report, data for U.S. exports and imports for both ephedrine and pseudoephedrine for calendar years 2012-2014 were updated in light of revised estimates provided by DEA. It is also important to note that not all countries agree with the GTA's estimates, and there are a number of countries that believe their data was not correctly captured by the database. For example, Singapore reported 11,337 kg of ephedrine exports in 2013, whereas 31,150 kg were reported by the GTA database for the same year and 10,325 kg in 2014. Such discrepancies create irregularities when comparing import or export totals across

years and, in this case, signals that there was likely no significant decrease of the quantity of ephedrine exported in 2014 as compared to the previous year in Singapore.

Obtaining data on legitimate demand also remains problematic. Such data 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 on their reasonable estimates about the trade in the end products that form the basis of legitimate demand – although each year the number of countries reporting 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 Drug Convention. Therefore, reporting licit market trade and demand for ephedrine and pseudoephedrine as well pharmaceutical products derived from them is voluntary. Even so, the trend toward better reporting has been positive.

According to the 2015 INCB report, in 2014, 27 countries reported seizing shipments of ephedrine (either as raw material or in the form of pharmaceutical preparations) totaling nearly 35 MT. The bulk of the seizures of ephedrine as raw material was reported by China (31.5 MT). China also accounted for nearly the entire amount of reported seizures of ephedrine in the form of pharmaceutical preparations (3.2 MT). Also in 2014, 16 countries reported seizing shipments of pseudoephedrine, including 350 kg of pseudoephedrine as raw material and 1.3 MT of pseudoephedrine in the form of pharmaceutical preparations.

Since the passage of the 2006 CND resolution sponsored by the United States, and as of November 2015, 157 of the 183 signatories to the 1988 UN Drug Convention had reported import requirements to the INCB for the bulk chemicals ephedrine and pseudoephedrine. Despite all governments not having provided the annual legitimate requirements (ALR) estimates for both substances, 149 countries provided estimates for ephedrine raw material, and 142 countries provided estimates for pseudoephedrine raw material (refer to ALR table below). This also includes “zero” estimates. 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 that 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. 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.



Thus far, the economic analysis required by the CMEA remains challenging because of insufficient, unreliable, and changing data. Often the collection and reporting of such data requires a regulatory infrastructure that is beyond the means of some governments. 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 to secure explanations for anomalies between reported imports and reported licit domestic requirements, and to follow the development of other chemicals used in the production of methamphetamine. The United States also will seek ways to assist developing countries obtain the expertise and technical capacities necessary to produce such commercial estimates.

This report provides export and import figures for both ephedrine and pseudoephedrine for calendar years 2012-2014. 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 major producers will not release this proprietary data.

<b>Top Five Exporting Countries and the United States Ephedrine and Its Salts 2012-2014</b>				
<b>Reporting Country</b>	<b>Unit</b>	<b>Quantities</b>		
		<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>India</b>	<b>KG</b>	<b>49,231</b>	<b>58,829</b>	<b>84,600</b>
<b>Germany</b>	<b>KG</b>	<b>82,300</b>	<b>91,900</b>	<b>40,200</b>
<b>Singapore</b>	<b>KG</b>	<b>10,295</b>	<b>31,150</b>	<b>10,325</b>
<b>United Kingdom</b>	<b>KG</b>	<b>3,000</b>	<b>1,200</b>	<b>3,900</b>
<b>Taiwan</b>	<b>KG</b>	<b>1,500</b>	<b>1,700</b>	<b>2,151</b>
<b>Top Five Total</b>		<b>146,326</b>	<b>184,779</b>	<b>141,176</b>
<b>United States</b>	<b>KG</b>	<b>171</b>	<b>265</b>	<b>11,208</b>

**Analysis of Export Data:** The top-five exporters of ephedrine in 2014 were India, Germany, Singapore, the UK, and Taiwan. According to the GTA database, ephedrine exports decreased 17.8 percent in 2014, due to a decrease in exports from Germany and Singapore. Germany's exports decreased to 40,200 kg in 2014 from 91,900 kg in 2013, making it the second global exporter of ephedrine. Following modest increases between 2012 and 2013, India's exports increased by 43.8 percent between 2013 and 2014. India is now the world's top exporter of ephedrine. Singapore continues as the third leading exporter, although it had a 66.8 percent drop

between 2013 and 2014. The Government of Singapore advised that the correct amount of ephedrine exports in 2013 was 11,337 kg, and not 31,150 kg as reported by the GTA database. The United Kingdom is the fourth leading exporter, with an increase from 1,200 kg in 2013 to 3,900 kg in 2014. Taiwan also increased its ephedrine exports from 1,700 kg in 2013, to 2,151 kg in 2014. The top-five countries in 2013 included: Germany, India, Singapore, Denmark, and China.

The aggregated amount of ephedrine exported by the top-five countries in 2014 was 141,176 kg. This was a decrease of 23.6 percent compared to 2014, and 3.5 percent compared to 2013. According to the GTA database, U.S. exports increased substantially from 265 kg in 2013 to 11,208 kg in 2014; a 97.6 percent increase. As a result, the United States moved from tenth place to third place on the overall exporting list. Despite the fact that the GTA reported a substantial ephedrine increase in U.S. exports, the DEA advises that the numbers of U.S. ephedrine exports reported to the INCB were 5 kg in 2012, 2 kg in 2013, and 1 kg in 2014. Based on those numbers, the United States did not increase its ephedrine exports, but rather decreased them by 70 percent in 2012, 99.2 percent in 2013, and 99.99 percent in 2014. This would have ranked the United States at 15<sup>th</sup> place in 2012, 14<sup>th</sup> place in 2013, and 15<sup>th</sup> place again in 2014 in the overall list of top exporters.

<b>Top Five Exporting Countries and the United States Pseudoephedrine and Its Salts 2012-2014</b>				
<b>Reporting Country</b>	<b>Unit</b>	<b>Quantities</b>		
		<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>India</b>	<b>KG</b>	<b>409,736</b>	<b>440,132</b>	<b>356,074</b>
<b>Germany</b>	<b>KG</b>	<b>308,000</b>	<b>389,100</b>	<b>313,500</b>
<b>United Kingdom</b>	<b>KG</b>	<b>2,800</b>	<b>51,500</b>	<b>312,200</b>
<b>Taiwan</b>	<b>KG</b>	<b>77,924</b>	<b>88,604</b>	<b>66,275</b>
<b>China</b>	<b>KG</b>	<b>67,309</b>	<b>90,650</b>	<b>65,678</b>
<b>Top Five Total</b>		<b>865,769</b>	<b>1,059,986</b>	<b>1,113,727</b>
<b>United States*</b>	<b>KG</b>	<b>11,809</b>	<b>6,597</b>	<b>1,819</b>

**Analysis of Export Data:** According to the GTA database, the aggregated volume of worldwide exports for the top-five exporters increased from 1,059,247 kg in 2013 to 1,113,727 kg in 2014; a 4.9 percent increase. The top-five exporters of pseudoephedrine in 2014 were India, Germany, the UK, Taiwan, and China. In 2013, the top-five were India, Germany, Singapore, China, and Taiwan. Except for the UK, all top-five exporters decreased their pseudoephedrine exports in 2014. India and Germany's exports decreased 19 percent and 19.4 percent respectively. The UK's exports increased from 51,500 kg in 2013 to 312,200 kg in 2014. Since 2014, the UK started classifying preparations containing pseudoephedrine and ephedrine as Category 4 precursor chemicals, which requires a PEN notification. This requirement could be the reason for a significant increase in pseudoephedrine exports. Taiwan has also decreased

its exports from 88,604 kg in 2013 to 66,275 kg in 2014. China has also substantially decreased its exports from 90,650 kg in 2013 to 65,678 kg in 2014; a 27.5 percent decrease.

According to the GTA database, the United States continues to substantially decrease its pseudoephedrine exports from 6,597 kg in 2013 to 1,819 kg in 2014; a 72.4 percent drop. The U.S. is now ranked tenth in the overall pseudoephedrine worldwide exporting list. However, the DEA advises that the numbers of U.S. exports reported to the INCB were 31,431 kg in 2012, 20,882 kg in 2013, and 17,683 kg in 2014. Based on those numbers, the United States did not decrease its pseudoephedrine exports, but rather increased them by 62.4 percent in 2012, 68.4 percent in 2013, and 89.7 percent in 2014. The numbers the U.S. reported to the INCB would have ranked the country at 7<sup>th</sup> place in 2012, 8<sup>th</sup> place in 2013, and 8<sup>th</sup> place again in 2014 in the overall list of top exporters.

<b>Top Five Importing Countries and the United States Ephedrine and Its Salts 2012-2014</b>				
<b>Reporting Country</b>	<b>Unit</b>	<b>Quantities</b>		
		<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>India</b>	<b>KG</b>	<b>44,019</b>	<b>82,283</b>	<b>24,422</b>
<b>Egypt</b>	<b>KG</b>	<b>3,694</b>	<b>6,057</b>	<b>21,843</b>
<b>South Korea</b>	<b>KG</b>	<b>28,150</b>	<b>22,811</b>	<b>21,250</b>
<b>Indonesia</b>	<b>KG</b>	<b>9,279</b>	<b>12,612</b>	<b>10,502</b>
<b>Singapore</b>	<b>KG</b>	<b>11,704</b>	<b>11,512</b>	<b>9,606</b>
<b>Top Five Total</b>		<b>96,846</b>	<b>135,275</b>	<b>87,623</b>
<b>United States</b>	<b>KG</b>	<b>11,731</b>	<b>15,972</b>	<b>18,119</b>

**Analysis of Import Data:** According to the GTA database, the top-five ephedrine importers in 2014 were India, Egypt, South Korea, Indonesia, and Singapore. India's imports dropped significantly; going from 82,283 kg in 2013 to 24,422 in 2014. India, South Korea, Indonesia, Singapore, and Egypt were the top-five ephedrine importers in 2013. Egypt's ephedrine imports went from 6,057 kg in 2013 to 21,843 kg in 2014; a 72.2 percent increase. The reason for the increase is unknown.

According to the GTA database, U.S. ephedrine imports continue to increase from 11,731 kg in 2012 to 15,972 kg in 2013, and to 18,119 kg in 2014. However, the DEA advises that the numbers of U.S. imports reported to the INCB were 4,180 kg in 2012, 2,299 kg in 2013, and 2,520 kg in 2014. Based on those numbers, the United States would have not increased its ephedrine imports, but rather decreased them by 64.3 percent in 2012, 85.6 percent in 2013, and 86.1 percent in 2014. It would have ranked 8<sup>th</sup> in 2012, 14<sup>th</sup> in 2013, and 14<sup>th</sup> again in 2014 in the overall list of top importers.

<b>Top Five Importing Countries and the United States Pseudoephedrine and Its Salts 2012-2014</b>				
<b>Reporting Country</b>	<b>Unit</b>	<b>Quantities</b>		
		<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Switzerland</b>	<b>KG</b>	<b>60,056</b>	<b>93,322</b>	<b>71,275</b>
<b>Turkey</b>	<b>KG</b>	<b>30,269</b>	<b>38,226</b>	<b>47,264</b>
<b>Egypt</b>	<b>KG</b>	<b>42,290</b>	<b>39,679</b>	<b>37,419</b>
<b>Singapore</b>	<b>KG</b>	<b>49,624</b>	<b>61,671</b>	<b>36,293</b>
<b>South Korea</b>	<b>KG</b>	<b>38,975</b>	<b>41,951</b>	<b>35,302</b>
<b>Top Five Total</b>		<b>219,649</b>	<b>294,077</b>	<b>227,553</b>
<b>United States</b>	<b>KG</b>	<b>185,306</b>	<b>166,424</b>	<b>175,859</b>

**Analysis of Import Data:** The quantity of pseudoephedrine imported by the top-five pseudoephedrine importers decreased in 2014. The aggregated amount of pseudoephedrine imported by the top-five countries in 2014 was 227,553 kg; a 22.6 percent decrease compared to 2013. The new rank of top pseudoephedrine importers in 2014 includes Switzerland, Turkey, Egypt, Singapore, and South Korea. Except for Turkey, all other top-five importing countries decreased their pseudoephedrine imports. The 2013 list included Switzerland, Singapore, Indonesia, South Korea, and the UK.

According to the GTA database, the United States remained the top importer of pseudoephedrine, with imports of 175,859 kg in 2014; a 5.3% increase compared to the previous year. It should be noted, however, that the United States no longer manufactures pseudoephedrine. Nonetheless, the DEA advises that U.S. imports reported to the INCB were 168,759 kg in 2012, 157,908 kg in 2013, and 158,647 kg in 2014. Based on these numbers, the United States would have imported 8.9 percent in 2012, 5.1 percent in 2013, and 9.7 percent in 2014, less than was reported by the GTA database, but the U.S. would still remain the top pseudoephedrine importer.

## 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:**  
**21 December 2015**

<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<sup>a</sup></i>	<i>P-2-P<sup>b</sup></i>
Afghanistan	0	50	0	3 000	0	0
Albania	6	0	4	0	0	0
Algeria	20		17 000		0	1
Argentina	16	0	12 000	125	0	0
Armenia	0	0	0	0	0	0
<i>Ascension Island</i>	0	0	0	0	0	0
Australia	2	11	5 500	1650	0	0
Austria	122	200	1	1	0	1
Azerbaijan	20		10		0	0
Bahrain	0	0			0	
Bangladesh	200		49 021		0	0
Barbados	200		200	58	0 <sup>i</sup>	
Belarus	0	2	25	20	0	0
Belgium	300	200	9 000	8 000	5	5
Belize			P	P	0 <sup>i</sup>	
Benin	2	2	8	35	0 <sup>i</sup>	
Bhutan	0	0	0	0	0	0
Bolivia	25	1	702	1340	0	0
Bosnia and Herzegovina	25	1	1 502	1225	1	1
Botswana	300				0 <sup>i</sup>	
Brazil	900 <sup>c</sup>		22 000 <sup>c</sup>		0	0
Brunei Darussalam	0	5	0	320	0	0
Bulgaria	200	296	25	0	0	0
Cambodia	200	50	300	900	0 <sup>i</sup>	
Cameroon	25			1	0 <sup>i</sup>	
Canada	1 330	5	16 000		0	1
Chile	90	0	8 364	82	0	0

China	60 000		200 000		0 <sup>i</sup>	
<i>Hong Kong SAR</i>						
<i>of China</i>	3 050	0	8 255	0	0	0
<i>Macao SAR of</i>						
<i>China</i>	1	10	1	159	0	0
<i>Christmas Island</i>	0	0	0	1	0	0
<i>Cocos (Keeling)</i>						
<i>Islands</i>	0	0	0	0	0	0
Colombia	0 <sup>d</sup>	2 <sup>e</sup>	2912 <sup>d</sup>	P	0	0
Cook Islands	0	0	0	1	0	0
Costa Rica	0	0	676	29	0	0
Cote d'Ivoire	30	1	25	500	0	0
Croatia	30	0	0	0	0	0
Cuba	200			6	0 <sup>i</sup>	
<i>Curacao</i>	0		0		0	0
Cyprus	10	5	500	270	0	0
Czech Republic	26	4	750	390	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 <sup>i</sup>	
Denmark					0	0
Dominican Republic	75	4	300	175	0	0
Ecuador	10	6	600	2 500	0	0
Egypt	4 500	0	55 000	2 500	0	0
El Salvador	P(6) <sup>f</sup>	P(10) <sup>f</sup>	P	P	0	0
Eritrea	0	0	0	0	0	0
Estonia	5	5	0	500	0	0
<i>Faroe Islands</i>	0	0	0	0	0	0
<i>Falkland Islands</i>						
<i>(Malvinas)</i>		1		1	0 <sup>i</sup>	
Finland	4	60	1	650	0 <sup>i</sup>	1
France	3 500	10	20 000	500	0	0
Gambia	0	0	0	0	0	0
Georgia	5	25	2	15	0	0
Germany	1 000		7 000		1	8
Ghana	4 500	300	3 000	200	0	0
Greece	100		3 000		0	0
<i>Greenland</i>	0	0	0	0	0	0
Guatemala	0		P	P	0	0
Guinea	36				0 <sup>i</sup>	

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) <sup>e</sup>	P	P	0	0
						80
Hungary	650		1		0	0
Iceland	0	0	0	0	0	0
India	2 200	112 729	333 585	1 092	0	0
Indonesia	10 500	0	52 000	6 200	0	0
Iran (Islamic Republic of)	2	1	17 000	1	1	1
						P
Iraq	3 000	100	14 000	10 000	0	h
Ireland	1	3	1	1145	0	0
Israel	25	5	2913	80	0 <sup>i</sup>	
						25
Italy	1 000	0	26 000	18 000	0	0
Jamaica	50	150	300	300	0	0
Japan	1 000		12 000		0 <sup>i</sup>	
Jordan	150		10 600		0 <sup>i</sup>	P
Kazakhstan	0		0		0	0
Kenya	2 500		3 000		0 <sup>i</sup>	
Kyrgyzstan	0	0	0	100	0	0
Lao People's Democratic Republic	0	0	1 000	130	0	0
Latvia	20	27	65	350	0	0
Lebanon	26	5	240	700	0	0
Lithuania	1	1	1	650	1	1
Luxembourg	1	0	0	0	0	0
Madagascar	150	2	0	178	0	0
Malawi	1 000				0 <sup>i</sup>	
Malaysia	20	15	4536	3169	0	0
Maldives	0	0	0	0	0	0
Malta		220	220	220	0	0
Mauritius	0	0	0	0	0	0
Mexico	P(500) <sup>f</sup>	P <sup>f</sup>	P	P	0	0
Monaco	0	0	0	0	0	0
Mongolia	3				0 <sup>i</sup>	
Montenegro	0	1	0	100	0	0
<i>Montserrat</i>	0	1	0	1	0	0
Morocco	41	14	2 642	0	0	0

Mozambique	3				0 i	
Myanmar	2	11	0	0	0	0
Namibia	0	0	0	0	0	0
Nepal		1	5 000		0 i	
Netherlands	200	1 107		43 259	0	0
New Zealand	50	0	800		0	3
Nicaragua	Pg	Pg	P	P	0	0
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	12 000		48 000	500	0 i	
Panama	6	6	400	500	0	
Papua New Guinea	1		200		0	0
Paraguay	0	0	2 500	0	0	0
Peru	54		2 524	1 078	0 i	
Philippines	72	0	149	0	0	0
Poland	160	0	5 170	0	1	4
Portugal			15		0 i	
Qatar	0	0	0	80	0	0
Republic of Korea	22 650		44 100		1	1
Republic of Moldova	0	0	0	600	0	0
Romania	197		10 906		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	0	20 000	0	0	0
Senegal	82	0	0	304	0	0
Serbia	25	0	1 265	0	0	1
Singapore	10 565	5	35 000	1 700	1	1
Slovakia	4	6	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
						11
Spain	205		4956		0	1
Sri Lanka		0		0	0	0
Sweden	193	165	1	1	1	13



						50
Switzerland	3 100		85 000		1	0
Syrian Arab Republic	1 000		50 000		0 <sup>i</sup>	
Tajikistan	38				0 <sup>i</sup>	
Thailand	53	0	1	0	0 <sup>i</sup>	0
Trinidad and Tobago					0 <sup>i</sup>	0
<i>Tristan da Cunha</i>	0	0	0	0	0	0
Tunisia	1	18	4 000	0	0	30
Turkey	250	0	22 000	4 000	0	0
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	1 500	2 000	100	0 <sup>i</sup>	
						34
United States of America	5 000		224 507		0	37
Uruguay	0	0	1	0	0	5
Uzbekistan	0	0	0		0	0
Venezuela (Bolivarian Rep. of)	60	1 000	3 060	2 000	0	0
Yemen	75	75	3000	2000	0 <sup>i</sup>	
Zambia	50	25	50	100	0 <sup>i</sup>	
Zimbabwe	150	150	150	50	0	0

*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.

<sup>a</sup> 3,4-Methylenedioxyphenyl-2-propanone.

- <sup>b</sup> 1-Phenyl-2-propanone.
- <sup>c</sup> Including the licit requirements for pharmaceutical preparations containing the substance.
- <sup>d</sup> 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.
- <sup>e</sup> In the form of injectable ephedrine sulfate solution.
- <sup>f</sup> 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.
- <sup>g</sup> 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.
- <sup>h</sup> Includes products containing P-2-P.
- <sup>i</sup> The Board is currently unaware of any legitimate need for the importation of this substance into the country.

## **COUNTRY REPORTS**

# Afghanistan

## A. Introduction

The cultivation, production, trafficking, and consumption of illicit drugs flourish in Afghanistan. A symbiotic relationship exists between the insurgency and organized narcotics trafficking. Traffickers provide weapons, funding, and other material support to the insurgency in exchange for the protection of drug trade routes, cultivation fields, laboratories, and trafficking organizations. According to credible media reports, the Taliban generates revenue by taxing drugs trafficked through areas they control. Some insurgent commanders reportedly traffic drugs themselves to finance their operations. Nevertheless, drug trafficking is not limited to insurgent-controlled areas, and the narcotics trade undermines governance and rule of law throughout the country. 2015 saw a resurgence of the security challenges seen in earlier periods of the insurgency, and the intensity of active battles undermined progress toward the Afghan government's drug control goals.

## 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 internal 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 on issues related to the drug trade. The MCN's ability to enlist other ministries in support of drug control efforts is largely dependent on top-level Afghan government support, which has been inconsistent. The National Unity Government (NUG), inaugurated in September 2014, pledged as part of its reform agenda "to intensify efforts to control narcotic production and sale." Implementation of this commitment remains unfulfilled. In a positive development, on October 14, 2015, President Ashraf Ghani signed the National Drug Action Plan, committing the NUG to implementing a comprehensive and sustainable approach to countering drug cultivation, production, and trafficking. It is too early to evaluate the impact of this nascent plan.

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, 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. During the first nine months of 2015, CNJC prosecutors processed 469 cases involving 631 suspects, and more than 30.46 metric tons (MT) of opiates, 2.61 MT of solid chemical precursors, and 4,002 liters of liquid precursors. Afghan officials also reportedly destroyed 13 drug-processing laboratories and confiscated 507 different types of weapons and

658 vehicles. The CNJC was on track in late 2015 to match or exceed its 2014 success in prosecuting 775 suspects.

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.

## **2. Supply Reduction**

The MCN-run, U.S.-funded Governor-Led Eradication program reimburses governors for expenses associated with poppy eradication, which is verified by the UN Office on Drugs and Crime (UNODC) and the MCN. According to UNODC and the MCN, 183,000 hectares (ha) of opium poppy were cultivated in Afghanistan in 2015, a 19 percent decline from 2014. UNODC and the MCN estimate that Afghan poppy crops in 2015 yielded 3,300 MT of opium, down 48 percent from 6,400 MT in 2014. Yields per hectare decreased due to environmental factors. Cultivation remains at historically high levels.

UNODC and the MCN verified that Afghanistan eradicated a total of 3,760 ha of opium poppy fields in 2015. In comparison, they reported the eradication of 2,692 ha in 2014, 7,349 ha in 2013, and 9,669 ha in 2012. The majority of 2015 eradication efforts occurred in two of the largest poppy-growing provinces, Helmand and Badakhshan. In contrast to 2014, Helmand increased its eradication by 120 percent (from 787 ha to 1,747 ha), while Badakhshan's eradication fell by 12 percent (from 1,411 ha to 1,246 ha). The number of provinces with verified eradication efforts in 2015 fell from 17 to 12 provinces (out of 22 provinces with recently recorded poppy cultivation), and the number of provinces considered poppy-free decreased from 15 to 14. The remaining 10 provinces that conducted eradication in 2015 yielded negligible amounts of eradication compared to their recorded levels of poppy cultivation. Compared to the 183,000 ha cultivated in 2015, the 3,760 ha eradicated amounted to eradication of only 2.1 percent of Afghanistan's poppy cultivation.

The MCN implements the U.S.-funded Good Performers Initiative (GPI) to reward provinces that reduce poppy cultivation within their boundaries. 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 United States has put further GPI awards on hold, pending the remediation of vulnerabilities identified by a financial management assessment of the MCN, as required by the U.S. Congress.

Several specialized units within the Counter Narcotics Police of Afghanistan (CNPA), including the Sensitive Investigative Unit (SIU) and the National Interdiction Unit (NIU) which partner with the U.S. Drug Enforcement Administration (DEA), are critical to interdiction efforts. The CNPA was established in 2003 as a specialized element of the Afghan National Police and is responsible for drug-related investigations and seizure operations. The NIU is the CNPA's tactical element and is capable of conducting independent, evidence-based interdiction operations and seizures in high-threat environments. The SIU carries out complex

counternarcotics and anti-money laundering investigations using intelligence developed by the Afghan Judicial Wire Intercept Program (JWIP). In all, SIU processes an average of 45,000 pertinent calls quarterly through the JWIP, which generates evidence admissible in courts of law in Afghanistan and elsewhere. During the first nine months of 2015, the NIU and SIU conducted 267 operations. Along with line CNPA provincial units and other Afghan drug enforcement elements, the NIU and SIU seized approximately 2.34 MT of heroin and 16.19 MT of opium during the first nine months of 2015.

### **3. Public Information, Prevention, and Treatment**

Afghanistan has one of the highest substance abuse rates in the world. The U.S.-funded 2012 National Urban Drug Use Survey and the 2014 National Rural Drug Use Survey conservatively estimated that 2.5 to 3.0 million Afghans use drugs— 11 percent of the population. The Afghan government has acknowledged the growing domestic drug abuse problem, primarily involving opioids. Through the drug demand reduction program, the United States funds 89 inpatient and outpatient drug treatment centers across the country, 13 of which are currently being transitioned to Ministry of Public Health (MoPH) Management. Another 15 centers are scheduled to transition in January 2016, with full transition to MoPH management on track for the end of 2019. The demand for services exceeds the capacity of the centers; most have waiting lists for new patients. The current annual treatment capacity of the drug treatment programs receiving U.S. funding is close to 30,000 persons. The United States is also funding the development of a rural drug treatment program to address the growing problem of drug use in rural areas; studies show that it is far higher than drug use in urban areas.

Through the drug demand reduction program, an anti-drug curriculum was implemented in Afghan schools, which has so far trained over 1,598 teachers and reached over 400,000 students. The United States also funds a Counter Narcotics Community Engagement program (CNCE) that strategically focuses on discouraging poppy cultivation and encouraging licit crop production in targeted communities through community engagement events, such as mobile theater, shuras and sporting events, as well as targeted television, radio, and billboard messaging. Surveys indicate these campaigns are having a slow but steady effect on attitudes toward opium cultivation and narcotics trafficking.

In 2015, the United States continued supporting the training and credentialing of drug treatment professionals. The United States also supported the development of specialized treatment protocols for children, who are especially vulnerable to high levels of second-hand exposure. A separate treatment protocol for rural Afghan populations was under development at the time of this report.

### **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, widespread and longstanding credible allegations and media reporting suggest 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 arrests and prosecutions. The June 2014 release of U.S.-designated drug kingpin Haji Lal Jan Ishaqzai by the Kandahar Provincial Court – at the request of the detention commander only 17 months after he was given a 15-year sentence for opium trafficking – undermined the credibility of the country's law enforcement and anticorruption commitments. Nonetheless, the CJTF continues to investigate and prosecute those who facilitate drug trafficking, including public officials. In September 2015, General Abdul Samad Habib of the Afghanistan National Army was convicted of narcotics trafficking offenses involving approximately 19 kg of morphine. The CNJC primary court sentenced him to 18 years in prison, which included a four-year sentence enhancement for misusing his trusted public position. In May 2015, Abdul Nasir, Director of the Nangarhar Power Company, was convicted and sentenced by the CNJC primary court to 17 years in prison for possessing approximately 20 kg of heroin. During the first nine months of 2015, the CJTF primary court prosecuted 34 public officials.

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

On October 14, President Ghani approved the new Afghan National Drug Action Plan (NDAP). The NDAP highlights the actions necessary to counter the cultivation, production, trafficking, and use of narcotics, the timeframe, goals, and metrics to evaluate progress, and the ways in which the international community can support the plan. By targeting all facets of the drug trade and by including both incentives, such as alternative development, and deterrents, such as eradication, interdiction, and prosecution, this plan could be effective in the long term if effectively implemented. The NDAP lays out three interrelated goals that the Afghan government will pursue in partnership with the international community: decrease the cultivation of opium poppy; decrease the production and trafficking of opiates; and reduce the demand for illicit drugs in Afghanistan by increasing the availability of treatment for users.

The U.S. government maintains a counternarcotics strategy for Afghanistan that supports the priorities of disrupting the drug trade; developing licit alternative livelihoods; strengthening law enforcement and eradication; reducing the demand for drugs; and building the capacity of the government's counternarcotics institutions. The strategy is formulated to help restore Afghanistan's agriculture economy, build the Afghan government's institutional counternarcotics and justice capacity, and disrupt the nexus between drugs, insurgents, and organized criminal syndicates. 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.

In 2012, the United States signed agreements with the Afghan government for a Kandahar Food Zone (KFZ) program, led by the MCN, that integrates elements of alternative development, law enforcement and eradication, public information and drug treatment. The program has been extended through August 2016 with a budget of \$27,659,804 (USAID) to address the drivers of poppy cultivation in Kandahar Province through activities that improve community infrastructure, strengthen alternative livelihoods, and support small businesses.

During the first two years, KFZ rehabilitated twelve irrigation canals (totaling approximately 105 miles), which provide water to more than 19,000 ha of farmland in the two target districts of Zhari and Panjwayi. In addition, KFZ completed 33 alternative livelihood activities in seven districts with a total number of 777 beneficiaries, including 47 greenhouses. KFZ also conducted 22 training workshops and trained 358 government officials. The MCN has also established a coordination mechanism to integrate alternative livelihoods activities with U.S.-funded counternarcotics public information, drug demand reduction, and governor led eradication programs.

#### **D. Conclusion**

Opium poppy cultivation, production, and the trade and use of narcotics continue to undermine public health, good governance, and economic growth in Afghanistan, while fueling corruption, providing funds for insurgents, and eroding security. While the Afghan government is steadily developing the capacity to reduce the supply and domestic demand for narcotics, this must be accompanied by the willingness of Afghan officials to use that capacity. Demonstration of this will is a key component of a meaningful, sustainable strategy to reduce the cultivation, trafficking, and abuse of narcotics.



## Albania

Albania remains a major source country for marijuana, as well as a transit route for shipment of cocaine and heroin destined for European markets. Albanian authorities recorded an impressive string of arrests and seizures against drug production and trafficking networks operating in the country in 2015, continuing a trend that began in 2014. This success can be attributed to continuing regional cooperation with Italian Police surveillance units and greater commitment by political and police leadership to prioritize counter-drug enforcement. 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), through the first 10 months of 2015, the volume of marijuana seizures totaled 6.87 metric tons. An ongoing nationwide eradication effort also destroyed 689,815 marijuana plants on 44 hectares of land as identified by Italian surveillance overflights. The ASP also seized 55.3 kilograms (kg) of heroin and 26.4 kg of cocaine.

The ASP, including border police, arrested 827 people for offenses linked to drug trafficking over the first 10 months of the year. Through September, the Serious Crimes Prosecution Office (SCPO) investigated 188 criminal proceedings for narcotics trafficking. Of this total, 105 were cases carried over from previous years, with 81 cases registered for the first time in 2015. The SCPO sent 40 cases to court, and the Serious Crimes Court rendered 68 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 counternarcotics 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 with a focus on maritime border control, counternarcotics 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-awareness and demand reduction project in 300 public elementary schools, reaching over 30,000 students.

## Armenia

Armenia is not a major drug producing country, and domestic abuse of 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 make 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.

International liaison visits were greatly expanded in 2015 as the first-ever Armenian contingent attended the International Drug Enforcement Conference in June, held in Cartagena, Colombia. In May, two representatives from the Republic of Armenia Police (RAP) and two from the National Security Service (NSS) attended a Middle East/Caucasus Multilateral Exchange meeting outside Tbilisi, Georgia, led by the United States. The meeting brought U.S. and counterpart narcotics investigators together to discuss major transnational cases and provided an opportunity for front-line investigators and supervisors to listen to and brief on relevant regional trafficking trends. Armenia also participated in the Collective Security Treaty Organization's Coordination Council to discuss counter-drug strategies with regional partners in October.

In January and February, the United States and NSS coordinated on three cocaine seizures totaling 10 kilograms (kg) at the Yerevan Zvartnots International Airport, and on November 12, Armenian authorities arrested a courier carrying 13kg at the airport, the largest-ever seizure of cocaine in Armenia. The United States facilitated investigative data sharing between Armenian counterparts and 11 different nations in 2015.

The Armenian Police Main Department of Combating Organized Crime reports drug-related crimes were up by six percent over the first nine months when compared to the same period in 2014. Total drug seizures over this period (32.2 kg) were up slightly from the same period in 2014 (24.1 kg) when discounting a record 850 kg heroin shipment seized in January of 2014. By volume, cannabis (10.1 kg) and cocaine (10.1 kg) were the most prevalent drugs interdicted, with seizures of each drug more than doubling from 2014. Most drugs are smuggled in trucks driven across the Iranian border crossing at Meghri.

U.S.-sponsored training included a one-week Narcotics Investigators Course held in Yerevan and a bilateral, one-week Anti-Money Laundering Course in Tbilisi. Law enforcement coordination between U.S. authorities and their RAP and NSS counterparts on drug cases has progressed considerably over the past two years, evolving from what was once simple post-seizure/post-arrest sharing of information to proactive collaboration on joint investigations and has led to historic seizures of methamphetamine, cocaine and heroin within Armenia over the past two years.

## Azerbaijan

Azerbaijan remains a transit country for illicit narcotics given its location along major drug trafficking routes from Afghanistan and Iran to Europe and Russia. The country is increasingly favored as a transit route for drugs over neighbors such as Turkey, which has strengthened its border controls in recent years. Azerbaijan's Ministry of Internal Affairs estimated in 2014 that between 5.8 and seven metric tons (MT) of illegal drugs transit Azerbaijan annually, much of it through the country's southern border with Iran. The Ministry of Internal Affairs also reported in 2014 that it intercepts approximately 10-12 percent of all narcotics transiting the country. As a result of the long-standing dispute with Armenia and the continued occupation by Armenian-backed forces of Nagorno-Karabakh and Azerbaijani territories, the Government of Azerbaijan has continued to express its concern over its inability to secure international borders in the occupied territories and Nagorno-Karabakh.

Drug seizures and arrest statistics for the first six months of 2015 suggest similar trends from previous years. Over this six-month period, the Ministry of Internal Affairs reported investigations of 1807 drug related criminal acts, including 478 drug sales committed by 22 criminal groups consisting of 77 persons. This resulted in over 1250 drug related convictions. Of these convictions, 1115 defendants (88.7 percent) were unemployed and not enrolled in any educational institution. Recidivists accounted for 466 (37.1 percent) convictions, and only 15 convictions (1.2 percent) involved women.

Azerbaijani media reported two large-scale marijuana seizures in early 2015. Over 1.45 MT of marijuana were seized in the Dashkesan region and over 3.6 MT of marijuana in the Goranboy region. Comprehensive seizure statistics for 2015 were not available at the time of this report.

As officially reported, 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 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 2015 resulted in the seizure of cocaine and marijuana as well as the destruction of marijuana plants on multiple sparsely-populated islands, an indicator suggesting that marijuana cultivation in the Bahamas may be on the rise.

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 drug control 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 2015. During the year, the Ministry of Legal Affairs increased the number of criminal courts from six to 10 to increase capacity, launched an integrated justice project to resolve calendaring conflicts, and formed a public defender unit to

minimize delays caused by unrepresented defendants. 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. and Bahamian governments 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.

## **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 training 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 2015, OPBAT operations in the Bahamas led to 76 arrests and the seizure of 637 kilograms of cocaine, 26.6 metric tons (MT) of marijuana, and \$139,835 in currency. This represented a significant decrease in seized cocaine and marijuana compared to 2014, when 1.59 MT and 746.8 MT were seized respectively. In addition, the quantity of narcotics seized per interdiction trended lower in 2015. This indicates that traffickers either suffered from limited supply as a result of sustained law enforcement pressure in source countries, or elected to limit loads to prevent interdiction losses due to OPBAT's demonstrated interdiction capability. OPBAT also identified and eradicated 17,270 marijuana plants on multiple sparsely-populated islands—an indication that marijuana cultivation may be on the rise. Despite the decreased volume of seized narcotics, U.S. and local law enforcement investigations indicate that illicit trafficking through the Bahamas remains high.

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 transits these areas. Larger “go-fast” and sport fishing vessels transport marijuana from Jamaica both to the Bahamas and through the Bahamas into Florida. Haitian and Haitian-Bahamian drug trafficking organizations, networked between Haiti and the significant Haitian diaspora in the Bahamas, continue to play a role in the movement of cocaine. To better investigate these organizations, the United States provided RBPF drug enforcement officers five months of Creole language training from March through July.

Investigations also 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. From September 20 to 25, the U.S. Drug Enforcement Administration (DEA) conducted polygraph examinations of 32 Turks and Caicos police officers in order to help form Turks and Caicos Islands’ first vetted narcotics unit. This was a welcome first step in developing a closer DEA and Turks and Caicos partnership to identify narcotics traffickers.

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 utilize airdrops and remote airfields to deliver 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, steroids, 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 flights between Nassau and Panama. The four flights a week 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 six offshore patrol vessels, 11 coastal patrol vessels, and various small boats which conduct regular patrols.

### **3. Public Information, Prevention, 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. With U.S. support, the government is partnering with the Organization of American States to conduct a comprehensive drug use survey, which will provide additional data in 2016.

The government's anti-drug strategy employs a multi-tiered approach, incorporating civil society organizations that work with youth, substance abusers, and former 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, mentor, and certify 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 2015, the Bahamas continued 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 of the Bahamas 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. No charges of drug-related corruption were filed against government officials in 2015.

#### **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 nations of the Caribbean 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. maritime exercises and 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. Additionally, the United States provides equipment and training to the RBDF to enhance maritime domain awareness and command and control. 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. Subject matter expert exchanges also occur in conjunction with USCG cutter visits to the Bahamas.

The United States has delivered training, technical assistance, and equipment needed by Bahamian government counterparts to combat transnational organized crime networks and

improve citizen security in The Bahamas. For example, the United States provided the RBPF a new 41-foot interceptor vessel in March to increase maritime capabilities in and around Nassau. The boat participated in multiple successful interdiction operations during the year. In addition, the United States organized and led a gang investigation and prosecution workshop for more than 40 public prosecutors, police investigators, and corrections officers in August. The workshop provided justice sector professionals best practices in intelligence gathering, evidence analysis, and use of informants. Participants also received a variety of materials including statutes, indictments, plea agreements, intelligence gathering instruments, and case management tools. 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 National Security, 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. 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. Belize is susceptible to the transshipment of illegal drugs due to its position along the Central American isthmus between the United States and drug producing 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 transferring 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 drug routes are predominately maritime and via air. Due to Belize's unique geography, maritime craft are able to avoid law enforcement detection by moving at night and using the hundreds of cays (islands) to conceal their movement. Drugs are moved in vessels ranging from container ships to more common small "go-fasts" vessels, which can utilize their small profile, and powerful motors to evade law enforcement. Alternately, drug trafficking organizations use air routes over Belize to smuggle narcotics. The remote and sparsely populated terrain of Belize is well suited for undetectable airstrips on which planes can quickly land and refuel to continue their flight to countries north or south. Belize has no air defense systems and limited capability to monitor aircraft at night.

Despite enhanced efforts to monitor coastal waters, limited funds, equipment, and personnel hamper the Belizean Coast Guard (BCG) and the Anti-Narcotics Unit (ANU). The ANU was upgraded to a U.S.-vetted unit in 2014 with additional support and a full-time DEA advisor. Belize's counternarcotic efforts are adversely affected by corruption, deficiencies in intelligence gathering and analysis, an ineffective judicial sector, and a lack of political will by some senior officials.

According to Belizean authorities, marijuana is the most prevalent illegal drug used in Belize and consumption appears high. While Belize generally tolerates the use of cannabis, it remains a crime to use, cultivate, or sell it.

### B. Drug Control Accomplishment, Policies, and Trends

#### 1. Institutional Development

The Government of Belize has implemented some successful initiatives to enhance citizen security, including many supported by U.S. funding. In 2015, these included steps to improve precinct-level policing in Belize City, modernize police department technology, and institute the COMPSTAT crime-tracking system in Belize City to better allocate police resources to high-crime areas. The Belize Police Department (BPD) established a crime analysis unit and continued a vigorous K-9 program. The BPD continued implementing community policing

programs throughout the country, and provided strong support to neighborhood watch programs. The United States supported ongoing reforms in the Belize Police Academy, as well as the establishment of a pilot Field Training Officer Program in 2015.

According to annual government statistics major crimes have been falling for the past 15 years – from 4,392 in 2000 to 2,419 in 2014, a drop of 45 percent. The number of murders has fluctuated over the past few years, but decreased over the first half of 2015 from the previous year.

Beginning in 2012, the United States has assisted the Government of Belize in establishing a Mobile Interdiction Team (MIT), which includes members of the Belize Immigration and Nationality Departments and the BPD. A second team was added in 2014, and 19 additional officers were added in 2015 to expand the MIT to 34 officers in total. The teams' mission is to interdict narcotics and other illegal materials that are being transported around ports of entry. The MIT targets roads, highways, and clandestine border crossing areas throughout the border regions.

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 United States has provided training, boats and equipment to the BCG to assist its interdiction activities.

## **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. Belizean and U.S. authorities have identified Belize coastal areas as rich targets for drug traffickers pushing north from South America. Belizean security organizations have had minimal success in limiting this criminal activity. The BCG continues to receive U.S. assistance, but is unable to routinely utilize its assets due to insufficient resources for fuel and maintenance.

Through the first 10 months of 2015, Belizean authorities eradicated 50,897 cannabis plants (down from 53,399 through the same period in 2014) and seized slightly over 26 kilograms (kg) of heroin. Authorities also seized 2.8 kg of cocaine and a trace amount of methamphetamine. In October 2015, Belizean authorities organized and led a successful marijuana eradication mission with U.S. assistance, including helicopter transport provided by the U.S. Southern Command. .

## **3. Public Information, Prevention, 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 has 21 employees and a government budget of approximately \$417,743 for the 2015 and 2016 fiscal years, plus an additional \$33,300 from outside sources. This is an increase of approximately nine percent from the previous biennial period. The NDACC supports special projects such as a training and certification program for personnel specializing in drug and violence prevention, treatment, and rehabilitation. NDACC staff reportedly visited 379

classrooms countrywide and taught prevention education classes to 12,746 students. They assisted 18 high schools in hosting drug week activities, as well as 116 community empowerment activities nationwide.

According to the NDACC, marijuana is the most widely used illicit drug in Belize, followed by “crack” cocaine. The NDACC also reported a gradual increase in the prevalence of stimulants and inhalants in 2014, though methamphetamine and pharmaceutical drug abuse appears virtually non-existent. The NDACC has reported an increase in the number of clients approaching their office for assistance and referrals for drug treatment. Eleven drug educators and six outreach case workers work for the NDACC countrywide, conducting demand-reduction education programs in schools as well as public education campaigns during community activities.

The Organization of American States has signed a memorandum of understanding to fund a drug treatment court in Belize. The steering committee is led by Chief Justice Benjamin. Supporting legislation and regulations were still pending at the close of 2015, but the Chief Magistrate launched a pilot-project drug treatment court out of the Belize City Magistrates Court while appropriate policies are drafted and approved. For the first time in Belizean history, some first offenders are now sentenced for treatment vice incarceration in an effort to address the cause of the criminal behavior.

The Ministry of National Security appointed an eight-member committee in 2015 to explore the possibility of decriminalizing small quantities of marijuana for personal use. Under current law, any amount of marijuana over 60 grams is considered possession and carries a fine of up to \$12,500 and/or up to three years imprisonment. The committee was tasked to explore the possibility of reducing or eliminating punishments for small-scale possession in order to decrease the backlog of cases in the courts and prison. The committee did not recommend legalization or complete decriminalization of marijuana, but it recommended more treatment-oriented sentences, handed down through drug treatment courts.

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

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 a faith-based residential program and has capacity for approximately 30 clients for up to six months stays.

The United States provides assistance to demand reduction efforts throughout Belize. One beneficiary is the Belmopan Active Youth, which received a new grant in 2014 to support efforts in drug prevention, skills training, and employment for at-risk youth. U.S. funding through the

Central America Regional Security Initiative (CARSI) also supports 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, a lack of resources, weak law enforcement institutions, an ineffective judicial system, and inadequate compensation for civil service employees and public safety officials provide a facilitating environment for corruption. Belize 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 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. Through CARSI, the United States works with Belize to disrupt and decrease the flow of narcotics, weapons, and illicit proceeds generated by sales of illegal drugs, and to combat gangs and criminal organizations. The United States provided funding to the International Organization of Migration (IOM) to implement an interconnected Personal Identification and Registration System at all immigration offices, and land, sea and air border posts of Belize. The project strengthened the capacity of immigration services to more efficiently manage the nation's borders. The project included the installation of a computerized information management system designed to detect and register entries and exits throughout the country. With continuing U.S. support, Belizean authorities and the IOM are planning a second phase to focus on passport production and control in 2016.

Other CARSI-funded projects, including the expansion of the MIT, support for justice sector institutions, and the provision of equipment and training to police, have resulted in improvements to law enforcement efforts around the country.

The Government of Belize readily assists in the capture and repatriation of U.S. citizen fugitives. Seven fugitives were repatriated back to the United States via expulsion orders through the first 10 months of 2015, following the expulsion of seven over the course of 2014. Though Belizean authorities readily assists in the capture and repatriation of U.S. citizen fugitives facilitated through provisions of the Belize Immigration Act, extraditions from Belize have yet to be successful and the constitutional legitimacy of the Belize-U.S. extradition treaty is currently being contested in Belizean courts.

#### **D. Conclusion**

Belize faces a challenging battle against the threats of drug trafficking, and continuing efforts are needed to reduce the impact of drug trafficking and crime in the country. The United States will continue to assist Belize by providing additional training and equipment, along with support for

program development. The United States will continue to coordinate assistance with the United Kingdom, which has provided a Crown Prosecutor who serves as a Criminal Justice Advisor to the Government of Belize. 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 will maintain its strong partnership with Belize and assist in its fight against transnational criminal organizations.

## Benin

Benin is a transit country for cocaine, methamphetamine, chemical precursors, and heroin. Cocaine from South America and Southwest Asian heroin via East Africa transit Benin for markets in Western Europe, as well as to supply a small but growing market in Benin. Methamphetamine produced in the West African region transits Benin for markets in Europe and Southeast Asia. Drug traffickers reportedly launder drug proceeds through the purchase and import of used vehicles. Benin is the second-largest recipient of registered commercial freight shipments from India of the prescription drug tramadol, destined for the Sahel, with high levels of local consumption and abuse.

The Government of Benin's Central Office for Repression of Illicit Trafficking of Drugs and Precursors (OCERTID) is the national agency for drug enforcement. During 2015, the OCERTID reported seizing slightly over 3.76 metric tons (MT) of cannabis; 40.4 kilograms (kg) of heroin; 40.6 kg of methamphetamine; 308.2 kg of cocaine; and 111.8 MT of tramadol. The volume of seized cocaine increased from 2014, when OCERTID seized a total of 171 kilograms (kg) of cocaine, including the single largest airport seizure (48 kg) of cocaine in West Africa since early 2013. In 2014, Benin's president issued an order for the destruction of 129 MT of unauthorized tramadol seized at the port in 2012. Also in 2014, Beninese authorities intercepted 43,585 units of tramadol imported without a license. Benin does not have a bilateral extradition treaty or a mutual legal assistance treaty with the United States, though it is party to multilateral conventions that enable such cooperation.

The Government of Benin is reliant on support from the United States and France for drug enforcement activities. Benin has improved counternarcotics cooperation with neighbors through the West Africa Cooperative Security Initiative (WACSI). Benin is working to establish a specialized magistrates' unit to go beyond the basic prosecution of drug couriers in order to investigate and prosecute transnational, complex drug cases. In September 2015, Benin participated in an analytical exchange for members of the Economic Community of West Africa States sponsored by the UN Office on Drugs and Crime (UNODC) that involved intelligence-sharing and produced commitments to work bilaterally and regionally on active cross-border investigations.

Benin's Law on Control of Drugs and Precursors provides penalties of up to 20 years in prison and significant fines for trafficking drugs. The Government of Benin has established an Inter-ministerial Committee for the Control of Drugs and Psychotropic Substances (CILAS) and drafted a National Anti-Drug Policy. In May 2015, UNODC worked with CILAS to conduct a gap analysis on Benin's implementation of the ECOWAS regional action plan to address drug trafficking and organized crime. The Beninese government continues to address drug abuse and trafficking through education and enforcement of anti-drug legislation. The United States supports a UNODC-WHO substance use treatment program that focuses on integrating drug treatment into the public health system through specialized technical assistance.

# Bolivia

## A. Introduction

According to coca cultivation estimates from both the UN Office on Drugs and Crime (UNODC) and the Government of Bolivia, Bolivia is the third largest producer of cocaine in the world and continues to be a significant transit zone for Peruvian cocaine. The United States government estimates coca cultivation increased in Bolivia to 35,000 ha in 2014, a 30 percent increase since 2013. Most Bolivian cocaine is exported to other Latin American countries, especially Brazil, for domestic consumption or for onward transit to West Africa and Europe, rather than to the United States. During 2015, Bolivia signed counternarcotic cooperation agreements with Peru and Paraguay. It previously negotiated agreements with Argentina (2000) and Brazil (1978). The Government of Bolivia and the Government of Chile also maintain bilateral cooperation on counternarcotics, despite their ongoing dispute over Bolivia's access to the sea.

In September 2015, President Obama again determined that Bolivia "failed demonstrably" to adhere to its obligations under international counternarcotics agreements and the U.S. Foreign Assistance Act of 1961, as amended. This Presidential determination was based, in part, on insufficient Bolivian law enforcement efforts to disrupt and dismantle drug trafficking organizations and inadequate Bolivian controls to prevent the diversion of "legal" coca cultivation to illicit cocaine production during the previous year. According to 2014 data from UNODC and the Government of Bolivia, 60 percent of the coca produced in Bolivia is sold through legal markets; the rest is unaccounted for and likely diverted for illicit purposes. In addition, Peruvian officials estimate that 50 percent of all Peruvian cocaine departs to or through Bolivia via aerial transshipment, commonly known as the "air bridge." Bolivia reportedly confiscated 39 aircraft involved in drug trafficking (some from Peru) in 2015, up from 27 reportedly seized in 2014 by the Special Counter-Narcotics Police Force (FELCN), and destroyed 37 clandestine air strips.

President Evo Morales is 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. According to the Government of Bolivia, farmers in the Chapare region (though not the Yungas region) increasingly turned in 2015 to licit crops in place of coca due to new regional export markets that permit the farmers to earn more income than they had with coca.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

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 mandated 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 focused on interdiction and money laundering cases, has

approximately 1,600 personnel and reports to the VMSD. The Joint Eradication Task Force conducts manual coca eradication with approximately 2,300 personnel.

In 2015, Bolivia focused on developing its 2016-2020 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf, and is in the process of rewriting its counternarcotics law into multiple new laws. One proposed law would provide new penalties for all drug offenses and a new list of precursor chemicals. Another would permit the forfeiture of assets associated with drug related crimes, and a third would delineate coca cultivation areas and assign a legal cultivation limit for each area. In April 2015, the Inter-American Drug Abuse Control Commission (CICAD) of the Organization of American States reported that Bolivia completed or mostly completed all but one of the 27 recommendations that are part of CICAD's hemispheric drug strategy. The outstanding recommendation suggests that Bolivia implement a system to monitor narcotics and psychotropic drugs used in healthcare settings in order to ensure the medicines are not diverted for illegitimate uses, and remain in adequate supply for medical purposes. The Bolivian government's Unit for the Execution of the Fight against Narcotics (UELICN) plans and budgets for counternarcotics operations. In 2015, UELICN's budget was \$37 million, and \$55 million was requested in funding for 2016.

Bolivia receives most of its foreign counternarcotics financial support from the European Union (EU), with the EU currently implementing approximately \$11 million in funding for technical support and providing another \$55 million in funding over the next four years. In collaboration with police forces in neighboring countries, FELCN disrupted several large narcotics shipments into Bolivia and arrested a number of Bolivian and foreign suspects. In one case, Bolivia seized dried coca leaf packaged as tea destined for Lebanon via Chile. Despite this, the Argentine District Attorney for the border region publicly complained in October 2015 that Bolivian drugs are "invading" Argentina and criticized a lack of Bolivian cooperation. The Bolivian government denies that foreign drug cartels operate within its borders, but acknowledges the presence of cartel emissaries.

The United States and Bolivia are parties to a 1996 extradition treaty that permits the extradition of nationals for the most serious offenses, including drug trafficking. Bolivia and the United States do not have a mutual legal assistance treaty, but both countries can request assistance through various multilateral conventions to which both are signatories.

## **2. Supply Reduction**

UNODC estimated that 20,400 ha of coca were cultivated within Bolivia in 2014, an 11 percent decrease from 2013. According to those estimates, Bolivia has nearly met its 2011-15 strategy net coca cultivation goal of 20,000 ha by 2015. The Bolivian government and UNODC further estimated that total coca leaf cultivation declined by more than one third since 2010. However, the United States government – using different methodology– estimates that coca leaf cultivation increased by approximately 20 percent over the same 2010-2014 period. According to the most recently available information from the Government of Bolivia, Bolivian authorities eradicated 11,019 ha of coca in 2015.



The 2011 – 2015 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf 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, which exceeds the EU estimate of 14,705 ha needed for traditional coca consumption. UNODC officials have noted that 95 percent of Chapare-grown coca is not used for traditional consumption. The Strategy also envisions the publication of maps with explicitly defined borders for areas of legal cultivation.

FELCN reported destroying 105 cocaine hydrochloride processing labs and 4,234 rustic cocaine labs during 2015, a 42 percent increase and 20.2 percent decrease, respectively, from 2014. According to the Bolivian government, FELCN seized 12.68 metric tons (MT) of cocaine base and 8.6 MT of cocaine hydrochloride in 2015 – a 30.7 percent decrease in cocaine base seizures, but a 110.7 percent increase in cocaine hydrochloride from 2014.

FELCN arrested 3,227 individuals (including 207 foreign nationals) on narcotics-related offenses in 2015. Corruption, interference by other branches of government, and insufficient judicial resources undermine due process and create unnecessary delays in the administration of justice. In March 2015, the Bolivia Office of the UN High Commissioner for Human Rights reported only 41 percent of municipalities have a prosecutor and, nation-wide, only 69 public defenders serve urban areas, and only 15 public defenders serve rural areas.

### **3. Public Information, Prevention, and Treatment**

In March 2015, Bolivia published its second national survey on Bolivian drug consumption. The European Union financed survey stated that Bolivian drug consumption had diminished in 2014 and was the lowest in South America.

There are approximately 80 drug treatment and rehabilitation centers in Bolivia. Most are private institutions funded primarily by religious organizations from the United States and Europe. The national government does not fund drug treatment and rehabilitation programs. UNODC continues to implement four drug abuse prevention and rehabilitation projects as well as a drug education and rehabilitation program with a Bolivian youth soccer academy.

### **4. Corruption**

As a matter of official policy, the Government of Bolivia does not encourage or facilitate illegal activity associated with drug trafficking. However, President Morales and other high level government officials have acknowledged serious corruption problems in the judiciary and police. Minister of Government Romero publicly supported the Ministry of Transparency's September 2015 decision to require all police officers to provide a sworn statement acknowledging all assets as of 2017, as a mechanism to monitor unjustified income. The Ministry of Anticorruption and Transparency along with the Prosecutor's Office are responsible for preventing and combating corruption. In 2015, corruption accusations were frequent and often unaddressed by an already strained judiciary. Approximately 60 police officers were investigated for corruption associated with drug trafficking in 2015.

FELCN is the only police unit with a polygraph program. In 2015, the program continued administering scheduled exams as well as exams based on intelligence information. All FELCN members are required to take an annual polygraph test and those who do not pass are supposed to transfer out of the program. However, reports vary as to whether those two requisites are applied.

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

The United States Embassy to Bolivia meets periodically with the Vice Ministry for Social Defense and Controlled Substances to discuss Bolivia's counternarcotics efforts. For the first time since 2013, Bolivia sent participants to five courses at the U.S.-funded International Law Enforcement Academy (ILEA) in 2015. The participants represented three Bolivian institutions, including two that had never previously participated in ILEA. Three high-level Bolivian government officials participated in the Department of State's International Visitor Leadership Program on law enforcement and judicial administration programs in the United States. At the conclusion of 2015, Bolivian customs office was in the process of finalizing a Memorandum of Understanding with the U.S. Department of Homeland Security that will permit information exchanges and collaboration to prevent illegal shipments and related criminal activities, including drug trafficking. In February, the Bolivian government assisted the United States Coast Guard in seizing 1,017 kilograms of cocaine with an estimated U.S. street value of \$125 million dollars on a Bolivian flagged vessel in Panamanian waters. The Government of Bolivia subsequently waived their right of primary jurisdiction over the vessel and crew which enabled criminal prosecution in the United States. The United States also assists international organizations and third party governments involved in supporting Bolivian efforts to strengthen the rule of law.

### **D. Conclusion**

According to the Bolivian government and UNODC, Bolivia's eradication program is meeting its coca reduction targets via a non-violent strategy of negotiation with coca growers. However, the country is still the third largest producer of coca leaf, 40 percent of which is diverted from legal markets. With respect to licit production, Bolivia's policy allowing the cultivation of 20,000 ha of coca exceeds the amount of coca needed for traditional purposes by approximately 36 percent, per recent EU reporting, and exceeds current Bolivian legal limits by 67 percent. In 2013, Bolivia re-acceded to the 1961 U.N. Single Convention on Narcotic Drugs with a reservation permitting coca to be used only within Bolivia for traditional, cultural and medicinal purposes. Despite these stated conditions, Bolivia continues to promote the use of coca in other countries by not prohibiting the export of coca leaf for consumption by Bolivians residing in Argentina (prohibited under the 1961 UN Convention), and discussing potential export opportunities for coca products with other countries. As such, these actions continue to undermine Bolivia's commitments to its international drug control obligations.

If passed, Bolivia's new counternarcotic laws could permit enhanced controls of precursor chemicals and enhanced monitoring of coca cultivation. Implementation of those new laws will be crucial to bolstering Bolivia's counternarcotics efforts. Bolivia should also strengthen efforts to stem the diversion of coca for cocaine processing by tightening controls over the coca leaf

trade, achieve net reductions in coca cultivation, and improve law enforcement and judicial efforts to investigate and prosecute drug-related criminal activity. Enacting new asset forfeiture legislation to complement the new counternarcotic laws would provide Bolivian law enforcement with improved tools and funding for future counternarcotic efforts.

There are no U.S. counternarcotics assistance programs in Bolivia, but Bolivian counternarcotics cooperation with other countries and in international fora, along with Bolivian participation in U.S.-sponsored trainings, is welcome. There is little data on the potency of Bolivian coca, crop yields and cocaine production in the country. Bolivia should also significantly increase counternarcotics cooperation with neighboring countries and international organizations. The air bridge between Peru and Bolivia is a pressing issue that calls for close and persistent cooperation between the two countries. Bilateral counternarcotics and law enforcement agreements with Brazil, Paraguay, and Argentina should be energetically implemented and enhanced.

## 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 2015, Bosnian and Herzegovinian police agencies reported seizing: 2.3 kilograms (kg) of heroin; 292 grams of cocaine; 22.4 kg of marijuana; 6.6 kg of other cannabis products; 14.4 kg of amphetamine-type stimulants; 83 tablets of MDMA (ecstasy); and 786 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. In November 2015, the UN Office on Drugs and Crime estimated that approximately 170 metric tons per year of Afghan opiates transit the so-called “Balkan route,” with perhaps one-third of this volume transiting Bosnia and Herzegovina.

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 2015, authorities recorded 169 felonies related to the illegal production, sale or distribution of narcotics 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.

# Brazil

## A. Introduction

Brazil is a major 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 in its base form. The Government of Brazil recognizes the gravity of the illicit drugs issue and is committed to combating drug trafficking but does not have the institutional capacity to stem the flow of illegal drugs across its borders.

In 2015, Brazil faced both an economic recession and a fiscal short-fall, which are likely to result in budget cuts across government agencies in 2016, including at the enforcement and social welfare agencies that address drug flow and abuse.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

The Government of Brazil's lead agency for combating narcotics trafficking is the Federal Police (DPF). After threatening to strike during the 2014 soccer World Cup, DPF agents received a 12 percent pay raise in July 2014, followed by a 15.8 percent pay raise in October 2015. Since 2013, the DPF has maintained its force at about 11,000 agents, but recognizes that more agents are needed to effectively combat narcotics trafficking.

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 to implement programs in 2015 under the national Integrated Plan to Confront Crack and Other Drugs, created in 2010.

There is an ongoing political debate in Brazil on reform of drug sentencing laws, as nearly a third of the country's prison population is incarcerated for drug-related crimes (180,000-200,000 people), more than any other single crime. The Supreme Court is considering the issue; in September, one justice suggested legalizing the recreational use of marijuana.

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 Control Abuse Commission, and INTERPOL. Brazil also has extradition and mutual legal assistance treaties with the United States. There were no drug-related extraditions in 2015.

## 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 is an ongoing intelligence-building effort to coordinate state, local, and federal police forces on the border, supervised by the Ministry of Justice. "Operation Ágata," coordinated by the Ministry of Defense, is now in its ninth iteration and conducts periodic tactical missions at strategic points on the border. In July, "Operation Ágata Nine" mobilized over 11,000 military and police officers in four states, focusing on the Bolivian and Paraguayan borders. Forces seized approximately four metric tons (MT) of marijuana and 2.1 MT of cocaine, and arrested 24 individuals.

Brazil remains a major transit route for cocaine from the source countries of Bolivia, Colombia, and Peru. Cocaine products are smuggled across land borders via small aircraft and trucks, as well as on boats using the Amazon River system. The majority of cocaine entering Brazil is destined for the domestic market and Europe, sometimes through West Africa via containerized cargo and air courier shipments. On September 17, Russian authorities seized approximately 500 kilograms (kg) of cocaine hidden in a cargo shipment of minced meat originating from Santos, Brazil. On August 1, the DPF seized 613 kg of cocaine on board a 15-meter boat in Fernando de Noronha, an island off of Brazil's eastern coast; the DPF arrested the Dutch national sailing the boat.

Brazil conducts cannabis eradication in the northeast. In May and June, the DPF launched Operation Purge 2 in Pernambuco, destroying 188,000 plants with an estimated future yield of 60 MT of marijuana. Marijuana is also imported into Brazil from neighboring Paraguay.

Synthetic drugs are present in Brazil, though combating them is of lower priority given the overwhelming cocaine problem. In 2015, the DPF identified eight large-scale ecstasy laboratories, operated by a single group of traffickers, and seized 1.4 million pills—the first evidence of major synthetic drug production in Brazil. Law enforcement officials estimate that these labs generated \$75 million in revenue over eight months of operation.

Through the first six months of 2015, the DPF reported seizures of 14.4 MT of cocaine and 74.25 MT of marijuana. Compared to the first six months of 2014, the amount of cocaine seized remained roughly the same, whereas the amount of marijuana seized was slightly lower.

## 3. Public Information, Prevention, and Treatment

There were no new comprehensive drug abuse surveys in Brazil in 2015. In 2014, SENAD commissioned a national drug abuse survey, and officials are currently analyzing the results, which they expect will be released in 2016. The government last conducted such a survey in 2005, but the results from the 2014 survey will be the first ever to include both rural and urban data from all 26 states.

Brazilian federal and state authorities actively promoted drug abuse awareness, demand reduction, and treatment programs in 2015, as required by the national Integrated Plan and its

signature program, “Crack: It’s Possible to Beat It.” The Plan was established in 2011 and is now in its final year. The program’s 2015 budget was \$90 million. SENAD is currently analyzing the program’s results and developing its next major drug demand reduction effort. The program’s 24/7 national drug abuse call-in line, in operation since 2012, registered 7,000 calls in the first three months of 2015. Working with the DPF, SENAD hopes to supplement its funding by increasing asset seizures during drug-related arrests.

“Open Arms,” an intervention program that provides healthcare, employment, and lodging for crack users, is a promising demand reduction campaign in Sao Paulo that Brazilian authorities may replicate on a broader scale in 2016.

The United States supports a program to develop anti-drug community coalitions, implemented by the Community of Anti-Drug Coalitions of America. This program has helped support community-based organizations in Sao Paulo and six other cities.

According to the Ministry of Health, cocaine users do not fully utilize the treatment and social services available in Brazil. Brazil takes a holistic approach to reintegrating persons with substance use disorders 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, 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 supports capacity-building in Brazilian federal and state agencies to combat illicit narcotics trafficking and provide drug demand reduction services. In 2015, the United States provided significant training support to Brazilian law enforcement through 25 courses that reached over 1,000 officers, on topics ranging from combatting public corruption to community policing. Cooperation between Brazilian and U.S. law enforcement has improved dramatically, particularly at the working level.

#### **D. Conclusion**

Brazil has institutionalized its commitment to combating narcotics trafficking and addressing a growing domestic consumption problem. Brazil would benefit from comprehensive population surveys to determine the scope of its domestic drug consumption, consolidated nationwide statistics on drug interdiction, and greater cooperation with its neighboring countries.

# 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 been a significant source for amphetamine-type stimulants (ATS), primarily methamphetamine. Production sites for heroin and ATS 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 2015 joint Burma-UN Office of Drugs and Crime (UNODC) illicit crop survey estimated that the total area under opium poppy cultivation was 55,500 hectares (ha), a four percent decrease from 2014's 57,600 ha. ATS production in Burma is also a major concern. In July, 26.7 million ATS tablets were seized in a single case, the largest seizure ever recorded in South East Asia. While there is no reliable methodology to estimate ATS production, information derived from local and regional seizures indicates that ATS production and trafficking is increasing.

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 is composed of multiple government entities involved in alternative development, crop substitution, drug treatment, prisons, livestock, and education programs. In addition, 50 Anti-Narcotics Task Force (ANTF) units are located throughout the country, but lack adequate training and resources. The Government of Burma has an underdeveloped legal system with limited capacity to effectively manage the scope and scale of drug trafficking, money laundering, and organized crime endemic in the country. In addition, the government faces the additional challenge of having large swaths of its territory, particularly in drug producing areas, controlled by non-state armed groups. Despite a ceasefire agreement signed on October 15 with eight ethnic armed organizations, national ceasefire and peace process efforts are ongoing and the government continued to lack access to many critical areas in 2015, further hindering its ability to implement an effective counternarcotics strategy. Drug control efforts are also hampered by extremely porous borders with India, China, Bangladesh, Laos, 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 ATS, particularly for neighboring Thailand, Bangladesh, Laos and China. Anecdotal and government reporting suggests that overall drug abuse in Burma is increasing. Counternarcotics cooperation between the United States and Burma has steadily increased since it resumed in 2011. In September 2014, a Letter of Agreement was signed between the United States and Burma allowing for enhanced cooperation on the fight against illicit drugs and transnational crime.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

In 2014, the Burmese government extended by five years its 15-year counternarcotics plan with the goal to eradicate all narcotics production and trafficking by 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. Despite the DED's expansion to 50 ANTF units, limited resources and the 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 their expansion. The Government of Burma also faces challenges as ongoing conflict with ethnic armed organizations limits access to areas with high drug cultivation, trafficking, and use.

In early 2015, the Burmese government organized extensive legal reform workshops to amend the 1993 Narcotic Drugs and Psychotropic Substances Law, with an eye to shifting from a law enforcement-dominated approach to one that balances the role of law enforcement with a medical, victim-centered response, including the importance of treatment and recovery. The reform process is ongoing and is expected to be continued by the new government in 2016.

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. In August, 35 ANTF and Region and State police participated in a basic drug enforcement investigation skills training, funded by the United States and organized by the U.S. Drug Enforcement Administration (DEA). Burma has individual memoranda of understanding with China, Thailand, and South Korea. Engagement with India and Bangladesh in the fight against illegal drugs is still limited. In 2013, Burma signed a six year engagement agreement with Thailand on law enforcement cooperation including increased cooperation on drug suppression along their shared border.

The 1931 Extradition Treaty between the United States and the United Kingdom was made applicable to Burma in 1941, and Burma has acceded to relevant multilateral conventions that enable such cooperation. There is no bilateral mutual legal assistance treaty between Burma and the United States.

## **2. Supply Reduction**

The 2015 joint Burma-UNODC illicit crop survey estimated that the total area under opium poppy cultivation was 55,500 hectares (ha), a four percent decrease from 2014's 57,600 ha. UNODC reported that in 2015 potential production of dry opium decreased 3.4 percent to 647 metric tons (MT) compared to 670 MT in 2014. According to Burmese statistics, law enforcement officers destroyed 13,450 ha of opium poppy in 2015, an 11.4 percent decline from the 15,188 ha eradicated in 2014. Such government statistics cannot be independently verified.

Ongoing conflict and insufficient rule-of-law in the key poppy-growing regions have 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 assistance enabled successful projects on infrastructure development, human resource development, improved irrigation, and technical

assistance to farmers. In August 2014, the Burmese government signed a four-year UNODC assistance program 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 while ceasefire efforts continue. Moreover, some ethnic militias which control drug production in their local areas often coerce farmers to grow opium poppy, further hindering crop substitution efforts.

While there is no reliable method to determine production levels, information derived from domestic and international seizure data indicate an increase in the production, consumption, and export of amphetamine-type stimulants (ATS) from Burma. According to UNODC, ATS is manufactured primarily in Shan State and trafficked along routes to Thailand, China, Laos, and Bangladesh. The small-scale and mobile nature of clandestine labs presents challenges in identification and tracking of synthetic drug supply chain and manufacturing.

Though under-resourced and hampered by political, legal, and organizational constraints, the CCDAC and DED continued drug interdiction efforts during 2015. Over the course of the year, Burmese authorities seized approximately 49.95 million ATS tablets (including 26.7 million ATS tablets seized in July, the largest single seizure on record in South East Asia). Authorities also seized 2.26 MT of crystal methamphetamine, 1.51 MT of various grades of opium, 57.1 liters of opium oil, and 186 kg of heroin. Over this period there were 9,188 drug-related arrests from 6,414 cases, compared to 9,425 total arrests from 6,696 cases in all of 2014. In connection with the 26.7 million amphetamine tablet seizure in July, the DED identified at least six additional related cases. To mark the annual International Day against Drug Abuse on June 26, law enforcement officers destroyed \$244.65 million worth of seized narcotic drugs in three ceremonies, compared to \$130 million in 2014.

### **3. Public Information, Prevention, and Treatment**

Drug abuse is on the rise in Burma with increasing incidences of injecting drug and ATS use throughout the country. There has been a shift in Burma away from smoking opium toward injecting heroin, contributing to Burma having one of the highest global rates of HIV infection attributable to intravenous drug use. According to UN data, the HIV prevalence rate among injection drug users was 28.3 percent in 2014, accounting for 39 percent of all new HIV infections.

According to unconfirmed government data, 16,000 registered drug users with substance use disorders have been treated in 73 government treatment centers since 2006. Ministry of Health data indicate there are 9,700 patients receiving methadone maintenance treatment daily, while the Burmese Ministry of Health estimates there are 83,000 injection drug users and 166,000 people who use drugs countrywide. Other estimates from UNODC and civil society, however, place the number of drug users in Burma at between 300,000 and 400,000. Non-governmental organizations (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. A U.S.-funded drug user survey is currently being developed by UNODC, with findings projected to be released at the end of 2016.

Burmese law requires those with substance use disorders to register with the government before receiving treatment. 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 March 2015, the CCDAC, UNODC, World Health Organization, and Colombo Plan coordinated the first Drug Demand Reduction Stakeholder Meeting in Nay Pyi Taw to identify international best practices in drug treatment and rehabilitation and to develop strategies for collaboration among stakeholders in Burma. In July, the Colombo Plan organized a U.S.-funded training workshop on substance use disorder treatment curriculum held in Bangkok that was attended by 20 psychiatrist physicians from Burma's Ministry of Health. The United States also provided a \$150,000 grant through an NGO to support drug prevention teams in 20 villages in Shan State to increase community capacity to reduce drug use and provide life skills training to prevent first-time drug use among vulnerable youth.

#### **4. Corruption**

Burma ratified the UN Convention against Corruption in 2012, and enacted a domestic corruption law in 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 and convictions. Credible reports from NGOs and media claim that mid-level military officers and government officials are engaged in drug-related corruption. The government 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 2015 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. DEA continues to share drug-related intelligence and conduct joint investigations with Burmese authorities. In 2015, the United States expanded Burmese participation in the U.S. International Law Enforcement Academy in Bangkok and supported a two-week in-country training course for Burmese drug control authorities led by DEA.

To help attain a comprehensive understanding of drug use within Burma, the United States is funding a UNODC survey of drug use among the population nationwide. Additionally, the United States is supporting Burmese government efforts to expand its drug dependence treatment services and adopt an evidence-based drug user treatment curriculum nationally, as well as build local capacity to conduct community-based drug prevention programs.

**D. Conclusion**

Under the leadership of the CCDAC, Burma continued efforts to eliminate the use of illicit drugs, control production, and reform and enforce Burma's narcotics laws. Expanded DED taskforces, continued seizures and arrests, and growing international cooperation are positive indicators, signaling continued government engagement on this issue. However, the efficacy of the country's counternarcotics efforts remains hindered by the limited resources and reach of the government and local law enforcement, particularly in ethnic-controlled areas in which significant production sites are located. To date, law enforcement has not appeared to possess the resources or political will to arrest and prosecute any high-level drug traffickers. Some ethnic organizations are hesitant to engage in government-sponsored alternative development programs while ceasefire and peace process efforts continue, while some ethnic groups continue to engage in narcotics production and trafficking as a primary source of income. Despite its efforts, Burma is challenged by significant opium poppy cultivation and increased ATS production, consumption, and trafficking.

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 high-level drug traffickers and interdict drugs. Burma should take a more active role in regional chemical control initiatives and regional demand reduction efforts. Increased cooperation and information sharing and a more victim-centered approach to demand reduction and treatment 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 is not a significant producer of illicit narcotics, but its strategic location in the Atlantic Ocean makes it an important transit hub for cocaine and other drugs moving from Latin America to Europe. Praia, Cabo Verde's largest city, maintains a well-serviced international airport with direct flights to the United States, Europe, and northern Brazil. Traffickers in and out of Guinea Bissau are of particular concern. Coupled with an active seaport and vast maritime domain, the Cabo Verdean archipelago is an enticing transit point for drug traffickers to facilitate onward movement by land, sea, and air. The UN Office on Drugs and Crime reports that cannabis, cocaine, hashish, heroin and methamphetamine are the most commonly used drugs in Cabo Verde. The national plan to Combat Drugs and Crime (2012-2016) focuses on enhancing the capacity of law enforcement institutions to guarantee peace and security.

The Government of Cabo Verde has taken action to respond to drug trafficking, which is regarded by government officials and the general public alike as a serious problem. The government upgraded the National Police Training Center, created higher education institutions in the justice sector, and took steps to increase competency on criminal investigation, drug interdiction, and intelligence in 2015. U.S. assistance has allowed the Cabo Verdean government to significantly increase its capability to combat money laundering. Cabo Verdean authorities have improved monitoring of the country's container ports, and information sharing between domestic and international airports has increased. Demand reduction efforts include treatment and rehabilitation programs, and awareness campaigns targeting youth.

There have been some instances where traffickers have attempted to intimidate the government, including the attempted assassination of the Prime Minister's son in December 2014. Corruption tied to illegal drugs is relatively low in the country. The government ratified the UN Convention against Corruption in 2008 and implemented the National Anti-Corruption Plan in 2012.

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

The United States supports Cabo Verde in its fight against crime and drugs through provision of training for Cabo Verdean armed forces and law enforcement, financial and technical assistance for the Ministry of Justice's Financial Investigative Unit, and through sharing law enforcement information. In 2010, U.S. Africa Command supported the establishment of the Center for Maritime Security Operations in Praia, which has improved cooperation among Cabo Verdean law enforcement agencies. Cabo Verde and the United States signed a bilateral agreement to combat illicit transnational maritime activity in 2014, which is used during Africa Maritime Law Enforcement Partnership operations. The United States supports a program to develop anti-drug community coalitions in the country. The United States has also supported social reintegration and drug dependency reduction programs, and assisted the Cabo Verdean Financial Information Unit in building its capacity to fight money laundering. Cabo Verde has strengthened law enforcement and judicial institutions to improve monitoring of their international waters and combat transnational crimes such as drug-trafficking.

## 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 pushed traffickers to use alternate routes, including through Cambodia. The manufacture, trafficking, and use of illicit drugs within Cambodia, particularly of methamphetamine and other amphetamine-type stimulants (ATS), has escalated and cuts across socio-economic lines.

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

The National Authority for Combating Drugs (NACD) reported that methamphetamine was the most commonly seized drug in Cambodia in 2015. Cocaine use by affluent Cambodians has decreased in recent years, and the country now appears to play a minor role as a transit route to regional markets. Heroin primarily transits Cambodia on its way to other markets, though some is consumed domestically. Marijuana continues to be widely used across all levels of society.

Between January and June of 2015, Cambodian law enforcement authorities initiated 1998 drug trafficking cases and arrested 1,959 suspects, including Cambodian, Vietnamese, Laotian, Thai, Chinese, British, Ukrainian, and Nigerian nationals. In 2014, the most recent year for which statistics are available, Cambodian authorities seized 46.5 kilograms (kg) of methamphetamine tablets (up from 39.7 kg in 2013) and 22.2 kg of crystal methamphetamine (down from 40.2 kg in 2013). Authorities seized two kg of heroin in 2014 (down from 36.3 kg in 2013). Seizures of cannabis plants increased to 12,234 plants in 2014 from 525 plants in 2013. Cocaine seizures declined to 7.9 kg, from 12.8 kg in 2013. Authorities also seized 3.2 kg of MDMA (ecstasy), 26 kg of ephedrine, and over 1.43 metric tons of other precursor chemicals in 2014.

Cambodian cooperation with the U.S. Drug Enforcement Administration (DEA) has steadily improved in recent years and continued through 2015. 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 UN Office on Drugs and Crime. Cambodia does not have a bilateral 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 2015, the Canadian government continued its robust efforts to combat the production, distribution, and consumption of illicit drugs. Canada is a significant supplier of both MDMA (ecstasy) and marijuana to the United States. As part of its National Anti-Drug Strategy, Canada has initiatives underway specifically targeting the trafficking of synthetic drugs, particularly fentanyl. 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

Current funding under Canada's National Anti-drug Strategy (NADS) is approximately \$430 million over a five-year cycle spanning 2012-2017 for prevention, treatment and enforcement, in addition to drug control activities funded outside the NADS. Provinces and territories have significant budgets related to drug prevention and treatment.

In July, the Minister of Health announced the addition of tapentadol to Schedule I of the "Controlled Drugs and Substances Act" (CDSA) and added a regulatory amendment to tighten control over synthetic cannabinoids. In August, an order was published to prohibit unauthorized production and trafficking of the psychoactive plant *Salvia divinorum*, along with its preparations and derivatives. Health Canada continued consultations on the potential use of tamper-resistance for prescription drugs at high risk of abuse.

In June, the Supreme Court struck down a law limiting medical marijuana consumption to the dried form. In response, Canada issued exemptions to licensed producers to allow for the production and sale of cannabis oil and fresh cannabis to those who require it for medical purposes. In August, Health Canada announced it will proactively monitor all forms of marijuana advertising and promotion, and will take action where violations are identified.

On November 4, Justin Trudeau was sworn in as Prime Minister after his Liberal Party won a majority of Parliamentary seats in national elections on October 19. During the campaign, Trudeau pledged to take action to legalize, regulate and restrict access to marijuana.

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 Operation on New psychoactive substances).

### 2. Supply Reduction

In Canada, 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 and Australia. Methamphetamine continues to be produced in large quantities.

South America and Mexico continue to be the primary sources for cocaine supplied to Canada, some of which is transited through the United States. Intelligence indicates increasing efforts by traffickers to transport large quantities of drugs from source countries direct to Canada via air and marine vessels.

No overall drug seizure statistics were available at the time of this report from the Canadian government for 2015.

### **3. Public Information, Prevention, and Treatment**

Since 2007, Health Canada has supported 146 health promotion and prevention projects to discourage illicit drug use among youth through the Anti-Drug Strategy Initiatives (ADSI) program. The ADSI Program provides approximately \$19.8 million in annual funding to address substance abuse problems along the continuum of care.

In July and August, the government relaunched the Preventing Drug Abuse Media Campaign, a series of TV and internet ads which illustrate the harmful effects of prescription drug abuse and marijuana use on teenagers.

Canada's efforts to address prescription drug abuse include approximately \$10.2 million in funding over five years to enhance prevention and treatment within First Nations communities. The Canadian government also is developing new guidelines and training tools for physicians and other healthcare professionals who prescribe and dispense drugs, and supports monitoring and surveillance programs to prevent the criminal diversion and misuse of prescription drugs.

Between 2015 and 2018, Justice Canada is providing approximately \$2.7 million per year to 11 provinces and territories to support drug treatment courts that work in partnership with provincial, municipal, law enforcement, judicial, and community organizations.

According to the most recent data, the prevalence of cannabis use among Canadians aged 15 years and older was 11 percent in 2013, up slightly from 2012, but lower than in 2004 (14.1 percent). The prevalence in 2013 among youth aged 15 to 24 years was higher than in 2012 (24 percent vs. 20.3 percent) but significantly lower than in 2004 (37.0 percent). Past-year use of other illicit drugs such as ecstasy (0.4 percent), hallucinogens (0.6 percent), cocaine or crack (0.9 percent) and speed/methamphetamine (0.2 percent) remained largely unchanged since 2004. Past-year use of heroin was not reported.

According to the International Narcotics Control Board, Canada is the second-largest per capita consumer of prescription opioids in the world. In 2013, 0.5 percent of Canadians aged 15 years and older reported they abused a psychoactive pharmaceutical, while the overall rate of use among Canadians aged 15 years and older was 22 percent in 2013. In August, the Canadian



Centre on Substance Abuse reported that deaths linked to the opioid fentanyl had risen markedly over the past six years.

#### **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. The Canadian government pursues malfeasant civil servants and subjects them 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.

Various U.S. federal, state, local, and tribal entities collaborate with RCMP, Canadian Border Services Agency (CBSA), provincial and local police, and other Canadian law enforcement authorities to combat illegal drugs. Bilateral cooperation is coordinated at the strategic level through the Cross-Border Crime Forum, and at the operational level through the Cross Border Law Enforcement Advisory Committee, Border Operations Leadership Team, and other fora. Integrated teams consisting of RCMP, CBSA, and U.S. federal law enforcement authorities operate in 25 locations across a variety of structures, including Border Enforcement Security Taskforces (BEST) and the Integrated Cross-border Maritime Law Enforcement Operations (known as "Shiprider"), which in 2015 conducted regularized patrol and boarding operations in four locations along the shared maritime border, as well as surge operations in other locations.

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 U.S. Coast Guard law enforcement detachments on Canadian Navy ships in the Caribbean Sea and Eastern Pacific Ocean, which during the first 11 months of 2015 resulted in the removal of over 2.06 metric tons (MT) of cocaine and 1.09 MT of marijuana.

#### **D. Conclusion**

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

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

# China

## A. Introduction

Due to its enormous economy, large consumer market with growing disposable income, and expanding global commerce, China has become a hub for illicit drug consumption, drug and precursor chemical trafficking, and money laundering activities.

Synthetic drugs such as methamphetamine and other amphetamine-type stimulants (ATS) such as MDMA (ecstasy) have surpassed heroin to become the most abused drugs in China. China is also a major producer, destination, and transit country for ATS, especially methamphetamine. Despite several successful law enforcement operations in 2015, China's production and export of methamphetamine continues to increase, especially to Indonesia, Malaysia, Australia and New Zealand.

Heroin, traditionally the most widely abused drug in China is gradually being replaced by more readily available synthetic drugs. However, China remains a major destination and transit country for heroin produced in Southwest and Southeast Asia.

Abuse of various new psychoactive substances (NPS) is increasingly prevalent in China. Ketamine is the third most widely abused drug and is categorized as an NPS. China is a major producer and exporter of NPS, which are increasingly in demand in illicit international markets. China's vast chemical and pharmaceutical industries and regulatory loopholes associated with NPS provide an ideal environment for the production and export of these drugs. Nearly all of the NPS seized in North America and Europe have originated from chemical and pharmaceutical businesses in China and can be ordered via the Internet and received in the mail. Chemical alterations of NPS drugs designed to circumvent existing anti-drug laws make efforts to stem the flow of these drugs challenging. In October 2015, however, China announced new controls on 116 NPS, and streamlined the process for controlling additional NPS.

China remains the primary source of the precursor chemicals used to manufacture methamphetamine consumed in the United States and is one of the world's top producers and exporters of precursor chemicals. Although the majority of precursor chemical production and export is intended for legitimate use, precursors are being diverted by transnational criminal organizations to produce illicit drugs. China's close proximity to drug production centers in Southwest and Southeast Asia, insufficient regulatory oversight of the chemical industry, corruption among government and business officials, lower production costs, as well as numerous coastal cities with large precursor chemical factories and modern port facilities, make it an ideal source for precursor chemicals intended for illicit drug production. In a promising development, in late 2015 China criminalized additional activities involving transportation and production of chemicals and simplified the procedure for placing controls on additional chemicals as the need arises.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

China's drug control strategy focuses on prevention, education, illicit crop eradication, interdiction, rehabilitation, commercial regulation, and law enforcement. The Ministry of Public Security (MPS) Narcotics Control Bureau is the primary national drug enforcement entity and works in conjunction with provincial public security bureau offices. The Anti-Smuggling Bureau (ASB) 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 (UNODC), 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 at the time of this report. Two comprehensive national anti-drug campaigns led by MPS were initiated in China during 2014. Operation "Drug-Free Peace" resulted in the seizure of 26.5 metric tons (MT) of illicit drugs during a 10-week period. China's "Hundred-City Anti-Drug War" resulted in the seizure of 43.3 MT of illicit drugs over a six-month operation spanning 2014 and early 2015.

According to Chinese authorities, law enforcement officials investigated 145,900 drug trafficking cases resulting in 168,900 drug-related arrests and seized 68.95 MT of illicit drugs, including 9.3 MT of heroin, 25.9 MT of methamphetamine, 11.2 MT of ketamine, and four MT of cannabis during 2014.

## **3. Public Information, Prevention, and Treatment**

China's National Narcotics Control Commission has an outreach program to raise awareness of the negative health effects of drug abuse and to promote drug prevention. By the end of 2014, the number of registered drug users in China reached nearly 2.96 million, including approximately 1.45 million users of opiates, or 49.3 percent of all registered drug users. The number of registered synthetic drug users reached approximately 1.46 million, or 49.4 percent of all registered drug users. Of this number, 463,000 were classified as new drug users. 2014 was the first year that the number of synthetic drug abusers exceeded the number of opiate users in China.

The centers for mandatory detoxification are managed jointly by the Ministry of Public Health and the Ministry of Justice to support HIV-positive patients in an effort to prevent the spread of HIV/AIDS. Community-based drug rehabilitation programs developed in Yunnan Province to treat drug addiction and help former addicts reintegrate into society have been expanded to other parts of the country.

## **4. Corruption**

The Ministry of Public Security takes allegations of drug-related corruption seriously, launching investigations when deemed appropriate. Despite efforts to stem drug-related corruption,

financial corruption among provincial, prefectural, county, and district government officials continues to be a concern. To date, no senior Chinese official at the central government level is known to have facilitated the illicit production or distribution of drugs. Similarly, no senior Chinese official from the central government is known to have laundered proceeds from drug-related activities.

China's central government-driven anti-corruption campaign led to the arrests of many lower-level government personnel and some senior-level government officials, most notable Zhou Yongkang, former member of the Political Bureau of the Communist Party of China's Central Committee and Minister of Public Security. Corruption at the provincial, prefecture, and county level outside of Beijing also continues to pose a problem for the central government.

While drug-related corruption exists in China, it is not reported by the government-controlled press, and there is no indication the problem is widespread. However, irregularities within some of the many state-owned enterprises in the chemical and pharmaceutical industries raise questions regarding the government's knowledge and involvement (intentional or inadvertent) with the diversion of precursor chemicals for illicit drug production and the manufacturing of counterfeit pharmaceutical products.

### **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, the Bilateral Drug Intelligence Working Group (BDIWG) and the Counternarcotics Working Group meet to exchange views and information on trends in drug abuse and trafficking; discuss pertinent laws, regulations, policies and procedures in the respective countries; seek progress and address challenges in precursor chemical control; and find mechanisms to cooperate on investigations and cases of mutual interest. DEA and the Narcotics Control Bureau of China are parties to a memorandum of understanding that established the BDIWG, which brings legal and law enforcement experts together to share information and discuss cooperation.

### **D. Conclusion**

Trafficking of illegal narcotics, diversion of drug precursor chemicals, and other drug-related crime remain significant problems in China. The central government continues to take steps to integrate China into regional and global counternarcotic efforts, and some progress is being made in addressing China's domestic drug consumption problem through enforcement and rehabilitation. China has added 116 chemical compounds to its control list as a measure to reduce NPS drugs for domestic use and international export. Although China's cumbersome internal approval processes have often limited direct access by U.S. law enforcement officials to local counterparts at provincial Public Security Bureaus, bilateral law enforcement cooperation is showing positive signs of improvement through case consultations and information sharing.

# Colombia

## A. Introduction

Colombia remains a major source country for cocaine, heroin and marijuana. Although the government of Colombia continues to counter the production and trafficking of illicit drugs through eradication operations, aggressive interdiction, and law enforcement activity, potential pure cocaine production in 2014 surged 30 percent to 245 metric tons (MT), 60 MT above 2013 production. This rise is attributed to the largest single-year increase of coca cultivation in Colombia in more than a decade. The United States estimates the area devoted to coca cultivation increased 39 percent in 2014 to 112,000 hectares (ha) from 80,500 ha in 2013. Production and cultivation estimates for 2015 were not yet available at the time of this report.

The Government of Colombia reported seizing 295 MT of cocaine and cocaine base in 2015. Colombia also eliminated tons of potential cocaine through combined aerial and manual eradication of 49,105 ha of coca during the same period.

According to the U.S. Drug Enforcement Administration (DEA), approximately 90 percent of the cocaine samples seized in the United States in 2014 was of Colombian origin.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

During the course of its 50-year conflict with the Revolutionary Armed Forces of Colombia (FARC), the Colombian government has announced various major initiatives to expand the reach of civilian government institutions and services into Colombia's most neglected rural regions, in an effort to reduce civil unrest, armed conflict, drug production and trafficking, and other illegal activity emanating from these areas. In line with prior efforts, on September 22, 2015, the Government of Colombia announced a new drug control strategy that reduces focus on forced coca eradication, and enhances efforts on interdiction; rural policing; prosecuting criminal organizations; anti-money laundering; alternative development, including crop substitution; market development for licit products; infrastructure and development projects; social investment; and protection of national parks. The new strategy constitutes a major component of the Colombian government's evolving plans for the implementation of an eventual peace accord with the FARC, and includes the creation of a new crop substitution agency to be housed within the Presidency to ensure high level commitment and coordination among all ministries and agencies.

In accordance with the new drug control strategy, the Colombian government officially suspended aerial eradication of coca on October 1, 2015. The Government of Colombia emphasized it will maintain a forced manual eradication program, but statements by government officials suggest that forced eradication under the new strategy is not intended to substitute for the loss of aerial eradication, but rather will be utilized in a targeted manner in national parks and when coca cultivators refuse to voluntarily eradicate. The new strategy is expected to maintain a strong interdiction and law enforcement focus by continuing to aggressively target organized

criminal groups with coordinated investigations and operations, increased efforts to seize precursor chemicals needed to produce cocaine, targeted anti-money laundering mechanisms, and legal reforms to facilitate the arrest, prosecution, and sentencing of members of organized criminal groups.

The extradition relationship between Colombia and the United States is robust and productive. Since December 17, 1997, Colombia has extradited approximately 1,870 individuals to the United States, with the majority of the individuals wanted for drug crimes.

## **2. Supply Reduction**

The United States estimates that the area devoted to coca cultivation in Colombia increased 39 percent in 2014 to 112,000 ha from 80,500 ha in 2013. Coca cultivation expanded most notably in the southwestern and certain eastern regions of Colombia, with gains of 152 percent in Nariño, 59 percent in Putumayo, 56 percent in Caquetá, 48 percent in Vichada, 39 percent in Vaupes, 37 percent in Cauca, 28 percent in Norte de Santander, and a 95 percent increase in the north-central Department of Antioquia. The southern, central and other eastern departments saw the greatest decreases in coca cultivation with reductions of 37 percent in Guainía, 33 percent in Caldas, 29 percent in Santander, 25 percent in Amazonas, 22 percent in Guaviare, 21 percent in Meta, and a 35 percent drop in the north-eastern Department of Arauca.

Several factors contributed to the overall surge in coca cultivation in Colombia in 2014. First, widespread reporting indicates that FARC elements have been urging coca growers to plant more coca, purportedly motivated by the belief that Colombian government post-peace accord investment and subsidies will focus on regions with the greatest quantities of coca. Second, empirical evidence demonstrates that counter-eradication tactics have significantly reduced the effectiveness of coca eradication efforts. To hamper aerial eradication efforts coca growers: (1) shift fields to areas off limits to aerial eradication, including national parks and indigenous reserves; (2) plant smaller fields in areas where aerial eradication is permitted, to impede coca detection and aerial eradication; and (3) prune coca plants after being sprayed to prevent full absorption of the herbicide and save the plant for future harvests. To combat manual eradication, coca growers: (1) employ blockade techniques to prevent eradicators from accessing fields; (2) place improvised explosive devices (IEDs) around eradication operations to kill, injure, and demoralize eradicators and significantly slow eradication operations by requiring extensive counter-IED detection efforts; and (3) plant fields in remote areas, requiring increased effort to detect, access, and eradicate fields. Finally, Colombia's manual eradication budget has declined by two-thirds since 2008, resulting in a 90 percent reduction in the number of manual eradicators in 2015 as compared to 2008. In mid-2015, however, the Colombian government announced a plan to dramatically increase the number of Colombian National Police (CNP) personnel devoted to manual eradication operations by about 100 percent to approximately 2,650, and to increase the number of manual eradicators by about 40 percent to approximately 1,050.

Colombia ended aerial eradication on October 1, 2015. Prior to that date, Colombia had aeri ally sprayed 36,494 ha of coca in 2015, on course to meet its 2015 goal of 45,000 ha. Colombia manually eradicated 12,611 ha of coca in 2015, surpassing its goal of 11,000 ha.

Based on U.S. estimates that 52 percent of the 2014 coca cultivation consisted of immature, lower-yielding crops, 2015 cocaine production numbers are expected to increase significantly, regardless of any new cultivation, due to the increased productivity of maturing coca plants.

Colombia also remains the second largest supplier of heroin to the United States market. The United States estimates that 800 ha of opium poppy were under cultivation in Colombia in 2014, sufficient to potentially produce two MT of pure heroin. Production and cultivation estimates for 2015 were not yet available at the time of this report.

Colombia continued to make drug interdiction one of its counter-drug priorities, linking it to a stable post-peace accord environment, the extension of citizen security and rule of law throughout Colombia, and the countering of illegal armed groups that have plagued Colombia for decades. Given the Government of Colombia's stated desire to shift its counter-drug strategy towards interdiction, interdiction-related activities are expected to gain prominence as one of Colombia's primary counternarcotics tools in the coming years. With respect to interdiction, Colombian authorities reported seizing 295 MT of cocaine and cocaine base, 245 MT of marijuana, 393 kilograms of heroin, and destroying 3,602 cocaine base laboratories and 236 cocaine hydrochloride (HCl) laboratories in 2015.

### **3. Public Information, Prevention, and Treatment**

While Colombia's overall illegal drug consumption rate remains at an intermediate level internationally, the Government of Colombia has expressed growing concern about the use of marijuana and cocaine, especially among school-aged youth, and is carefully monitoring the increase of heroin use, having observed a recent spike in overdoses in six regions of the country.

In 2015, Colombia reevaluated its approach to drug demand reduction. It launched a new national demand reduction plan for 2014 – 2021, which addresses consumption as a preventable and treatable health issue. In addition, the government has been reexamining its criminal response to consumption. Acknowledging that severe criminal sanctions disproportionately impact the most vulnerable in the drug trafficking chain and contribute to serious prison overcrowding, the Colombian government is exploring alternatives to incarceration and the expanded use of restorative justice models, especially within the juvenile system. This reevaluation is reflected in the public debate on consumption, with increasing support for alternative sentencing models. On December 22, Colombian President Juan Manuel Santos signed a decree legalizing and regulating the production, possession and use of marijuana for medical purposes.

Colombia's new counter-drug strategy highlights increased focus on a public health model based on demand reduction and treatment programs, and by reducing domestic consumption through strengthening the institutional capacity of the government, promoting healthy lifestyles, preventing initial drug use, reducing the negative health and social effects for current users, and improving access to treatment for those suffering from substance use disorders.

### **4. Corruption**

As a matter of policy, the Government of Colombia does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. Local elections for governors, mayors, and councilpersons were held on October 25, 2015. These elections ushered in government officials who will be responsible for leading the implementation of the anticipated peace accord throughout Colombia. Not only will post-accord efforts focus on strengthening rule of law to effectively counter existing criminal networks, but they will also need to address the issue of individual FARC members who refuse to demobilize.

Although the elections were extremely peaceful, claims of corruption and electoral crimes (vote rigging, voter fraud, identification fraud, illegal campaign financing, etc.) were lodged before and during the elections. Additionally, several elected candidates are suspected of links to drug trafficking, corruption, or organized crime. The elected Governor of Valle is being investigated for alleged illicit enrichment linked to drug trafficking. The husband of the elected Governor of Magdalena has been linked to illegal-armed groups, and the elected Mayor of Yopal is currently in prison for alleged links to drug traffickers.

As in prior years, in 2015 there were several investigations, arrests, and prosecutions of government officials, and members of the military and police, for alleged ties to organized criminal groups.

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

The United States provides a range of counternarcotics 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, the United States supports Colombian efforts to move communities out of coca-based economies by expanding the presence of the state, strengthening licit market linkages, and fostering democratic citizenship. 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, develop social capital and encourage greater civil-society participation, promote land restitution and formalization, and support longer-term economic development opportunities. A multi-variable index analysis of these transition zones shows progress in terms of security, local governance, and economic development.

Through the U.S.-Colombia Action Plan on Regional Security Cooperation, Colombia's security forces are providing expertise for countering transnational organized crime and drug trafficking to nations in Central America and the Caribbean with U.S. assistance. The Action Plan included 39 capacity-building activities in four countries in 2013, and has grown to include more than 200 activities in six countries.

Bilateral maritime counterdrug cooperation, exercised under the ship-boarding agreement signed in 1997, continues to be one of the most effective in the region, enabling the United States to seize over 29 MT of cocaine in fiscal year 2015.



**D. Conclusion**

Colombia continues to take steps to combat the drug trade. These efforts likely have kept hundreds of 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 to international partners.

Peace negotiations between the Government of Colombia and the FARC are in their third year, and the United States strongly supports them. An irreversible transition from conflict will require the Colombian government to draw from lessons of the past to address the structural and political impediments that have prevented the full guarantee of basic constitutional rights to the approximately seven million Colombian rural inhabitants who live below the poverty line. If a peace accord is achieved, its implementation will require the Colombian government to devote unprecedented resources to enhance government presence, improve security, increase public services, build infrastructure, and generate additional economic opportunities in regions historically influenced by organized criminal groups. Additionally, an accord will present new opportunities, challenges, approaches, tools, and resources for drug control activities, rural security, and economic development.

# Costa Rica

## A. Introduction

Costa Rica's strategic location, porous borders, limited security forces, and thinly-patrolled waters make it a major transit and temporary storage country for illicit drugs. From 2013 to 2014, annual cocaine seizures increased from 20.46 metric tons (MT) to 25.04 MT. During the first nine months of 2015, seizures totaled 14.59 MT. Bulk cash seizures from drug proceeds totaled approximately \$5.2 million over this same nine month period. A sharp rise in the homicide rate has focused the Costa Rican people and government on the increased presence of illegal drugs, greater domestic consumption, and associated turf wars.

While Costa Rica has a relatively low homicide rate compared to other countries in the region, homicides increased by 14 percent in 2014 and were on pace to increase in 2015 at the time of this report. Costa Rica recorded 405 homicides in 2013, 471 in 2014, and 566 in 2015, a 20 percent increase and record high.

The Costa Rican government steadily increased its spending on law enforcement agencies from 2002 to 2015. However, serious fiscal problems led to a projected cut in the Ministry of Public Security (MPS)'s draft 2016 operating budget by 27 percent. Fuerza Publica, the largest police body, is hiring at 15 percent of attrition, with a projected loss of almost 600 police for 2015 out of the 12,506 strong force. However, Costa Rica continues to invest in the Coast Guard, which interdicts the vast majority of cocaine seized in the country. The force is set to receive a five percent budget increase and 25 percent personnel increase by the end of 2016. In January 2015, the Costa Rican Supreme Court annulled, for procedural reasons, a three-year old corporation security tax that had raised \$56 million, or 14 percent of the MPS budget, in 2013. The National Assembly is considering a bill that would restore this tax.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

Between 2010 and 2014, Costa Rica added 1,957 officers to its national police force. However, hiring had fallen well below the rate of attrition by the end of 2015, and additional officers are needed in the National Police, Coast Guard, and Border Police. The country's ranks of prosecutors and Judicial Investigative Police (OIJ) also remain under-staffed. Costa Rica continues to make capital improvements within the constraints of its budget, including a new 45 foot patrol boat for the Coast Guard (a substantial increase in capability) and the addition of 40 new personnel in 2015, the exception to an overall hiring freeze. A fleet of over 1,000 vehicles for the National Police and Border Police should aid the ability to interdict land-based drug traffic. The Ministry of Public Security published a Security Strategy in 2015, demonstrating increased professionalization and a more strategic outlook and approach to priorities and resource requirements.

Created in 2012, Costa Rica's Border Police is an increasingly capable force for land interdiction, and has gained experience in working effectively with other Costa Rican agencies

and in patrolling littoral waters. However, the organization would more fully realize its potential with an improved management structure and leadership in place. The Border Police also remain understaffed; the 300 officers assigned to the force as of September 2015 were insufficient to effectively patrol the northern and southern borders, which include some of Costa Rica's most inaccessible places.

The Coast Guard, despite continued resource constraints, remained an effective regional partner for maritime interdiction, actively patrolling Costa Rica's waters and working well with the U.S. Coast Guard under the shiprider provision of a bilateral agreement to suppress illicit traffic.

As the conclusion of 2015, the National Assembly continued to consider a prior-year proposal to restructure the OIJ, including creation of an Organized Crime Unit, paralleling the Attorney General's Office Organized Crime Bureau.

## **2. Supply Reduction**

Over the first nine months of 2015, Costa Rica seized 14.59 MT of cocaine, down from what was seized in 2014 (25.04 MT) when Costa Rica seized more cocaine at sea than any country north of Colombia. Some Costa Rican authorities attribute this decline to changing trafficking patterns, as drug traffickers may be avoiding Costa Rica's Pacific coast due to the Coast Guard's active patrols.

Costa Rica is a regional leader in eradicating and seizing marijuana. Over the first nine months of 2015, Costa Rican authorities destroyed 1.5 million plants, up from 882,550 plants over the entirety of 2014. Local marijuana is grown primarily for domestic use, with a small fraction exported. Seizures of marijuana from Jamaica and Colombia are also fairly common, mostly intended for the domestic market. Drug control agencies believe that crack 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 and the press. The quantities of synthetic drugs seized in 2015 remained small.

## **3. Public Information, Prevention, 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. 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. With the recent increase in violence, the MPS also has become increasingly focused on prevention programs, especially among youth in vulnerable communities.

The uniformed police implement the Drug Abuse Resistance and Education program. Between January and September of 2015, the DARE program reached 69,382 individuals. The police have also operated the Gang Resistance Education and Training (GREAT) program since August

2013. Initially a pilot program, GREAT graduated 800 students from three schools in 2014. In 2015 the program expanded to 30 schools and reached 3,000 students.

#### **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. The growing presence of transnational criminal organizations effect Costa Rican society, and corruption associated with the rise in organized criminal activity is a concern. The government generally implements a 2006 law that penalizes official corruption. However, there are frequent reports of low- and mid-level corruption. There was one report in 2015 of higher-level corruption involving the head of Customs, who was arrested. Shortly after taking office in May 2014, President Luis Guillermo Solís claimed that the Costa Rican government had lost \$112 million (7 percent of GDP) to corruption since 1999. Levels of corruption appear uneven among different government agencies, with some more severely affected than others.

The government is focusing on open government initiatives to improve transparency. Poder Judicial, the country's judicial branch which includes judges, prosecutors, and the OIJ, convened a commission in 2014 that determined that corruption was a serious threat. Prompted by this finding, the MPS restructured its Internal Affairs unit, increasing efficiency by digitizing files and using software to process complaints. An October 2015 scandal involving the arrest of an official from Costa Rica's Intelligence Service for providing information to a criminal network linked to a murder highlights the fact that challenges remain throughout the Costa Rican government.

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

Costa Rica shares the U.S. priorities of disrupting the flow of illicit drugs and dismantling organized crime. 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 police professionalization, including a range of training and a thorough reworking of the country's police academy curriculum. The Ministry of Public Security continues to implement the COMPSTAT crime-tracking system, which has allowed the Fuerza Publica, Costa Rica's primary police force, to identify problematic neighborhoods and distribute police resources more effectively. A reputable local poll conducted in September 2015 found that 85 percent of Costa Ricans had a favorable view of Fuerza Publica's work.

In the justice sector, the United States supports training programs for investigators, prosecutors, and judges on topics ranging from corruption to money laundering to wiretaps. The United States supports a highly successful restorative juvenile justice program and a judicial wiretap intercept program that is yielding significant results. In October 2015, Costa Rican authorities arrested Gilbert Bell ("Macho Coca"), a major narcotics trafficker on the Caribbean coast using evidence collected on wiretaps.

Costa Rica supports Operation Martillo, the international maritime effort to target traffickers in the Central American corridor. However that support is constrained by Costa Rica's reluctance to allow foreign naval vessels access to its ports. Costa Rica does not have a standing military, and port calls by military ships are subject to legislative approval, which is typically extremely politically sensitive. The United States continues to support Costa Rican efforts to further strengthen its Coast Guard, providing equipment, training, and professional exchanges. The small force is a willing partner with still greater potential.

In addition, a U.S.- supported Maritime Interdiction Vetted Unit comprised of representatives from Costa Rican law enforcement and Coast Guard continues to develop and should be an important further against maritime drug trafficking and corruption on the Pacific coast.

#### **D. Conclusion**

Despite Costa Rica's ongoing efforts to strengthen its ability to combat drug trafficking, the country's fiscal challenges are threatening to undermine progress that has been achieved in the security and justice sectors. A complex bureaucracy slows the pace of capacity building, and corruption remains a nagging issue. The challenges are urgent; Costa Rica was one of the top three first-stop countries for cocaine transiting to the United States last year. Organized criminal elements are wielding growing influence, and the palpable effect on society has made counter-narcotics efforts a top political issue.

Costa Rica should protect its previous investments in security, despite fiscal constraints, and invest further in its human capital. Top priorities for increasing its effectiveness and efficiency should be: 1) professionalizing its police and judicial institutions along with some restructuring and anti-corruption measures; 2) using advanced investigative techniques aimed at organized crime; and 3) passing laws that specifically target organized crime and its proceeds. The government should invest in border security as it slowly builds up the Coast Guard. Both forces must be strong in order to have an effective counternarcotics strategy. Finally, Costa Rica should continue to strengthen its cooperation with regional partners, building on its successful engagement with Panama and Colombia.

## Croatia

Croatia remains a transit point for illegal drugs trafficked along 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, partly resulting from 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 in 2015 regarding the broad availability of new psychoactive substances (NPS), which remain legally available on the internet and in local shops. Croatia has proposed legislative changes to address several such substances, including the ability to temporarily ban sale of NPS compounds for twelve months in order to conduct laboratory testing.

Croatia altered regulations to allow for the sale and use of marijuana-derived products for medical purposes in October 2015. Medicines containing tetrahydrocannabinol (THC), the plant's main psychoactive ingredient, can now be prescribed by doctors to ease health problems associated with several diseases, including cancer, multiple sclerosis, epilepsy, and AIDS. The drugs can be prescribed only for up to 30 days while the overall quantity for the period cannot exceed 7.5 grams. Other marijuana uses remain illegal under Croatian law.

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 2015 the Croatian police continued to effectively collaborate 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 with partners. The Ministry of Interior reported 7,242 drug-related seizures during the first nine months of 2015, down slightly (3 percent) from 2014 due to a decrease in marijuana seizures. This trend was not uniform across all categories of drugs, however, and seizures of heroin (400 percent increase), cocaine (300 percent increase), and methamphetamine (70 percent increase) increased considerably over this same period. 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. Discussions 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 public information 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.

The most recent maritime seizure statistics cover the first eight months of 2015, during which the Cuban government seized 962 kilograms (kg) of drugs (marijuana) and detected the territorial incursion of 33 suspect "go-fast" boats (southeastern coast). A targeted counternarcotics surge operation along the southeastern coast in July and August resulted in the seizure of 338 kg of marijuana and confessions by a group of local citizens to being complicit with drug traffickers operating between Jamaica and the Bahamas. Cuban customs reported disrupting 31 drug trafficking and 15 simple possession cases at airports, seizing a total of 58 kg of narcotics over the same period.

With respect to international cooperation, the Cuban government reports 36 bilateral agreements for counterdrug cooperation and 27 for policing cooperation. The U.S. Embassy maintains a U.S. Coast Guard (USCG) liaison to coordinate with Cuban law enforcement. 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 2015 led to multiple interdictions; Cuban cooperation with USCG led to the August arrest of three Bahamian citizens involved in drug trafficking activities, and the seizure of the "go-fast" boat used for those activities.

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 expanded bilateral discussions on law enforcement and counternarcotics cooperation in late 2015 that included current information on trends and enforcement procedures. Enhanced communication and cooperation between the United States, international partners, and Cuba, particularly in terms of real-time information-sharing, will likely lead to increased interdictions and disruptions of illegal drug trafficking.

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

The United States' ability to evaluate the drug control situation within North Korea is extremely limited due to the regime's minimal international engagement and ongoing repression of all independent media and civil society. The best available information on the subject continues to come from DPRK refugees, defectors, and media reports from neighboring countries. According to these sources, methamphetamine production and consumption appears to have expanded considerably within North Korea over the past decade. The increased availability of the drug has also fueled cross-border smuggling of the drug into China and other countries.

According to unconfirmed reports, drug use is common in the northern areas of North Korea bordering China, particularly in the industrial cities of Hamhung and Sunchon. Methamphetamine use is apparently widespread across multiple strata of society, including students, workers, and the relatively affluent. 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. Drug use remains technically illegal in North Korea, and according to unconfirmed media reports, convicted violators are subject to lengthy imprisonment or, in extreme cases, execution.

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, including large-scale maritime transshipment. The absence of incidents over the past decade could indicate either curtailed state involvement in drug trafficking, or, alternatively, that the DPRK regime has become more adept at concealing its involvement.

The best available information suggests that most methamphetamine production now takes place in small laboratories operated by criminal entrepreneurs that appear to operate independently of the state, and reportedly engage in bribery to facilitate their operations. China is the main destination for DPRK traffickers. Unconfirmed media reports have alleged that Chinese authorities have pressed North Korea to crack down on this trade, and Chinese enforcement against cross-border smuggling has intensified in recent years. Perhaps motivated by this pressure, North Korea appeared to have increased its own border enforcement in 2015. Some North Korean methamphetamine has been interdicted farther afield. In August 2015, a British national pled guilty to conspiring to smuggle 100 kilograms of North Korean methamphetamine to the United States through the Philippines and Thailand. The absence of law enforcement cooperation between North Korea and its neighbors prevents thorough attempts to trace 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 those markets transships through the Dominican Republic. Maritime routes, involving the use of “go-fast” boats and commercial containers, continue to be the primary method of smuggling drugs into and out of the country. The country is experiencing an increase in narcotics-related violence, partially attributable to the practice of drug trafficking organizations paying local partners in narcotics, which leads to the development of local drug gangs that engage in violent turf battles to control domestic drug distribution.

In order to combat the influence of drug traffickers, the Dominican Republic continued its cooperation with the U.S. government in 2015 to interdict illicit drugs and extradite criminals, including those 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 and U.S. governments 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 2015. The participation of the Dominican government in the Cooperative Situational Information Integration system, the Caribbean Basin Security Initiative (CBSI), and the Central America Integration System (SICA) 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 has a maritime counter-drug agreement with the United States that entered into force in 1995. In 2015, the United States and the Dominican Republic signed a new extradition treaty which replaces the 1909 treaty, and provides for extradition on a much broader scope of crimes. The treaty must complete the ratification process before going into force. In 2012, the United States and the Dominican Republic entered into a Permanent

Forfeited Asset-Sharing Agreement. To date, almost \$3 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 legal assistance are made through informal channels and formal means pursuant to multilateral law enforcement cooperation treaties and conventions to which the United States and the Dominican Republic are parties. The Dominican Republic processes U.S. requests for legal and judicial 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. Just over 9 metric tons (MT) of cocaine were seized directly by Dominican forces within the territory of the Dominican Republic and an additional 5.6 MTs were seized in international waters in calendar year 2015. In 2015, Dominican authorities also seized 54 kilograms (kg) of heroin and 1.2 MT of marijuana. The Dominican government also contributed to almost two tons of seizures by U.S. and other partner nations of drugs headed to/from the Dominican Republic. There has only been one confirmed track of a drug flight from South America to the Dominican Republic since 2010. 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 the southern coast, as well as to interdict drugs exiting the Dominican Republic. 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. Public Information, Prevention, and Treatment**

Local drug use is concentrated in tourist and major metropolitan areas, although drug use and associated violence occurs throughout the country. The CND continued demand reduction efforts in 2015 to warn Dominican youth of the negative effects of drug use under the Strategic National University Plan on the Prevention and Use of Drugs. The DNP continues to promote community-based policing as an effective way to deal with crime locally. With the publication of its Community Policing manual in the spring of 2015, the DNP began outreach at the command level to implement community policing concepts more fully in the capital and its environs as well as in other major population centers around the country.

## **4. Corruption**

As a matter of policy, the Dominican government 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 remains endemic. The Government of the Dominican Republic has taken steps to address corruption among military and law enforcement forces, but corruption remains a significant impediment to law enforcement efforts in the country. The judiciary is politicized and riddled with corruption, and the legal system offers little recourse to those who lack money or influence.

In 2012, the Dominican government established the multi-donor Participatory Anticorruption Initiative, which resulted in a 30-point action plan to strengthen fiscal transparency and government accountability. Progress has been made in implementing key 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. U.S. assistance continues to focus 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 CBSI. 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 works 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 high number of extraditions and deportations of fugitives to the United States.

The United States provided equipment and training to increase the capabilities of Dominican law enforcement entities, including support for the DNCD drug-detection canine units, and other specialized DNCD investigative and reactive units. The United States enhanced DNCD's computer training, database expansion, and systems maintenance support. In October 2014, a new canine facility opened that will allow the Dominican authorities to train regional partners. The United States continues 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. The United States continues to provide tactical training, equipment, and other assistance to both the DNCD and Dominican military involved in illicit trafficking interdiction.

The United States assists 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 more than 20 training activities for DNP officers under the U.S.-funded Colombia Action Plan in 2015. Twenty-seven activities are planned for 2016 under this trilateral initiative, which will provide training for up to 600 DNP officers of all ranks. In addition, the Dominican legislature continued to deliberate a Police Organic Law to bring about significant institutional changes to the DNP. The Dominican Republic continues to work towards passing

legislative proposals related to illicit 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. These CBSI programs contribute to building the capacity of the national police and prosecutors to develop stronger cases and coordinate efforts leading to more successful prosecutions. As part of CBSI, U.S. assistance 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. CBSI funding also has 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 and maritime interdiction efforts since 2010 demonstrate that Dominican institutions have the capacity and will to stem the flow of drugs into the country. The Dominican government must continue to improve its efforts to build a coherent, multifaceted counternarcotics 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, Curaçao, Sint Maarten, Bonaire, St. Eustatius, and Saba. In 2010, the Netherlands Antilles dissolved as a political unit. Curaçao and Sint 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 Curaçao (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. Sint 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, Curaçao, and Sint 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, Curaçao, Sint 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 Curaçao and has its largest presence there.

In 2012, both Curaçao and Sint 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 2015. 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 2015, which led to over 92 kilograms (kg) in cocaine seizures and the confiscation of over \$120,000 in drug related proceeds, along with the arrest of multiple subjects.

**Curaçao**

Curaçao has vastly improved its effectiveness and efficiency in addressing endemic drug-related crime, violence, and corruption. In January 2015, the Korps Politie Curaçao (KPC) appointed a new police chief who has greatly enhanced the leadership and stability of the KPC, which in turn has led to successful counter narcotics operations. The KPC has made dramatic strides in aggressively countering the narcotics trade in Curaçao. The local price per kilogram of cocaine has increased due to increased narcotics seizures in Curaçao.

**Sint Maarten**

Sint 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 have expanded their operations into Sint Maarten believing that law enforcement is less prevalent than in their respective countries. However, regional law enforcement agencies have increased cooperation. In 2015, authorities successfully investigated several trafficking groups that were transporting hundreds of kilograms of cocaine from Sint Maarten to the United States and Europe. These investigations included unprecedented cooperation from the Korps Politie Sint Maarten (KPSM), RST, French, Dutch, British and U.S. authorities. In addition, the KPSM, in cooperation with U.S. authorities, seized approximately 200 kg of cocaine arriving on commercial air carriers, over 450 kg of marijuana, significant cash and assets from Dominican and Colombian based trafficking groups operating in Sint Maarten, and arrested multiple subjects.

Kingdom Relations Minister Ronald Plasterk commissioned a private firm in 2014 to write report on public integrity issues in Sint Maarten. The report found that "governance challenges facing Sint Maarten are real and substantial" and noted significant gaps to prevent corruption. Based on the findings of the report, the Kingdom government instituted a public integrity screening process of all incoming Ministers beginning with the 2014 Parliamentary elections.

**Bonaire, St. Eustatius, Saba**

The National Office for the Caribbean in the Netherlands 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.

### **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 maintains support for counternarcotics efforts through participation in the Caribbean Region Agreement to suppress illicit maritime and air trafficking and 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 Royal Netherlands Navy regularly conducts counternarcotics operations in the region and is a member of Joint Interagency Task Force South (JIATF-S). In 2015, nine JIATF-S cases were supported by the Royal Netherlands Navy, including the seizure of 2.8 metric tons (MT) of cocaine and the disruption of 1.45 MT in cocaine shipments. Nearly six MT of marijuana were also seized during the year. The volume of seized and disrupted shipments of all illicit drugs increased by nearly 300 percent in 2015 from the previous year.

The United States continues to support demand reduction programs with local schools, community-based youth organizations, and the Curaçao National Baseball League.

### **D. Conclusion**

Five years into the dissolution of the Netherlands Antilles, Curacao and Sint 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 Sint Maarten can look to Aruba as an example of how this is accomplished.

## Eastern Caribbean

### A. Introduction

Barbados and the six independent member countries of the Organization of Eastern Caribbean States (OECS), Antigua and Barbuda, 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. Homicide rates throughout the region declined in 2015 from the previous year, continuing a two-year trend, but the overall crime rate (including drug related violent crimes) has increased. Many homicides resulted from turf wars between organized groups fighting to control local drug distribution. Cannabis consumption and cultivation remains common in many EC states, though very little is produced in Barbados.

Seven consecutive years of declining macroeconomic growth leave EC law enforcement capacity increasingly beleaguered. EC governments have made some improvements to still antiquated criminal codes. Political leaders, however, have largely failed to address public concerns about official corruption.

### B. Drug Control Accomplishments, Policies, and Trends

#### 1. Institutional Development

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 United States and Canada jointly fund an \$11.25 million project to refurbish two aging Maritime Patrol Aircraft, which are owned and operated by the Regional Security System (RSS), a treaty based, collective defense organization of which the EC countries are members. These aircraft are used for counternarcotics purposes. The first of the two refurbished C-26A Maritime Patrol Aircraft was returned to the RSS in June 2015. Since then, the aircraft has conducted hundreds of flight hours (routine flights and flights based on intelligence) leading to the interruption of numerous drug trafficking operations and the arrest of dozens of suspected drug traffickers. Delivery of the second refurbished C-26A Maritime Patrol Aircraft to the RSS is scheduled for 2016.



In 2014 and 2015, EC countries demonstrated their commitment to drug control through multiple measures. Grenada, Saint Vincent and the Grenadines, Antigua and Barbuda, and Dominica passed several new laws that will facilitate the prosecution of narcotics cases, including comprehensive civil asset forfeiture laws with a dedicated forfeiture fund to attack transnational organized crime by seizing illicit assets. The laws require that forfeited funds be channeled to support police, prosecutors, RSS contributions, victim restitution, and drug abuse prevention and treatment. In 2015, Barbados passed “Interviewing the Suspects” legislation which requires the police to comply with human rights standards when interrogating suspects. The Government of Dominica has committed its limited resources and personnel to establishing the first vetted counternarcotics unit in the EC, “Strike Force.” The United States agreed to partner with Dominica and has provided training and some equipment for the initiative. The selected unit is semi-operational but will be fully operational in 2016 pending further training and the receipt of specialized equipment.

## **2. Supply Reduction**

Venezuela-based drug traffickers 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 is the highest in the mountainous regions of St. Vincent, St. Kitts, and St. Lucia. Barbados authorities reported increased marijuana and cocaine shipments transiting from Trinidad and Tobago in 2015, though they also reported reduced drug landings due to successful maritime interdictions. Antigua and Barbuda observed an increased flow of cocaine and cannabis from Jamaica via St. Martin. St. Vincent continues to be a primary source for cannabis cultivation in the EC, with most plants being grown for export. The St. Vincent Drug Squad reported a surge in the transshipment of cocaine in 2015. St. Vincent also reported a trend in “men and women being sent to Venezuela for payment...as guarantors for the dealers.” Over the first nine months of 2015, drug seizures in the EC increased over 2014 and totaled approximately 6.65 metric tons (MT) of cocaine and 1.11 MT of marijuana, according to statistics shared with U.S. authorities.

## **3. Public Information, Prevention, and Treatment**

Marijuana is the most widely used illegal drug in the region, though abuse of over-the-counter drugs is also on the rise. Barbados has drug prevention programs, but has not passed a National Drug Strategy. The Government of Barbados established its Drug Treatment Court in February 2014; it currently monitors 14 active clients. St. Kitts and Nevis has several programs credited by its own officials as successful. Grenada operates several programs through its Drug Control Secretariat. Dominica’s National Drug Master Plan for 2014-2017 remained pending government ratification at the close of 2015. Barbados, Grenada, and St. Lucia have drug rehabilitation clinics. 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 EC

were prosecuted for engaging in or facilitating the illicit production or distribution of controlled drugs or laundering of proceeds from illegal drug transactions. Nevertheless, many observers believe that drug-related corruption remains a problem in the region, and has allowed some trafficking organizations to elude law enforcement. The United States funded the establishment of an RSS Polygraph Corps, which certified 27 polygraphists from the EC in December 2014. Regional governments use the new corps of polygraphists to monitor sensitive police and other institutions. Eastern Caribbean governments have established bilateral agreements that allow the polygraph examiners from one EC country to conduct polygraph examinations in another EC country.

### **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 EC citizens, primarily through the Caribbean 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. 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, overflight, 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 also has been used for crime prevention programs that help at-risk youth pursue education, vocational training, and employment.

Demand reduction is another area of U.S. cooperation with the Eastern Caribbean. The United States supports the Organization of American States' Inter-American Drug Abuse Control Commission in its technical support to the government's drug treatment and prevention systems, including training and support to treatment facilities.

### **D. Conclusion**

The United States encourages EC countries to continue to embrace CBSI partnership and to fulfill their budgetary commitments to the RSS. The United States also encourages EC countries to support programming to increase regional counternarcotics operations and build regional capacity, through joint training and cooperation. The United States further encourages the seven countries to continue to pass legislation to modernize their criminal codes and implement regional best practices to combat transnational organized crime.

# 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. While not a major drug producing country, Ecuador is a major transit country for chemical precursors to process illegal narcotics and is also 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 more importance 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 population suffering from substance use disorders, a problem that will likely be compounded by Ecuador's 2014 decriminalization of personal possession and consumption of most 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. During 2015, Ecuadorian authorities arrested 8,386 individuals for trafficking-related crimes, compared to 4,116 during all of 2014. In 2015, the United States provided only modest logistical and operational support to Ecuadorian counternarcotics operations. The U.S. Department of State's International Narcotics and Law Enforcement Affairs (INL) and U.S. Agency for International Development ceased operations in Ecuador in September 2014.

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 persons with substance use disorders. In December 2013, the National Assembly passed a new criminal code (COIP), which went into effect in August 2014. While the new code increased penalties for most crimes, it decriminalized personal use possession and consumption of relatively small amounts of narcotics.

The COIP created a tiered approach to drug trafficking and possession with larger amounts carrying longer prison sentences. After the original legislation proved ineffective at combatting drug trafficking, the National Council for the Control of Narcotic Drugs and Psychotropic Substances (CONSEP) released a new table for drug penalties in September of 2015; this table drastically reduces the minimum amount of narcotics required to trigger each tier of punishment. Ecuador's Ministry of Interior has invested in developing technological capacities to target narcotics traffickers, including a special crime laboratory in Quito completed in 2014. The laboratory provides police with tools to catalog and search fingerprint records and

conduct DNA tests and toxicology screening. A second laboratory opened in Guayaquil in October 2015.

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 (USCG) and Ecuadorian maritime authorities also exercise Maritime Operational Procedures that coordinate the boarding of vessels claiming Ecuadorian nationality in international waters. The Ecuadorian government unilaterally suspended this agreement for six months in 2014 before reactivating it in August of the same year. Between August 2014 and December 31, 2015, use of the reactivated Operational Procedures resulted in some of the most successful counternarcotic boarding operations carried out by the USCG around the world, including the boarding of 87 suspected trafficking vessels and the seizure of 28 metric tons (MT) of cocaine.

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, and the United States and Ecuador do not have a significant extradition relationship. 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 including Los Zetas, the Sinaloa and Gulf cartels, and the Revolutionary Armed Forces of Colombia (FARC), are operating in Ecuador. Mexican cartels increasingly use private aircraft and clandestine runways to transport money into Ecuador and cocaine to Mexico and Central America.

In 2015, most of Ecuador's counternarcotics activities focused on combatting the public health issue of drug dependence. In March, the Ministry of Interior created a plan to address this issue by establishing "micro-trafficking" units that target street level traffickers. Drug availability continues to increase. Ecuador made noteworthy improvements in surveillance capabilities along its northern border. Video monitoring is used in strategic smuggling chokepoints in Esmeraldas, Lago Agrio, Ibarra, and Tulcan.

Official police statistics indicate cocaine seizures increased in 2015 from 2014. Ecuadorian officials seized 59 MT in 2015 (including base cocaine), exceeding the 50 MT seized during 2014. Police also seized 159 kilograms (kg) of heroin compared with 195.3 kg in 2014, and 13 MT of marijuana compared with 1.53 MT in 2014. Of note, Ecuador's seizure reports include

seizures in foreign locations from vessels that departed Ecuadorian ports. In 2015, this accounted for 2.2 MT of the cocaine reported seized.

Maritime seizures increased significantly in 2015, despite the Ecuadorian Navy's lack of resources. Ecuadorian maritime counter-narcotics operations in 2015 included at least three successful independent take-downs, including an operation in February in which Ecuadorian Coast Guard and Navy assets interdicted the fishing vessel JACK MAR near the Galapagos Islands seizing 2.3 MT of cocaine and detaining nine suspects.

Drug traffickers continue to use containerized cargo and shipping containers to smuggle drugs out of Ecuador, 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. Despite the fact that the port authority, Contecon, employs relatively robust security measures at its facility, only 20 percent of containerized exports are inspected. Meanwhile, traffickers continue to smuggle liquid chemicals (including ether) from Ecuador to Colombia and Peru for cocaine processing.

The 2015 UN Office on Drugs and Crime (UNODC) World Drug Report reported 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 2015, the government eradicated 30,152 poppy plants, 45,266 coca plants, and 31 marijuana plants.

Synthetic drug production and consumption is not a major issue of concern for Ecuadorian authorities. In April 2015, a group was arrested in Colombia for trafficking synthetic drugs to several countries in South America, including Ecuador. Ecuador reported to UNODC that some new psychoactive substances (NPS) were detected within the country, but information on the synthetic drug situation within Ecuador remains mostly anecdotal.

### **3. Public Information, Prevention, 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 years in 2010 to 14.3 in 2014. All drug offenders are entitled to drug treatment under the Ecuadorian Constitution, but resources and treatment facilities remain inadequate. 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.

### **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 new penal code increased penalties for government officials who impede the prosecution of drug traffickers and strengthens the definition of conspiracy.

Narcotics-related corruption remains a problem within the public security forces. In January 2015, two police officers were killed and others injured in a shootout while trying to prevent off-duty officers from transporting a shipment of marijuana in Esmeraldas. In March, 63 officers were dismissed after failing to pass a polygraph related to the event.

Several government entities are responsible for receiving and investigating corruption complaints, but resource constraints and 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 forced closure of the U.S. Embassy's Security Cooperation Office in 2014 reduced United States-Ecuadorian collaboration against illegal drugs. In addition, the cessation of INL and USAID programs in 2014 diminished collaboration on programs aimed at improving economic conditions and reducing the trade in illicit drugs. Despite these setbacks, 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 2015, 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 counter-narcotics operations in 2015. On July 20, Ecuadorian authorities captured Colombian drug trafficker Diego Mauricio M.R. ("El Paisa"), the third most wanted man in Colombia. He was extradited to Colombia later that month. Ecuador increased maritime information sharing with both Colombia and Peru, but more work is needed in 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 control of chemical precursors, both on land and at sea.

With a sharp decrease in U.S. financial assistance, Ecuador will need to dedicate additional funds to counternarcotics efforts meet growing challenges. The Correa Administration should make efforts to augment the capacity of the police and military through the acquisition of interdiction equipment and provision of additional training for the police and the military.

While the implementation of Ecuador's 2014 penal code provides new tools to law enforcement personnel to conduct surveillance and operations, the lack of regimented investigative training continues to hinder Ecuador's ability to successfully prosecute transnational crime. The 2015 revisions to the penal code show Ecuador's commitment to combatting and reducing drug trafficking. Ecuador needs to provide sufficient resources to implement these changes in its 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 (a prescription opioid) within the country. Egypt also serves as a transit point for transnational shipments of narcotics from Africa to Europe due to its porous borders. Cannabis is also smuggled into the country, primarily from Morocco and Lebanon, 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), under the Ministry of Interior, oversees counterdrug operations and cooperates with the U.S. Drug Enforcement Administration (DEA) to identify, detect, disrupt, and dismantle national and international drug trafficking organizations. 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 Guard units remains good, including on large-scale anti-drug campaigns.

In 2015, DEA and ANGA joint investigations resulted in the seizure of over 30 metric tons of hashish. 2015 saw a slight increase in the amount of cocaine coming from South America seized at the Cairo International Airport. A DEA and ANGA joint investigation led to the seizure of a fenethylamine amphetamine laboratory in the Sinai, the first of its kind in Egypt. ANGA 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 remains a major transit country for illegal drugs headed to the United States from source countries in South America. The United States government estimates that approximately 90 percent of the cocaine trafficked to the United States in the first half of 2015 first transited through the Mexico/Central America corridor. Traffickers in El Salvador use “go-fast” boats and commercial vessels to smuggle illegal drugs along the country’s coastline and to provide fuel to drug-laden vessels en route to northern destinations. The Pan-American Highway is the primary land route, with drug traffickers using buses and tractor-trailers to smuggle shipments.

In September 2014, the government launched a Security Council comprised of government officials and religious, business, and civil society leaders to develop an action plan for reducing crime and violence in El Salvador. In January 2015, with the support of the United Nations Development Program (UNDP) and the European Union, the Council provided the government with a security plan, the Plan El Salvador Seguro (Plan Seguro), organized along five main themes: violence prevention, law enforcement, rehabilitation and reinsertion of criminals into society, attention to and protection of victims, and strengthening of government institutions. Plan Seguro is a geographically-oriented, place-based approach to coordinate multiple lines of action aimed at reducing insecurity, including factors such as drug consumption and trafficking.

The United States assists El Salvador’s efforts through initiatives including the U.S.-El Salvador Partnership for Growth and the Central America Regional Security Initiative (CARSI). 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, and there continues to be a lack of accurate information on the severity of drug trafficking and use within 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 Grupo Especial Anti Narcoticos (GEAN) within the DAN is responsible for conducting sensitive counternarcotics investigations. By 2015, the GEAN had transitioned from a non-vetted unit to a fully-vetted unit comprised of 23 Salvadoran officers. The DAN and the U.S. Drug Enforcement Administration (DEA) 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 made advances in reforming its correctional institutions in 2015. The Central National Prison Directorate (DGCP) made efforts to reduce its overcrowding problem in prisons and pre-trial detention cells (“bartolinas”), which were operating at 307

percent of their designed capacity at the end of 2015. The DGCP reported that nearly 43 percent of incarcerated inmates were involved with or affiliated with gangs.

The DGCP has established policies to reduce the flow of illegal contraband currently entering the prisons and is addressing a variety of incarceration issues that allow criminal organizations to control their operations from within the prisons. For example, the DGCP currently utilizes the 27 U.S.-funded hardened prison cells with cell phone blocking capabilities in the Zacatecaluca prison, limiting 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 enables 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.

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) composed of PNC, customs and port authorities, and military was established in 2012 to combat transnational organized crime. In 2015, an embedded advisor was added to the Task Force to improve integration. While GCC has shown promise, the unit lacks a government decree assigning specific responsibilities for the administration of, fiscal appropriation to, provision of intelligence to, and maintenance of the unit. The Government of El Salvador needs to enact such a decree in order to maintain GCCs potential as a viable counternarcotic force.

## **2. Supply Reduction**

During 2015, Salvadoran authorities seized 2,401 kilograms (kg) of cocaine; 2.5 kg of heroin; 927 kg of marijuana; 2.5 kg of methamphetamine; bulk currency valued at approximately \$723,000; and arrested 289 suspected drug traffickers. Authorities also seized approximately \$1.3 million in assets related to illicit activities, including drug trafficking.

## **3. Public Information, Prevention, and Treatment**

Drug abuse among Salvadorans is a growing concern, particularly among youth. The government has not kept reliable statistics for illegal consumption since 2012. The PNC has been successfully implementing the Gang Resistance Education and Training (G.R.E.A.T.) program in public schools throughout model police precinct (MPP) locations. In 2015, the United States trained and certified 47 additional Salvadoran PNC officers as full-time GREAT instructors. Since its inception, this El Salvador-based training program certified over 865

regional officers and has trained more than 150,000 at-risk youth in Central America. In addition to the GREAT program, the PNC has deployed the Police Athletic league in some MPP projects benefitting over 3,000 at-risk youth. In 2015, the United States-PNC partnership under MPP continues to serve approximately three million Salvadorans for citizen security and prevention.

The United States supported the Salvadoran Government in the implementation of the Place Based Strategy (PBS) for violence prevention, which supports the municipalities identified by the Government in Plan Seguro. As part of the sustained support to the MPPs, 947 PNC officers were trained and equipped in 2015 to implement best practices in effective crime prevention, community policing, intelligence, and citizen contact.

In 2015, the United States helped strengthen the effectiveness of criminal justice procedures and practices by training 446 justice sector personnel; providing technical assistance to increase coordination between justice sector agents and institutions; training on the Code of Criminal Procedures; improving criminal investigations using scientific evidence; and building the capacity of the police and prosecutor's offices.

With U.S. support, the Organization of American States' Inter-American Drug Abuse Commission provides technical assistance to the government's drug treatment and prevention systems, including training for service professionals and support to treatment facilities.

#### **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 120 exams in 2015 including personnel in PNC investigative units, DAN, GCC, Office of the Attorney General, and the new Transit Crimes Task Force Unit.

#### **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 CARSI. These programs aim to expand Salvadoran capabilities to interdict, investigate, and prosecute illegal drug trafficking and other transnational crimes, implement prevention programs, and 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 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 narcotics-related cases.

In 2015, 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. U.S. assistance promoted transparency, efficiency, and institutional respect for human and civil rights within law enforcement and the criminal justice system. The United States 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 320 Central American officers in intelligence-led policing, as well as basic and advanced community policing. The GCC utilizes four boats donated by the United States, and the United States will continue to assist the Government of El Salvador to interdict illicit traffic utilizing maritime surface assets. The United States continues to help 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.

In November 2013, the Legislative Assembly approved an asset forfeiture law. The United States continues to coordinate with El Salvador to implement the law through training for judges, prosecutors, PNC, and the asset forfeiture program's governing organization (CONAB).

#### **D. Conclusion**

El Salvador strengthened its capacity to combat illegal drug trafficking in 2015. The PNC's wiretapping unit is functional and showing positive results. El Salvador faces formidable challenges, and must take steps to promote sustainable and effective law enforcement institutions. Successful implementation of Plan Seguro should improve the security situation in El Salvador.

The successes of 2015 can be sustained if the Government of El Salvador demonstrates increased leadership in 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, and the recently approved Plan Seguro demonstrates such an understanding.

## Georgia

Georgia is a significant transit country for illicit drug flows. Seizures made in 2015 at the airport and at overland points of entry illustrate that Georgia has emerged as a viable trafficking corridor for transnational criminal organizations to smuggle increasingly large shipments of cocaine, marijuana, heroin, amphetamine, and synthetic drugs to markets in Western Europe, Russia and Turkey. In 2014, Georgian authorities seized a record 2.8 tons of liquid heroin. Significant seizures of illicit drugs through the first ten months of 2015 included a 37 kilogram (kg) seizure of cocaine and a 60 kg seizure of amphetamine. In an effort to improve tracking of these routes, the Ministry of Internal Affairs created a special analytical unit in December 2014, which contributed to multiple seizures of cocaine at the Tbilisi Airport.

In 2015, 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 training for the Counternarcotics Division of the Central Criminal Police, including in anti-money laundering techniques, analytical tradecraft and interdiction, as well as expanded cooperation with Georgia's Customs service. The United States completed a two-year project to develop an interagency counternarcotics canine unit at the Tbilisi International Airport in September 2015.

In terms of international cooperation, 2015 highlights included the introduction of two more Georgian police attachés, stationed in Germany and Spain, with plans to deploy attachés in the near future to Poland, Kazakhstan and Italy. Georgia continues to implement its National Drug Strategy and Action Plan and focused its 2015 program on juveniles with positive public messaging promoting a healthy lifestyle. Georgia established a National Drug Monitoring Center in November and signed a memorandum of understanding with the European Monitoring Centre for Drugs and Drug Addiction to promote information sharing between the two institutions.

Based on information from non-governmental organizations, the estimated number of injecting drug users is around 50,000, out of a population of 3.7 million. Georgia is also using U.S.-developed curriculum to support training and professionalization of its substance use treatment workforce. With U.S. support, the program is establishing a cadre of national trainers who will disseminate the training throughout the country.

The United States encourages Georgia to continue its strong law enforcement response to drug trafficking and its focus on investigating and prosecuting the leaders of transnational criminal organizations operating in the country. The United States will continue to provide training and technical support on narcotics control issues and encourage interagency and regional cooperation.

## Ghana

Ghana continues to be primarily a transit point for illegal drugs, particularly South American cocaine and Southwest Asian heroin bound for European and North American markets, although Ghanaian officials believe that the population of cocaine and heroin users in the country is growing steadily. Marijuana continues to be the main illicit drug used within Ghana. Precursor chemicals obtained primarily from sources in Asia are smuggled through Ghana's porous ports of entry, and used to produce methamphetamine and psychotropic substances in clandestine labs within the country.

According to seizures reported by the Narcotics Control Board (NACOB), the volume of drugs seized the first six months of 2015 declined markedly from 2014. Cannabis and methamphetamine seizures, however, increased significantly, with the first ever methamphetamine seizure occurring at the Kokota International Airport in May. An estimated nine kilograms of methamphetamine were seized from a Nigerien subject en route to South Africa. The number of arrests NACOB made for drug-related offenses remained steady at around 20 to 30 during the reporting period.

The stigma of drug addiction often prevents many suffering from substance use disorders from seeking treatment. Many rehabilitation centers are privately owned or not well organized. NACOB maintained partnerships with several drug treatment centers, providing support and counseling for individuals. Since 2014, and with U.S. support, Ghana has participated in the Colombo Plan's International Centre for Certification and Education of Addiction Professionals, which provides international credentialing for substance use treatment staff. Recipients of this training have begun to utilize their skills at treatment centers across the country. NACOB also plans to join the International Society of Substance Use Prevention and Treatment Professionals.

In 2015, the Executive Secretary of NACOB called for the establishment of a national commission on substance abuse to complement NACOB's law enforcement mandate, and proposed decriminalizing cannabis to reduce Ghana's prison population. Legislation introduced in 2014 that would convert NACOB from a board into a commission remained pending in parliament at year's end.

Ghana cooperated with the United States and other international partners on counternarcotics issues. The U.S.-funded West Africa Regional Training Center provided advanced crime investigation training to approximately 200 law enforcement officers, judges and prosecutors from Ghana in 2015. Ghana is also one of five countries that participate in the U.S.-funded Training of Leaders Initiative, which seeks to increase the number of anti-drug community coalitions around the world. The Community Anti-Drug Coalitions of America and the Philip Foundation, a local non-governmental organization, assist Ghana's participation in this initiative and other drug demand reduction efforts. Ghana is also utilizing U.S.-developed curriculum to improve training and professionalization of its substance use treatment workforce. With U.S. support, Ghana is establishing a cadre of national trainers in Ghana who will disseminate the training throughout the country.

Ghana and the United States are both party to the 1931 extradition treaty with the United Kingdom, which has continued in force. There is no mutual legal assistance treaty between the two countries, although mutual legal assistance can be provided on a reciprocal basis through letters of request.

# Guatemala

## A. Introduction

Guatemala remains a major transit country for illegal drugs. Transnational criminal organizations continue to take advantage of Guatemala's porous borders with Honduras, El Salvador, and Mexico and underfunded and underequipped law-enforcement institutions to smuggle narcotics, migrants, and other illicit goods through the country's land and sea territories. Guatemala continues to cultivate opium poppy and marijuana in the Western Highlands and Petén Department, respectively, but the level of opium cultivation decreased during the course of 2015.

Although Guatemala's efforts against drug trafficking in 2015 remained on par with past years, the antinarcotics fight (and government initiatives generally) was overshadowed and distracted by a series of ongoing government corruption investigations that ultimately led to the arrest of the President Vice President.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

The Guatemalan political scene changed drastically over the course of 2015. A customs administration corruption scandal broke in April with other high-profile corruption cases following in May and June. The subsequent investigations led to the arrest of many high-level officials in addition to those who resigned or were fired due to allegations of corruption. The scandal ultimately led to the resignations of Vice President Baldetti on May 8 and President Perez Molina on September 3, and subsequently their arrests. The caretaker government, headed by President Alejandro Maldonado, led Guatemala through free, fair, and generally peaceful first round elections on September 6, and a runoff presidential election on October 25. Political newcomer and anti-establishment candidate Jimmy Morales rode the tidal wave of discontent with corruption and established politicians to a landslide victory and was inaugurated as President on January 14, 2016.

Weekly protests throughout much of 2015, including the two largest national demonstrations in Guatemala's history, spurred the establishment of congressional working groups to draft overdue reforms for electoral, civil service, government procurement, and justice sector laws.

Amid the turmoil, purported changes to Guatemala's National Drug Policy were quietly shelved. In 2014, Perez Molina, a vocal proponent of drug legalization, 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 2014, which focused on defining the drug problem in Guatemala. A second report making policy recommendations was expected to be released in mid-2015; however, the document was not released before Perez Molina's resignation and the Committee ceased to function.



Guatemalan authorities continued to deal with the rise in number of unaccompanied children and other migrants arriving at the U.S. border. Guatemala, along with the other countries in the Northern Triangle - Honduras and El Salvador - developed a comprehensive strategic plan, the Alliance for Prosperity, to improve their economies, strengthen their governmental institutions, and provide better security for their citizens. Toward that security goal, the National Civil Police (PNC) finished implementing a new data-driven policing model based on New York City's successful COMPSTAT program. The Guatemalan developed version, MOPSIC, contributed to a three percent decrease in overall crime in 2015 with a five percent decrease in homicides and eight percent in the violent crime rate nationwide. In the Guatemala City metropolitan area, where MOPSIC was first implemented in 2014, there was a 13 percent year on year decrease in homicides and seven percent drop in the violent crime rate.

Despite these decreases, many areas of the country, especially along the borders, are under the direct influence of drug trafficking organizations. Many observers note that Guatemala today is a more violent place on average than it was during the 1960-1996 armed internal conflict. As much as 40 percent of this violence is generated by the drug trade, according to Guatemalan government estimates. Every year, hundreds of metric tons (MT) of cocaine are smuggled through Guatemala.

Beyond drug trafficking and its effects, Guatemala law-enforcement authorities were hampered by the high rate of turnover in key positions due to corruption scandals. After the former Minister of Government was forced to resign, the new Minister of Government made sweeping changes to the top levels of the PNC, Penitentiary System, and Counternarcotics Police. The PNC had three different Directors within a six month span from March to September 2015. Although the new appointees are highly competent, the high level of turnover affected continuity in the short term.

Guatemalan law-enforcement institutions suffer from inadequate budgetary support. Not only are tax collection rates among the lowest in the world, but extensive corruption further starves institutions of scarce resources, including, for example, a scheme that involved the head of the PNC's logistics division, who was accused of using fake businesses to generate thousands of false invoices for vehicle repairs. Authorities could improve their budgetary situation by better administering and distributing seized assets. In 2014, the Seized Asset Secretariat disbursed more than \$5.99 million. In 2015, however, the Secretariat managed just one distribution of \$852,000.

The Government of Guatemala continues to work closely with U.S. authorities on extradition matters, including those who were wanted for prosecution on drug-related charges. A U.S.-designated drug kingpin was extradited in 2015.

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 Organization of American States' 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.

## **2. Supply Reduction**

Eradication efforts over the course of 2015 suggest opium poppy cultivation in Guatemala may have declined. A 2014 U.S. government assessment estimated 640 hectares of opium poppy were under cultivation in Guatemala. Over successive eradication missions during 2015, the total number of hectares found and eradicated decreased from 285 hectares over a three week period in January-February, 2015 to 103 hectares during a 10-day July mission, and to 40 ha in November. Guatemalan military and Counternarcotics Police analysts pointed to the drop in opium farm-gate prices from \$13 an ounce to \$3 as the principal reason farmers converted to corn, potatoes, and other crops. Experts also pointed to the increase in poppy production in Mexico and the disruption of opium trafficking networks, including the May 12 arrest of Cornelio Chilel (alias "The King of Poppy") in the San Marcos region of Guatemala as further reasons for the drop in cultivation.

During the first nine months of 2015, 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 7.25 MT of cocaine and 25 kilograms (kg) of heroin, in line with 2014 seizures. In addition, counternarcotics units seized over \$4.4 million in bulk U.S. cash and approximately \$3 million in local currency. The police also seized 575 MT of precursor chemicals, largely consisting of inbound shipping containers at the seaports.

## **3. Public Information, Prevention, and Treatment**

The Government of Guatemala continued its public awareness efforts on the dangers of illegal drugs in 2015. U.S.-funded drug demand reduction programs consisting of awareness and training efforts directed towards community and government leaders, educators, parents, and students, targeted 157,000 people in 42 municipalities in the departments of Guatemala City, Izabal, Jutiapa, Zacapa, Santa Rosa, Retalhuleu, Quetzaltenango, and San Marcos. The United States launched four awareness and information campaigns targeting 25,000 middle and high school students. In addition, 2847 Police Academy students received drug related information and training workshops.

The Health Ministry's Technical Unit, in charge of authorizing and monitoring drug treatment centers, conducted two U.S.-funded studies to evaluate 65 treatment centers and to study patients to determine the quality of services being offered in treatment centers. The United States supported the update and revision of the 2006 Minimum Treatment Standards Guide. A new 2015 Minimum Treatment Standards Guide was developed and presented to the Health Minister for its approval. In 2015, both the Colombo Plan and CICAD provided training and certification for treatment professionals, with U.S. support. The CICAD program provided training for 120 participants over a six-month period. The United States supports a program to develop anti-drug

community coalitions in Guatemala, which focus on organizing various sectors at the local level to develop strategies that prevent drug use and reduce crime and violence.

#### **4. Corruption**

The Government of Guatemala does not, as a matter of policy, encourage or facilitate illicit drug production or distribution, nor is it involved in the laundering of the sale of illicit drugs proceeds. However, Guatemala's economic, governmental, and security challenges are exacerbated by widespread corruption, which permeates public and private institutions. Guatemalan Attorney General Thelma Aldana, in coordination with the UN International Commission Against Impunity in Guatemala (CICIG) have played a vital role in investigating hundreds of current and former government officials. The Embassy and the international community work closely with CICIG, a unique UN-sponsored entity under the leadership of Commissioner Ivan Velasquez since September 2013. CICIG was created in 2007 to bolster Guatemalan justice sector institutions by investigating criminal organizations operating within state institutions, drafting reforms, and reporting on justice-related topics. CICIG's mandate was extended to September 2017 by former President Perez Molina.

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

The United States assists the Government of Guatemala through training and mentoring select personnel, donating essential equipment, and providing adequate operational support where appropriate. This assistance is channeled through four program areas: police professionalization and reform; justice sector capacity building; enhancing citizen security and reducing the threat of gangs; and counternarcotics. In 2015, efforts included working with both the PNC and local governments to implement community policing techniques through model police precincts; collaborating with the PNC on the full implementation of the new policing model MOPSIC and the further development of its associated crime reporting database; coordinating specialized training with the Miami-Dade Police Department on community policing, special tactics, tactical life-saving, and bike patrols; and working with the Penitentiary System to develop plans for a model prison as a basis for further reforms.

The United States worked extensively with the Judicial System to provide training and technical expertise to prosecutors and judges presiding over high-impact cases, including those of the former President and Vice President, in order to add credibility to the judicial processes. The end goal is to create effective structures and organizations sustainable by the Guatemalan Government.

#### **D. Conclusion**

The United States works closely with Guatemala to improve the government's ability to provide security and justice to its citizens and combat transnational organized crime networks more effectively. In 2015, the Government of Guatemala sustained their anti-drug efforts from previous years, while also grappling with multiple, high-level corruption scandals. The rise in corruption-related arrests is a sign that the justice system, strengthened in part by ongoing U.S. assistance, is responding to Guatemalan citizens' demand for accountability. Although these investigations caused uncertainty in the short term due to successive waves of personnel changes

in key law-enforcement positions, the long term effects should be positive, as institutions such as the Public Ministry and Judicial System showed new competencies and independence. The law enforcement instructions will still face challenges, including lack of funding, but the recent fight against corruption should pay dividends in the future.

## 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. Guinea-Bissau's political system remains susceptible to and under the influence of narcotics traffickers. The complicity of government officials at all levels in this criminal activity inhibits a complete assessment and resolution of the problem. A destabilizing change of prime minister and other senior officials in August and September slowed the reform process begun after free and fair elections in 2014.

Following the 2014 elections, the UN Office on Drugs and Crime (UNODC) and the UN Integrated Peace-Building Office in Guinea-Bissau initiated Security Sector Reform programming, with some limited technical support from the United States. The European Union, Portugal, France, and Spain also began to deliver bilateral forms of assistance and cooperation in 2015. Brazil has maintained a police training and cooperation for many years.

Nevertheless, 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, high levels of corruption, 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, further encouraging corruption at all levels.

UNODC reports that drug abuse is a growing problem in Guinea-Bissau, though still at a low level. 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.

Guinea-Bissau does not have a bilateral extradition treaty or a mutual legal assistance Treaty with the United States, though it is party to multilateral conventions that enable such cooperation.

# 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 criminal justice systems and other sectors. 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 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 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, and Guyana was under targeted review by the Financial Action Task Force (FATF). However, in June 2015 the Government of Guyana passed an amended anti-money laundering act in parliament and is making progress towards its compliance with FATF standards. In its October 2015 meeting, FATF kept Guyana under review in order to monitor its implementation efforts. The United States supports the Government of Guyana's efforts in this area and has offered technical assistance.

The Government started to draft anti-gang legislation in 2014, but this process remains incomplete. The government also launched a new Drug Strategy Plan (2015-2020) in January 2015. The Special Organized Crime Unit, which was established in June 2014 to investigate suspected money laundering crimes and prosecute persons suspected of terrorism and financial offenses, became operational in 2015.

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 counternarcotics 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 five 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), the Serious Organized Crimes Unit, 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. In January 2015, the CCP Unit made its first successful seizure of more than 192 kilograms (kg) of cocaine; a second seizure of 178 kg of cocaine followed on March 30. To date, no other drug seizures have been made by the CCP.

The GPF and CANU reported drug-related seizures and convictions for the first six months of 2015. Through June, the GPF reported seizing 134.2 kg of cocaine, up from 92.7 kg over the same period in 2014. CANU reported seizing 568.3 kg of cocaine, and the GRA did not report any seizures. Guyanese authorities convicted 49 persons on drug related charges during 2015.

## **3. Public Information, Prevention, and Treatment**

Guyana lacks a comprehensive 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 Public 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 seek 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.

The Government of Guyana cooperates very closely with all relevant U.S. agencies and departments but is limited by resource constraints and high levels of corruption in the country. The recently elected government has expressed a strong willingness to cooperate with the United States on drug control, extradition and mutual legal assistance, and other international crime issues.

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 2015, 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 information 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 en route to the United States and other markets. This traffic takes advantage of Haiti's severely under-patrolled maritime 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 continued in 2015 to strengthen the Haitian National Police (HNP) and its counternarcotics unit (Bureau for 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. While drug and cash seizures were higher in 2015 than in the previous year, the government has been unable to secure borders adequately in order to cut the flow of illegal drugs. Principal land border crossings with the Dominican Republic are largely uncontrolled 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 Haiti's domestic law enforcement interdiction capacity has improved marginally, a largely ineffective judicial system continues 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. The HNP's 26th cadet class started in September 2015 with 1,508 cadets, including a record 190 women. Another class planned for May 2016 will allow the HNP to meet its five-year development plan goal of 15,000 police by the end of 2016. A larger force will enable the HNP to assume increasing responsibility for security, given 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 2015 the unit's manpower was 190 officers, thanks to new recruits from recent classes. At the completion of their basic training, these new officers completed a supplementary two-month counternarcotics training with existing BLTS officers and the United States Drug Enforcement Administration (DEA). Several of the new BLTS officers joined the K9 unit, whereas others were deployed to Cap Haitien and Les Cayes. In 2016, the HNP also is planning to deploy BLTS officers to regional outposts, including Malpassee and Terrier Rouge, border crossings with the Dominican Republic.

BLTS enhanced its internal interdiction capacities during 2015 by assigning officers to new outposts in Ouanaminthe (along the border with the Dominican Republic) and Cap Haitien, further expanding its use of a 20-dog K9 unit, and participating in U.S.-funded training exercises in Colombia. The BLTS has assigned 15 officers to its permanent outpost at the Haitian Coast Guard (HCG) base in Les Cayes, which now has a maritime interdiction capability that will increase operational capacity to deter drug trafficking along the southern coast. Delivery of two new vessels and related training took place in August, and the BLTS-HCG task force is now operational. A partially vetted unit was established and participated in DEA-led sensitive operations. Airport K9 modular infrastructure were installed in Port-au-Prince and in Cap Haitien.

Reports of misconduct and participation in the drug trade by some HNP officers are investigated by the HNP Inspector General's office. The HNP still faces challenges regulating its internal affairs, particularly in the south and in remote provinces. A total of 44 officers were released from the force for misconduct in 2015, five of them for abandonment of post, and 39 for other reasons after completion of investigations.

The HCG is the sole maritime enforcement agency in the country, responsible for securing the country's maritime borders. It has an effective strength of 154 officers, with operating bases in Cap Haitien (North region), Killick (Port-au-Prince), and Les Cayes (South). The force has a total of 18 maritime vessels, but only six are currently operational, with seven of the remaining 12 vessels non-repairable due to age or past viable hull life limit. Maritime domain awareness and enforcement are daunting tasks for the HCG, considering Haiti's 1,100 miles of coastline and seven international ports. Operational capacity remains low due to insufficient funding, management deficiencies, an inability to refuel, and unavailability of locally procured parts to maintain the vessels reliably. 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 1997 bilateral letter of agreement on Cooperation to Suppress Illicit Maritime Drug Traffic allows U.S. law enforcement agencies to enter Haitian territorial waters and airspace 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. A bilateral extradition treaty entered into force in 1905 and, although the Haitian Constitution prohibits the 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 2015 that led to significant drug and cash asset seizures, including through joint operations with the U.S. Coast Guard and DEA. Seizures included 3.3 metric tons of marijuana, 143 kilograms (kg) of cocaine, and 15 kg of heroin, as well as \$562,000 and 22 assorted firearms. Enforcement actions yielded a total of 148 arrests,

with five extraditions to the United States for prosecution. DEA works frequently with BLTS on major operations, and its 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 illegal synthetic drugs in Haiti.

### **3. Public Information, Prevention, 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. The United States provides funding for the Community Anti-Drug Coalitions of America (CADCA), which carries out drug abuse prevention training with local non-government organizations, and a Haitian private sector association called APAAC receives funds from CONALD and 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, when a law formally criminalized public corruption and set penalties for bribery and illegal procurement. While implementation of this law remains a challenge, training of judicial personnel has begun and the bill's passage is a positive step. Haiti's asset seizure laws have enabled the financial intelligence unit (Central Unit of Financial Investigations) and the HNP's financial crimes unit (Financial and Economic Affairs Bureau) to seize the 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, due to antiquated penal and criminal procedure codes, opaque court proceedings, 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 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 HCG to detect, investigate, and deter the flow of illegal drugs. A 2004 letter of agreement (as amended) between the United States and Haiti and a new agreement signed in 2013 and amended annually, govern these activities. Core goals enshrined in the agreements are to increase overall

counternarcotics capabilities, to interdict drug shipments, and to develop cases against traffickers and criminal organizations. The continued growth of BLTS's manpower, strong coordination on executing counternarcotics operations in conjunction with U.S. agencies, and total seizures of drugs and cash in 2015 were all positive signs for its operational record. Still, the continued absence of convictions in narcotics cases underscored the ongoing under-performance of the judicial system.

U.S. assistance is directed to the general development of the HNP and the targeted support of the BLTS via complementary programs. Support to the HNP covers a broad range of activities, including infrastructure, equipment, and in-country and overseas training. Improved 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 in helping 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 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 has provided crucial training and assistance for the establishment of the joint HCG-BLTS task force conducting maritime interdiction operations from its base in Les Cayes. The task force is now operational. If successful, this 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. 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 yielded major narcotics seizures and enabled the apprehension of individuals indicted in U.S. jurisdictions and their return for trial in the United States. However, the dysfunctional Haitian judicial system drastically limits domestic prosecution of drug cases and thus reduces disincentives to trafficking operations. Drug seizures still remain low, and Haiti's minimal capacity to police its sea and land borders is a particular point of concern.

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. 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. The United States estimates that approximately 90 percent of the cocaine trafficked to the United States in the first half of 2015 first transited through the Mexico/Central America corridor. According to U.S. estimates, the volume of cocaine that transited Honduras to the United States over this period decreased by 40 percent from 2014. The vast majority of cocaine that transits Honduras arrives via maritime conveyance. The Caribbean region of Honduras remained a primary landing zone for drug-carrying maritime traffic and non-commercial flights. The region suits 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 coast is facilitated by maritime and riverine traffic, subsequent flights north, and overland movement.

Honduras continued to suffer from a high homicide rate in 2015, though the rate has fallen from its peak of 86 per 100,000 in 2011. The Violence Observatory at the National Autonomous University of Honduras reported a reduction in the murder rate, from 68 per 100,000 in 2014 to an estimated 56 per 100,000 as of October 2015.

Transnational gangs such as Mara Salvatrucha and 18th Street do not yet appear to be a formal part of the transnational drug logistics chain, though there are anecdotal reports of these groups attempting to establish transnational trafficking activities in Honduras. These gangs more typically participate in local drug distribution and conduct extortion, kidnapping, and human trafficking.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

The Government of Honduras made unprecedented investments in the Honduran National Police (HNP) and the Public Ministry (MP) in 2015, improving their ability to tackle crimes involving narcotics, homicides, gangs and human smuggling. The government combined \$30 million of its own funding with \$50 million in Inter-American Development Bank loan funds to construct and renovate police stations, increase capacity in its academies to recruit and train 3,000 new officers in 2015, purchase badly needed vehicles, and establish the first functioning crime lab with four satellite locations. The Honduran government plans to double the size of the police force to 23,000 officers by the end of 2017.

In September, the new HNP Investigative Division (DPI) replaced its historically inept and corrupt predecessor. The 1,000-officer DPI now investigates crimes in Tegucigalpa. In early 2016, DPI will expand to cover San Pedro Sula, and by early 2017 all five major urban areas of Honduras will have DPI satellites. All HNP officers must meet more stringent standards for hiring than in the past, including completion of high school. DPI officers must also pass the HNP's new vetting standard, which includes a criminal background check, a financial

investigation, a toxicology, and a Honduran polygraph. With the increase in recruits, nearly 60 percent of the HNP now meet the new educational standard. For the officers who entered with lower education, the HNP will begin remedial education in 2016. As of 2015, all new HNP recruits receive 11 months of training in the police academy, and DPI investigators will receive an additional year of training.

The Public Ministry (MP) reinforced its capacity to investigate and prosecute crime. It launched the new Technical Criminal Investigative Agency, which as of November had 109 vetted investigators (criminal background check, financial investigation, toxicology, Honduran polygraph and human rights vetting). The Directorate for Combatting Drug Trafficking doubled in size to 83 personnel. The MP hired more than 100 new prosecutors and dedicated 50 of them to its anti-corruption division, more than doubling the staff of that office.

The Government of Honduras tackled institutional problems in its penal system by segregating high-value prisoners and gang leaders, but challenges remain with corrupt penal officers, extended periods of pre-trial detention for non-violent offenders and overcrowding.

The Honduran military improved its ability to degrade and disrupt illicit trafficking by synchronizing its operations more effectively. The government's inter-agency security task force, FUSINA, has soldiers in the Maya Chorti Task Force operating along the border with Guatemala. FUSINA has participated actively in counternarcotic operations along the Caribbean coast.

The National Security and Defense Council continued to use a national security tax to support defense, security and justice institutions. Civil society continues to raise concerns about a lack of transparency in allocating security tax funds. The Honduran government makes use of seized assets administered by the Office for the Administration of Seized Assets to fund security and justice sector institutions, including prevention programs, protective measures for prosecutors and Supreme Court Justices, and equipment and fuel for security forces.

Honduras has counternarcotics agreements with the United States, Belize, Colombia, Jamaica, Mexico, Venezuela, and Spain. A U.S.-Honduras maritime counternarcotics agreement and a bilateral extradition treaty remain in force. Honduras signed but did not ratify the Caribbean Regional Maritime Counter Drug Agreement. 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**

As part of its strategy to create a shield around Honduras to deflect the flow of drugs and make Honduras a less welcoming environment for drug trafficking, the Government of Honduras supported maritime and land-based interdiction efforts and continued to extradite drug traffickers to the United States. In 2015, several major drug traffickers were extradited to the United States by the government of Honduras. Additionally, Honduras arrested a number of other high-profile drug traffickers in collaboration with U.S. law enforcement.

The Government of Honduras actively engaged in narcotics interdiction operations. The Armed Forces continued to rotate troops to remote outposts in the east to deter and combat drug trafficking. The HNP's counternarcotics unit, the TIGRES, was deployed to eastern Honduras. During the year, the HNP reported that the government seized nearly \$770 million in drug-related cash and assets as well as more than 2.7 metric tons of cocaine.

In October, under the U.S. Foreign Narcotics Kingpin Designation Act, the U.S. Department of the Treasury designated three individuals, a number of businesses owned by the Inversiones Continental firm, and a commercial bank for U.S. economic sanctions. The U.S. Department of Justice indicted the firm's owners. The Government of Honduras subsequently initiated its own seizure actions against the Continental Group.

### **3. Public Information, Prevention, and Treatment**

The Ministry of Security and the Public Ministry made strides in developing security policies and programs focused on crime prevention. The Ministry of Security opened 30 municipal violence observatories. The observatories feed crime data to the Ministry of Security, and in turn, the Ministry uses the data to direct its prevention and enforcement programs. The government continued investing in: renovating playgrounds and improving security measures in high crime areas; improving security in public transportation by putting panic buttons, cameras, and real-time monitoring in public buses; installing tens of thousands of public street lights in high crime municipalities; and stronger monitoring of public spaces through new security cameras throughout San Pedro Sula.

The Ministry of Security and the Office of the Presidency sponsored more than a dozen HNP-led community fairs to build bridges between the police and citizens. These events, which have drawn crowds up to 20,000 in a single day, are held primarily in the most violence-prone districts in San Pedro Sula and Tegucigalpa. They include free medical care from non-governmental organizations and police medics. Some indicators that public trust is increasing include both the huge attendance at these events and the increase in calls to 911 and local police "tip" lines. The Ministry's Office of Prevention designed a Honduran model for community policing to be implemented in 2016.

### **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 illicit proceeds. Further, the Government of Honduras stepped up its efforts in 2015 to address the deep-seated challenge that corruption poses. The government indicted, arrested, and began prosecuting corrupt officials at the national and local levels, including officials from the ruling party. The Vice-President of Congress and 15 others were indicted for allegedly overpricing pharmaceuticals and distributing substandard products. The MP issued indictments against 17 employees of the Institute of Property, the organization responsible for land registry, for abuse of authority, embezzlement, and fraud. The High Court of Auditors announced audits of 60 former government officials on suspicion of embezzlement. The government indicted a prominent businessman for his alleged involvement in a massive, multi-year fraud scheme perpetrated against the national health care



system (IHSS). A court convicted the IHSS's financial manager of bribery. All members of the IHSS's former board of directors, along with 39 others, remained under indictment, which had 25 open investigations.

Despite some progress in combating public sector corruption, the government was put on the defensive in May by public outrage over revelations that some of the estimated \$300 million stolen from the IHSS made its way into the campaign coffers of the president's party. For six to eight weeks, generally peaceful protests around the country – some as large as 25,000 people – called for action against corruption and impunity and urged the government to agree to the installation of a UN commission modeled on the International Commission against Impunity in Guatemala (CICIG). In response, the government offered an alternate plan that the Organization of American States adapted and expanded into a formal Mission Against Corruption and Impunity in Honduras (MACCIH). According to a tentative draft agreement, the MACCIH, among other things, would have foreign prosecutors and judges provide technical assistance to the MP and judiciary. The MACCIH would support a civil society-led “observatory” to monitor the performance of the justice system. Reactions from civil society were mixed, and deep skepticism remained about whether the MACCIH would have the authority and autonomy to examine specific cases of alleged malfeasance and address the deep roots of corruption.

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

In addition to increasing the size and quality of the police force, the government aims to gain passage of new police legislation, continue reducing the homicide rate, expand its crime prevention programs nationwide and increase the speed of prosecutions.

Guided by the President's strategy for Central America, the U.S. government supports municipal crime prevention efforts and community services for youth at risk. For example, the United States supports over 40 outreach centers that provide safe places for youth to participate in recreational activities and serve as platforms for guiding at-risk youth into job training. The Honduran government and the private sector fund components of these programs. The United States supports the development of anti-drug community coalitions as a drug use prevention measure.

In 2015, the United States launched the Place Based Strategy, a collaborative effort to concentrate prevention and law enforcement support programs in the most dangerous neighborhoods. The Gang Resistance Education and Training (G.R.E.A.T.) program, which receives funding from the United States and the Honduran government, works with youth to instruct them about assuming personal responsibility and shunning illegal drugs. In 2015 more than 40,000 school children completed the program.

The United States continued its support to train and equip vetted HNP units. The United States also provides logistical support to the Violent Crimes Task Force, which investigates murders of vulnerable persons including journalists and prosecutors, and the Financial Crimes Task Force.

### **D. Conclusion**

The Government of Honduras moved forward aggressively to address longstanding deficiencies in its civilian security and justice institutions. In response, the U.S. government recalibrated its assistance to give added impetus to Honduran government efforts to reform its civilian police force and improve prosecutorial capacity. The Honduran government took a number of steps to disrupt and dismantle drug trafficking organizations, including extraditing high-profile drug traffickers, seizing the assets of leaders of the drug trafficking organizations, and deploying security forces to under-governed parts of the country. The results are visible: rates of homicide, kidnapping and extortion are down significantly over last year, and citizens' impression of the HNP has improved.

# India

## A. Introduction

India's geographic location makes it an attractive transshipment area for narcotics bound for Europe, Africa, Southeast Asia, and North America. Cross-border drug trafficking from Pakistan and Burma to India continues to be a major problem due to India's porous borders and capacity deficits. There is also evidence that opium poppy is grown illicitly in India, especially in the northeastern region. Given India's size and large population, accurate estimates of the extent, pattern, and nature of the drug problem in India is difficult to determine.

India remains committed to enhancing its law enforcement capacity through increased training for its national enforcement officers, and is vigorously exploiting opportunities for international cooperation in an effort to improve the effectiveness of both its demand and supply control efforts.

India is authorized by the international community to produce licit opium for pharmaceutical uses and is a major producer of precursor chemicals. India also manufactures organic and synthetic licit opiate/psychotropic pharmaceuticals (LOPPS). India's large pharmaceutical industry is vulnerable to diversion of controlled pharmaceuticals to the United States and other countries. India is also becoming a major source of illicit synthetic drugs.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

India continues to tighten regulations and increase training of national enforcement officers. However, the capacity of India's drug law enforcement personnel to collect and analyze data and to initiate and conduct complex investigations against drug criminals remains limited by inadequate training, a lack of modern equipment, and poor interagency coordination.

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 stringent Narcotic Drugs and Psychotropic Substances (NDPS) Act of 1985, the Directorate of Revenue Intelligence and the Indian Customs Service also have responsibility for narcotics investigations. In 2015, NCB successfully coordinated multiple narcotic investigations targeting international drug trafficking syndicates. This year NCB completed or was in the process of constructing several new offices and housing units for its officers in Kolkata, Chennai, Chandigarh, Assam, and Bangalore to improve its counternarcotic enforcement capabilities in these areas.

The Central Bureau of Narcotics (CBN) supervises licit cultivation of opium poppy in India. CBN is responsible for abuse prevention and law enforcement functions, including investigations of violations of the NDPS Act. CBN is also responsible for the issuance of licenses for the manufacture of synthetic narcotic drugs; import and export authorizations for narcotic drugs and

psychotropic substances; issuance of No Objection Certificates for select precursor chemicals; and the import of poppy seeds used in licit poppy cultivation. CBN interacts with the International Narcotics Control Board (INCB) and the governments of other countries to supervise international transactions in these controlled substances.

The Border Security Force (BSF) and Indian Customs Service (ICS) share primary responsibility for monitoring India's borders. ICS manages official border crossing checkpoints with Pakistan and is responsible for checking all cargo and persons who attempt to enter India. Porous borders and capacity restrictions limit the effectiveness of BSF and ICS, complicating efforts to combat illegal smuggling, cultivation, and production. BSF and ICS also lack the technology necessary to keep pace with traffickers using advanced communications systems.

India's various national and state-level law enforcement agencies face challenges in coordinating effectively. Poor intelligence exploitation during drug seizures results in few investigative leads. Lengthy delays between drug seizures and prosecutions have complicated efforts to develop an effective enforcement and prosecution strategy. The lack of modern drug legislation and effective drug courts severely hampers the ability of Indian law enforcement agencies to conduct complex drug conspiracy investigations.

The Government of India has entered into bilateral agreements for mutual cooperation for reducing demand and preventing illicit trafficking in narcotics, psychotropic substances, and precursor chemicals with 23 countries. India has a mutual legal assistance treaty and extradition treaty with the United States.

## **2. Supply Reduction**

The diversion of precursor chemicals from licit producers to illicit brokers is a serious problem. India-based precursor trafficking organizations are involved in the illicit exportation and domestic sale of precursor chemicals such as ephedrine and pseudoephedrine, both of which are used in the manufacture of methamphetamine. In light of this challenge, India has undertaken significant efforts to control precursor chemicals produced in its large chemical industry and actively participates in international precursor control initiatives such as the INCB-led Project Cohesion and Project Prism.

India issues pre-export notifications for exports of precursors using an online system developed by the INCB and administers a sophisticated licensing regime to control dual use pharmaceutical products. India regulates 17 of 23 precursor chemicals listed by the 1988 UN Convention. Of the 17 chemicals, India's NDPS Act designates five as "Schedule A" substances (subject to the most stringent controls): acetic anhydride, ephedrine, pseudoephedrine, n-acetylanthranilic acid, and anthranilic acid.

In 2015, NCB continued to use satellite imagery and intelligence gathering to track and reduce illicit poppy cultivation. Because of the poor quality of satellite imagery, NCB has had to rely on visual verification of illicit poppy cultivation sites across India. In India's northeast states, where illicit poppy cultivation is widespread, insurgent groups reportedly protect the poppy sites

in exchange for compensation from traffickers and cultivators, complicating NCB efforts to identify and eradicate the sites.

According to NCB, the volume of drugs seized over the first 10 months of 2015 declined from 2014. This trend was true for opium (778 kilograms; down from 1.77 metric tons in all of 2014); heroin (612 kilograms; down from 1.37 metric tons in 2014); and cannabis products (approximately 57.63 metric tons; down from 110.58 metric tons). Precursor chemical seizures were also down for acetic anhydride (four kg; down from 54 kg in 2014) and ephedrine (392 kg; down from 1.33 metric tons). Seizures of cocaine, morphine, and synthetic drugs, however remained relatively constant from 2014 levels.

### **3. Public Information, Prevention, and Treatment**

India's demand reduction strategy is under the purview of India's Ministry of Social Justice and Empowerment (MSJE), but NCB acts as a primary coordinator of the strategy. The MSJE operates a three-pronged strategy for demand reduction, including promoting drug abuse awareness and education, counseling and treatment programs, and training demand reduction volunteers. India is also using U.S.-developed curriculum to support training and professionalization of its substance use treatment workforce. With U.S. support, the program is establishing a cadre of national trainers who will disseminate the training throughout the country.

India observed the United Nations sponsored International Day against Drug Abuse and Illicit Trafficking on June 26, 2015, with programs focusing on raising awareness of the harmful effects of drug abuse. Drug treatment and rehabilitation services are mainly provided by non-governmental organizations. Accurate information on the national prevalence of drug abuse is not available, as India has not conducted a national household survey on substance abuse since 2000-2001.

### **4. Corruption**

The Government of India 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. In 1964, the Central Vigilance Commission (CVC) was established by law as an independent body to issue guidelines and conduct inquiries regarding government corruption. The CVC reports to the President of India through the Indian Parliament. However, corruption has historically undermined the effectiveness of government control regimes for illicit drugs. Indian media reports allege widespread official corruption, with bribes paid to rural police stations and local governance bodies to ignore illicit poppy and cannabis fields under their jurisdiction to facilitate the cultivation and harvest of these fields.

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

Law enforcement agencies in India continued extensive cooperation with the U.S. Drug Enforcement Administration (DEA). NCB and DEA have made joint arrests and seizures of significant amounts of narcotics. For example, in 2015, Indian authorities acting on DEA information seized over 1.14 million tablets of various pharmaceutical drugs destined for illicit

diversion in the United States and international markets. DEA in conjunction with Indian law enforcement authorities also continued to target international drug money laundering organizations based in the United States and other locations with extensive ties to India. Investigations have shown that India-based Hawala organizations have transferred proceeds from narcotics trafficking on behalf of multiple drug trafficking organizations.

#### **D. Conclusion**

Significant drug-related challenges facing the Indian government include the rise in methamphetamine manufacturing and trafficking, the diversion of controlled substances from licit to illicit channels, the smuggling of pharmaceuticals containing narcotic drugs and psychotropic substances, and capability deficits and poor coordination among India's various drug enforcement agencies.

Global demand for methamphetamine precursors has given rise to precursor chemical entrepreneurs in India who are retooling commercial chemical factories to produce illicit quantities of ephedrine and methamphetamine. Additional efforts to improve interagency coordination and address capacity deficits would enhance Indian law enforcement efforts to combat drug trafficking organizations operating in the country. Reforms to enhance increase the efficiency of the country's court system, and legislation to equip law enforcement with greater operational authority, should also be considered.

# Indonesia

## A. Introduction

Indonesia remains both a transshipment point and a destination for illegal drugs. With the world's fourth largest population, Indonesia remains a significant consumer of methamphetamine, cannabis, and heroin. Cannabis remains its most widely used illegal drug. A significant amount of methamphetamine that originated in China was trafficked into Indonesia in 2015, as evidenced by the sizeable seizures made by Indonesian law enforcement over the course of the year. The Indonesian government, including the National Narcotics Board and the Indonesian National Police, continued efforts to investigate, disrupt, interdict and prosecute crimes related to illegal drugs but faces ongoing challenges due to porous borders, poorly administered prisons and endemic corruption. Indonesia's government has committed to addressing these challenges, and President Joko "Jokowi" Widodo declared a "Drug Emergency" due to increasing drug abuse and trafficking in the country.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

Indonesia garnered considerable attention in 2015 for executing 14 people convicted of drug trafficking and other drug crimes, justified by the Indonesian government necessary to deter future trafficking. The budget of the National Narcotics Board, which had been reduced by roughly 39 percent in 2014, was increased by 350 percent in 2015 (with a significant portion earmarked for rehabilitation). To address the problem of poorly administered prisons where prisoners orchestrated the sale of drugs from behind bars, the National Narcotics Board, along with the Ministry of Law and Human Rights, established in October a maximum-security prison pilot project exclusively for prisoners convicted of serious drug crimes. Indonesia continued to coordinate with partnering countries, including the United States, which continued to provide technical assistance, equipment, training, and information-sharing. However, no mutual legal assistance treaty or extradition treaty exists between Indonesia and the United States. The National Narcotics Board signed a memorandum of understanding with the Philippines and Fiji related to information-sharing and law enforcement.

### 2. Supply Reduction

The National Narcotics Board continued to successfully interdict drug shipments in 2015, and U.S. assistance proved particularly helpful in this regard. In January, the National Narcotics Board and the U.S. Drug Enforcement Administration (DEA) targeted a Hong Kong-based drug-smuggling organization that operated throughout Southeast Asia. This partnership brought about the seizure of a shipment of approximately 840 kilograms of crystal methamphetamine that originated in Guangzhou, China. Several foreign citizens were arrested. During the first nine months of 2015, the National Narcotics Board impounded from drug traffickers assets worth some \$2,961,538.

In 2015, Chinese drug-trafficking syndicates appeared to expand their operations in Indonesia, while West African drug syndicates remained active. Between January and October of 2015, the National Narcotics Board arrested 127 foreign nationals on drug charges and developed 1,714 cases of individual drug users, one of which involved a new psychoactive substance.

### **3. Public Information, Prevention, and Treatment**

In February 2015, the National Narcotics Board published the results of a national survey on narcotics abuse. The survey put the number of estimated illegal-drug users in Indonesia at 4.1 million between the ages of 10 and 59. The most widely used drugs were cannabis, methamphetamine and MDMA (ecstasy). The National Narcotics Board held focus-group discussions in an effort to reduce demand for illegal drugs, holding these discussions in at least 142 communities throughout the country in 2015.

The National Narcotics Board established two new rehabilitation centers in 2015, one in Lampung and one in North Sumatra, each able to accommodate 120 persons, and its cooperation with hospitals and nongovernmental organizations to leverage medical and professional counseling resources. The National Narcotics Board supported a proposal to use Indonesian National Police and Indonesian armed forces facilities as rehabilitation centers. The National Narcotics Board, which offered therapeutic assistance at 16 prisons in 2014, expanded this to 57 prisons in 2015. At the close of 2015, the National Narcotics Board had plans in place to review the effectiveness of its rehabilitation programs.

### **4. Corruption**

As a matter of public 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 remains endemic, and this poses a significant threat to the country's counternarcotics strategy. Indonesia has made some progress in combating official corruption, primarily through a growing body of laws and the efforts of its Corruption Eradication Commission. However, Indonesian officials, particularly lower level officials, remain susceptible to corruption, due partly to low wages. 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**

On June 26, President Jokowi declared a "Drug Emergency" due to increasing drug abuse and trafficking in the country and instructed his government to rehabilitate 100,000 persons with substance use disorders in 2015 and 200,000 in 2016. In 2015, the United States continued to support Indonesian government programs to reduce demand for drugs and supplies, including through the provision of training, equipment and other assistance. Indonesia is also using U.S.-developed curriculum to support training and professionalization of its substance use treatment workforce. With U.S. support, the program is establishing a cadre of national trainers who will disseminate the training throughout the country.



**D. Conclusion**

Indonesia's commitment to reducing drug consumption and enforcing its drug control laws remains firm. The Indonesian government's decision to increase funding to the National Narcotics Board was a positive step in helping to overcome ongoing capacity gaps. The United States will continue to support Indonesia's efforts through training, support for demand reduction programs, and operational cooperation on joint investigations.

## Iran

Positioned along the world's most prolific trafficking corridor for Afghan opiates, Iran is a significant transit and destination country for illegal drugs. Most opiates and hashish are smuggled into Iran across the country's land borders with Afghanistan and Pakistan, for domestic consumption and transshipment to Turkey, Russia and European markets. Significant quantities of heroin are also trafficked by maritime conveyance from Iran's Makran coast to global markets, often transiting Eastern Africa.

Iranian officials have acknowledged that domestic production and use of methamphetamine and other synthetic drugs have also developed into a significant challenge. Over the past several years, Iranian trafficking networks have expanded into major suppliers of methamphetamine across the Middle East, Southeast Asia, Central Asia, and parts of Europe. In February 2015, Iranian law enforcement officials announced that police had destroyed at least 416 methamphetamine laboratories during the previous year in the country, an increase from 350 in 2013. Comprehensive seizure data for 2015 was not available at the time of this report, but senior Iranian law enforcement officials estimated in August that seizures of all drugs were up 18 percent from the previous year.

The Iranian government claims it has devoted significant resources toward developing a static interdiction infrastructure across its eastern land borders, including roads, watchtowers, trenches, barriers, and surveillance cameras. In public remarks, Iranian authorities have emphasized the importance of international law enforcement cooperation, and the country has signed bilateral counterdrug agreements with at least 12 countries over the past three years. Iran also participates in regional coordination mechanisms organized by the UN Office on Drugs and Crime. It is unclear if these initiatives have led to effective law enforcement cooperation, however, and Iran's vigorous use of the death penalty against purported traffickers inhibits deeper cooperation with some governments.

Iran has one of the most serious drug consumption problems in the world. The most recent official government estimate from 2013 estimated the number of current drug users in the country as approximately 3.5 million. Non-governmental sources and media reports have cited higher estimates of up to six million users. In June, judicial officials estimated that 44 percent of the country's prison population was convicted for drug offenses. Iran's Drug Control Headquarters (DCHQ) – the country's national policy coordination body – expressed concern in 2015 over growing drug use in rural areas and among young women in particular. According to the DCHQ, there are approximately 1,200 NGOs operating in Iran that are active in prevention and treatment, and provide nearly 80 percent of the country's services in these fields.

## Iraq

Iraq continues to be a transit country for illicit drugs, with growing rates of substance abuse due to an upsurge in trafficking of pharmaceuticals and other synthetic drugs. The Government of Iraq recognizes this threat, and with assistance from the United States, the Iraqi Ministry of Health (MOH) has enhanced its ability to prevent and treat substance abuse. Given the continued deterioration in the security environment, however, the government's efforts are limited and secondary to the focus on internal security and public order.

Iraq's uncontrolled and porous borders enable the trafficking of illegal drugs, including fenethylline pills (an amphetamine-type stimulant) that are transported via the Iraq- Syria border for domestic consumption and for transshipment to other countries in the Middle East. Heroin, opium, methamphetamine, and hashish are transported through Iran into Iraq, and then onward to international markets. Iraqi pharmacies are only beginning to require a doctor's prescription before providing medicine and drugs to consumers. Drug law reform is needed to address the abuse and diversion of pharmaceutical medication and provide comprehensive protection against the trafficking and use of synthetic drugs.

Pursuant to the 2008 U.S.-Iraq Strategic Framework Agreement, the United States funded a counternarcotics initiative that led to the development of a national substance abuse center in Baghdad. This initiative began in 2011, and 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 also provided training on evidence-based substance abuse treatment to Iraqi health care professionals, which enabled them to replicate this training throughout Iraq. Additionally, U.S. assistance to Iraqi civil society organizations has led to the development of anti-drug coalitions and outreach drop-in centers that work to prevent substance abuse through grassroots community engagement, and also to refer hard-to-reach populations to treatment centers.

Extradition between the United States and Iraq is governed in principle by the 1934 U.S.-Iraq Extradition Treaty. While there is no mutual legal assistance treaty in force between the United States and Iraq, both are parties to international treaties that enable international cooperation in criminal matters.

Working with the MOH in 2015, the United States completed a nation-wide survey on the prevalence and demographics of substance abuse that will inform the development of a national strategy to decrease substance abuse, and implementation of the strategy. The results of the survey report show an increase in substance abuse, with a 3.7 percent lifetime prevalence use rate, as compared with a 2004 WHO report indicating a less than one percent rate. Iraq's political leadership continues to focus on restoring stability. While securing resources to counter drug trafficking and reduce domestic demand is important, it will not likely be the top priority for the Government of Iraq.

## 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 in 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 criminal groups from Calabria and Campania. Italy's numerous seaports enable the importation of multi-hundred kilogram (kg) shipments concealed in commercial cargo or aboard private 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 2014 (the most recent year for which information is available), Italian authorities seized over 152 metric tons (MT) of narcotics. This included 3.9 MT of cocaine primarily from Colombia; 931 kg of heroin, mostly from Afghanistan, refined in Iran and Turkey and trafficked via Bulgaria, Greece and Albania; 113 MT of hashish, mostly smuggled from Morocco and Libya across the Mediterranean; 33.44 MT of marijuana from Albania; and 6,597 doses of synthetic drugs from the Netherlands. The largest drug seizure during this period consisted of 40 MT of hashish in waters near Pantelleria Island. In 2014, 29,474 people were arrested in Italy on drug-related charges.

Since March 2014, the Italian Financial Police and the U.S. Drug Enforcement Administration have collaborated on a transnational drug trafficking investigation targeting the 'Ndrangheta crime clans responsible for organizing cocaine consignments from Brazil, Peru, Chile, Panama, Colombia, and Ecuador to Italian seaports. The investigation, spanning 11 countries and seven U.S. cities, has been carried out in partnership with the U.S. Customs Border Protection Agency. To date, it has resulted in the seizure of 4.83 MT of cocaine in Italian and Montenegrin seaports, the seizure of \$2.8 million in assets, and 240 kg of hashish. The resulting arrests of 57 'Ndrangheta members throughout Italy have disrupted one of the most violent transnational criminal organizations in the country. Italy is a member country of the Maritime Analysis and Operations Center-Narcotics, which coordinates international efforts to intercept vessels trafficking bulk shipments of cocaine across the Atlantic Ocean.

The United States and Italy have excellent counternarcotics cooperation, information 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 throughout Italy.

# Jamaica

## A. Introduction

Jamaica remains the largest Caribbean supplier of marijuana to the United States and local Caribbean islands. Jamaica is a transit point for cocaine trafficked from South America to North America and other international markets. In 2015, drug production and trafficking were enabled and accompanied by organized crime, domestic and international gang activity, and police and government corruption. Illicit drugs serve as 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 private aircraft. Marijuana and cocaine are trafficked from and through Jamaica into other Caribbean nations, the United States, Canada, and the United Kingdom. Jamaica is a transit point for South American cocaine transiting through Central America to 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 2015 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. In 2015, legislation to decriminalize the possession and use of small amounts of marijuana for personal use went into effect.

## 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 2015. 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 (FID) 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 2015. 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 Jamaican police have suffered from decades of endemic corruption and high annual numbers of civilian deaths caused by police actions. Police-involved deaths decreased by 15 percent in 2015, as compared to 2014, and 61 percent relative to 2013 figures (101 deaths in 2015, compared to 115 in 2014 and 258 in 2013).

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. The conviction rate for murder was approximately 15 percent in 2015, 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**

Jamaican authorities estimated that approximately 15,000 hectares (ha) of marijuana were grown in Jamaica in 2015. The police, supported by the United States, employed teams of civilian eradicators 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. In 2015, Jamaican authorities eradicated 725 ha of cannabis.

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 passing through the Port of Kingston. The chemicals included methylamine hydrochloride and mono-methylamine, both 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 lacks a fixed wing aircraft capable of detecting and tracking such fishing vessels. The Jamaican government historically lacked swift and reliable vessels to intercept drug traffickers.

To remedy this, in 2015 the U.S. government donated nine 27-foot boats to the JCF Marine Division.

In 2015, authorities seized 21.2 metric tons of cannabis, 1.42 kilograms (kg) of hash oil, 6.2 kg of hashish, 359 kg of cocaine, and 486 grams of crack cocaine. 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. Public Information, Prevention, and Treatment**

Marijuana was used by around 14 percent of the population in 2015, 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 2015, anti-corruption measures within the police continued to show encouraging signs. 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. Another 26 officers faced criminal corruption charges during 2015, with three officers barred from the force for corruption. 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.

### **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 supports Jamaica's transformation into a more secure, democratic, and prosperous partner, 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. As such, the U.S. government supports a number of initiatives which build safer communities through strengthening civil society organizations, supporting at-risk youth programs, and improving community policing practices. The U.S. government also provides technical assistance and training to the Ministry of Justice Drug Treatment Court Program.

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.

The United States funds projects to improve the effectiveness of prosecutors and the courts, the National Forensic Sciences Laboratory, and FID. Indirect support for law enforcement occurred through projects to build community-police relations, improve police training facilities and techniques, and strengthen efforts to reduce police corruption and excess use of force.

### **D. Conclusion**

Success stories from 2015 – all with U.S. and international support – included the JCF Anti-Corruption Branch, which made steady progress in identifying and removing corrupt and unethical police officers. The FID further increased its ability to curb money laundering and seize criminally-acquired assets, and INDECOM was largely responsible in achieving a significant reduction in police-involved deaths. The JCF successfully enhanced its ability to trace seized firearms, and criminal prosecutors throughout the island received additional under a broadly implemented government initiative.

The momentum of progress gained within Jamaica's law enforcement agencies, however, is limited by a chronic inability of prosecutors and the courts to keep pace and secure prompt convictions. Additional international assistance to support further efforts to reform and strengthen Jamaica's criminal court system remains essential.



# Kazakhstan

## A. Introduction

Kazakhstan is a strategically-situated transit country along the northern route for Afghan opioids, running through Central Asia into Russia and Europe. Cultivation and trafficking of cannabis and importation of synthetic drugs are rising, corresponding with growing domestic demand. An estimated 138,000 hectares (ha) of wild cannabis grows in the Chu valley of the Zhambyl region, which could potentially yield 100,000 metric tons (MT) of marijuana or nearly 3,500 MT of hashish. Kazakhstani customs intercepted 118 kilograms (kg) of heroin smuggled via the Caspian Sea, signaling an increase in maritime trafficking and underscoring the need for enhanced port security.

According to a 2014 report by the UN Office on Drugs and Crime (UNODC), increasing opium production in southern Afghanistan has prompted drug traffickers to shift routes away from the northern route through Kazakhstan, leading to a drop in heroin availability and a six-fold increase in prices within the country. This trend may not endure, however, if traffickers redirect shipments through western Kazakhstan in response to new poppy cultivation in northern Afghanistan, which was also reported by UNODC in 2014.

In 2015, Kyrgyzstan joined the Eurasian Custom Union and lifted border controls along Kazakhstan, potentially reducing barriers to drug trafficking. Construction of a new freight rail line from Gorgan, Iran through Turkmenistan to Beineu in western Kazakhstan may also provide new opportunities for trafficking in the future.

Kazakhstan's government has acknowledged a spike in the importation of synthetic drugs, mostly from China, and is working to combat the flow. New methods for sales of illicit drugs in Kazakhstan include bank payment systems, internet sales, and mail services.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

In 2012, the government adopted the Program on Combating Drug Addiction and Drug Business (PCDADB), budgeted at \$41 million from 2012 to 2016. The program supplements counternarcotics enforcement efforts with demand reduction and rehabilitation programs, as well as tighter border control measures.

Kazakhstan hosts the Central Asia Regional Information and Coordination Center in Almaty. Kazakhstan cooperates with several countries on a bilateral basis, and multilaterally as part of the Shanghai Cooperation Organization, the Collective Security Treaty Organization, the Commonwealth of Independent States, and the Eurasian Group on Combating Money Laundering and Terrorism Financing.

Kazakhstan signed a mutual legal assistance treaty with the United States in 2015 that awaited final ratification at the end of the year.

On August 5, 2014, President Nazarbayev ordered consolidation of a number of ministries and committees involved in drug control issues. The Ministry of Internal Affairs (MVD) Committee on Combating Illicit Drug Trafficking was transformed into the MVD's Department on Combating Drug Business. The Department retains all functions of the Committee, coordinating counternarcotics activity implemented by other agencies.

Kazakhstan is increasing its international outreach to confront the threat of drug trafficking. The Kazak government plans to increase assistance to Afghanistan and the region to combat the Afghan drug threat, and several Afghan cadets currently study at the academies of the MVD and the Border Guard Service.

## **2. Supply Reduction**

During the first nine months of 2015, Kazakhstani law enforcement agencies seized 33.2 MT of narcotics and psychotropic substances (versus 23.8 MT over the same period in 2014), including 410.5 kg of heroin (344.5 kg in 2014); 212.3 kg of hashish (146.2 kg in 2014); 32.3 MT of marijuana (23.2 MT in 2014); and lesser amounts of opium poppy and poppy straw. In addition, small amounts of synthetic drugs (15 grams) were seized, and, 61.3 MT of hemp were destroyed.

MVD divisions disrupted the activity of six organized drug trafficking organizations, initiating 10 criminal cases. The MVD conducted 18 controlled delivery operations, including two external operations with Kyrgyzstan and one operation with Russia.

The MVD also conducted an annual law enforcement operation, "Opium Poppy 2015," between June and October, which led to seizure of 94 MT of illegal drugs this year, a five-fold increase from 2014. The operation seized and destroyed 61.3 MT of cultivated hemp, 31.1 MT of marijuana, 39.9 kg of heroin, and 62.9 kg of hashish. The value of the seized drugs exceeded \$45 million.

Another MVD operation targeting synthetic drugs and precursor chemicals, "Dope," resulted in the seizure of 26,424 ampules of narcotics, 2,674 pills, 195,240 ampules of psychotropic substances, and the interception of 14 MT of chemicals. Seventy-five pharmacy and medical clinic employees were also criminally and administratively charged. Kazakhstan introduced criminal charges for trafficking of narcotic analogues in the new Criminal Code adopted in July 2014, entering into force in January 2015.

## **3. Public Information, Prevention, and Treatment**

The MVD's Counternarcotics Department cooperates with 73 non-governmental organizations on demand reduction, rehabilitation, and youth prevention programs through the PCDADB. The MVD conducted 7,903 drug demand reduction events, reaching 329,000 people in 2015. The Department on Combating Drug Trafficking supports the Center of Social and Psychological Rehabilitation of Drug Addicts. The Ministry of Health runs a similar center. They are developing new narcology standards, treatment methods, prison addict rehabilitation, and harm reduction programs.

The number of persons with substance use disorders reported in 2015 decreased to 31,789 from a reported 36,137 in 2014. Of this amount, 2,388 were women and 226 were minors. Heroin use is reportedly decreasing, while addiction to psychoactive substances is rising, though reliable data is lacking.

#### **4. Corruption**

Kazakhstan does not encourage or facilitate drug trafficking or related activity as a matter of policy. In 2015, law enforcement officers were charged in six drug trafficking offences. The government rewards citizens for reporting police corruption.

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

Kazakhstan is committed to continuing its drug demand and supply reduction efforts. Kazakhstan is revising border procedures to reduce illicit flows via human couriers from high trafficking countries. The government is developing measures to combat maritime trafficking routes of heroin, cocaine, and synthetic drugs.

The United States supports counternarcotics programs in Kazakhstan and has bilateral drug control agreements with the government. U.S. assistance is helping the Kazakh government strengthen its Coast Guard's capacity on the Caspian Sea. In 2015, the United States organized 17 programs, including seminars in conjunction with UNODC and the Organization for Security Cooperation in Europe. The United States also cooperated with UNODC to enhance the intelligence capacity of anti-drug trafficking agencies. The United States has also supported the development of canine interdiction teams since 2008. In 2015, 6.2 MT of drugs were detected by these canine teams, including 263.7 kg of heroin. The United States also supports a substance use treatment program administered by UNODC and the World Health Organization that seeks to integrate drug treatment into the country's public health systems, including through training of treatment professionals.

#### **D. Conclusion**

The Government of Kazakhstan remains concerned by regional drug trafficking originating from Afghanistan. The Kazakh government will further study synthetic drug trafficking and continue to conduct demand reduction and public awareness campaigns on the threat of drugs, as well as develop more complete profiles of drug users in the country. The United States will continue to support efforts by the Government of Kazakhstan to combat the existing and emerging public health and national security threats posed by addiction and drug trafficking.

## Kenya

Kenya is a significant transit country for a variety of illicit drugs, including heroin and cocaine, with an increasing domestic user population. Imports of precursor chemicals, to include those used for methamphetamine and psychotropic substances, are on the rise. Cannabis and miraa (khat) are grown domestically for both local use and export.

Stemming this flow of illicit drugs is a challenge for Kenyan authorities. Drug trafficking organizations take advantage of corruption within the Kenyan government and business community, and proceeds from drug trafficking contribute to the corruption of Kenyan institutions. High-level prosecutions or large seizures remain infrequent.

Kenya's geographical location can frustrate supply reduction strategies. 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 (dhows) across the Indian Ocean to the Kenyan coastline. Once the heroin arrives in Kenya, it 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. These couriers conceal the cocaine in their luggage, on their bodies, or internally through swallowing. The cocaine is further distributed to other African locations and Europe.

Precursor chemicals obtained primarily from sources in Asia are brought through Kenyan ports of entry. These precursors are then used to produce methamphetamine and psychotropic substances in clandestine labs within Kenya. As is the case with other categories of drugs, insufficient border controls allow drug trafficking organizations to transport synthetic drugs to users internationally.

Kenya has made significant progress in drug treatment and prevention. With U.S. support, the Community of Anti-Drug Coalitions of America has worked with Kenyan leaders from national, regional and municipal governments and a broad range of society to develop strategies that prevent drug use and reduce crime and violence. Kenya is also using U.S.-developed curriculum to train and professionalize the substance use treatment workforce. Extradition between Kenya and the United States is governed 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 Kenya is a party to multilateral conventions that contain provisions regarding extradition and mutual legal assistance.

U.S. bilateral cooperation with Kenya on counternarcotics matters has included the creation of a vetted unit within Kenya's anti-narcotics policing unit and collaboration in the arrest and prosecution of several significant traffickers. The principal U.S. counternarcotics objective in Kenya is to interdict the flow of narcotics to the United States. Related objectives include limiting the corrosive effects of narcotics-related corruption in law enforcement, the judiciary, and political institutions, and combatting the damaging effects of narcotics trafficking and use on

the public at large. The United States seeks to accomplish these objectives through law enforcement cooperation, the encouragement of a strong Kenyan government commitment to narcotics interdiction, and the strengthening of Kenyan counternarcotics and overall judicial capabilities.

## Kosovo

Kosovo is not a significant source country for illegal drugs but remains a transit country for drugs smuggled to other European markets. Kosovo coordinates its interagency efforts to combat narcotics trafficking through the National Coordinator for Anti-Drug Strategy. The Kosovo Police Directorate of Trafficking in Narcotics Investigations (DTNI) is tasked with implementing Kosovo's 2012-2017 National Anti-Drug Strategy and Action Plan and carries out narcotics-related investigations, seizures, and arrests.

Over the first nine months of 2015, authorities seized 146 kilograms (kg) of marijuana and 37 grams of cocaine, both sharp decreases from what was seized over the same period in 2014 (672 kg and 21 kg, respectively). Although the volume of seized heroin rose by 332 percent compared to the same period last year (8.6 kg versus 2 kg), one seizure of 6.9 kg accounted for most of this increase. Synthetic drug seizures were minimal, totaling 265 MDMA (ecstasy) tablets and 1.8 grams of amphetamine. Factors adversely impacting Kosovo's efforts to combat narcotics trafficking include the lack of full integration of the four northern municipalities, a weak 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 primary 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 member of the United Nations, it is party to few international conventions and protocols or bilateral agreements relating to counternarcotics. Kosovo cooperates and exchanges information with international partners through informal bilateral and multilateral meetings. Kosovo also cooperates with the United States on counternarcotics issues and receives technical assistance and training from U.S. assistance programs. In June 2015, two senior DTNI officials attended the International Drug Enforcement Conference in Colombia sponsored by the U.S. Drug Enforcement Administration.

## 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 2015. In August, the Kyrgyz government terminated the 1993 agreement with the United States regarding cooperation assistance. As a result, some U.S. bilateral cooperation projects with the Kyrgyz government were suspended and some preplanned activities had to be cancelled, although counternarcotics and law enforcement reform programs continued through multilateral frameworks. In the run-up to the October 2015 parliamentary elections, authorities instituted a requirement that all meetings to discuss cooperation be requested through an official diplomatic note routed through the Ministry of Foreign Affairs. Previously, counterdrug discussions were conducted directly with the State Service for Drug Control (SSDC). This added step complicated the planning of counterdrug activities and resulted in some delays.

### 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 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 SSDC, which is responsible for coordinating all counternarcotics activities in the country. In July, the Prime Minister appointed a new SSDC chairman. The Prime Minister said he dismissed the previous chairman due to his "inefficient work."

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 CARICC for 2015. Kyrgyzstan does not have an extradition treaty or mutual legal assistance treaty with the United States. However, Kyrgyzstan is a signatory to multilateral legal instruments that could be used for cooperation on mutual legal assistance.

#### 2. Supply Reduction

During the first eight months of 2015, thanks in part to training and equipment provided by the United States, Kyrgyz authorities seized 322.8 kilograms (kg) of heroin (versus 189.6 kg in all of 2014); 13.1 kg of opium (versus 154.4 kg in 2014); 271.9 kg of hashish (versus 322.1 kg in 2014); and 9.9 metric tons (MT) of cannabis (hemp) (versus 8.6 MT in 2014). Law enforcement

agencies reported investigating 1,226 crimes related to drug trafficking over the first eight months of 2015. Of these cases, 1,017 were taken to court.

Some incidents related to the selling and using of new psychoactive substances (“spice”) were recorded in 2015, but Kyrgyz authorities lack legislation to prosecute individuals for distributing these analogue drugs. To remedy this shortcoming, in September, SSDC drafted a new law that would establish additional controls on psychotropic substances and precursor chemicals. This draft law awaited further government action pending parliamentary elections at the time of this report. As a short term measure, SSDC submitted amendments to an existing government decree establishing new control measures on 85 known types of new psychoactive substances in Kyrgyzstan. The United States supported the development of the draft law through funding provided to the UN Office on Drugs and Crime (UNODC).

No significant production of illicit drugs intended for international markets has been documented in Kyrgyzstan.

### **3. Public Information, Prevention, and Treatment**

The Government of Kyrgyzstan pursues efforts to reduce demand for illegal drugs and improve treatment through cooperation with international partners, including UNODC and the U.S.-sponsored Community Anti-Drug Coalition. 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. The United States supports a substance use treatment program administered by UNODC and the World Health Organization that seeks to integrate drug treatment into the country’s public health systems, including through training of treatment professionals. The United States also supports a program to develop anti-drug community coalitions.

According to 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. According to official statistics, there are 9,077 registered drug users in Kyrgyzstan. However, according to PEPFAR’s data (the U.S. President's Emergency Plan for AIDS Relief), there are 25,000 people in the country who inject drugs.

The Kyrgyz Republic is the only country in the region to have moved beyond a small number of pilot Methadone Assisted Therapy (MAT) and “one stop” HIV/MAT services. These services play an important role in treating opioid addiction and facilitating access and retention in HIV care and treatment. In the Kyrgyz Republic, MAT has expanded to 30 sites across the country, including in seven prisons. Drug-free modalities are also available at detoxification clinics in two cities in the country.

### **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 have been implicated in corruption cases.

### **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 late 2015, the SSDC began requiring that all U.S. information requests be directed through official diplomatic channels, which led to some delays in assistance program implementation.

In March, the U.S. Drug Enforcement Administration (DEA) signed memoranda of understanding on counterdrug cooperation with the Kyrgyz Customs Service. DEA also staffs an office within SSDC headquarters, and provided drug enforcement seminars for Kyrgyz law enforcement officers in August. Due to the emerging concern of new psychoactive substances in the country, the United States is planning to provide a seminar for relevant authorities to increase insight on this subject in 2016.

In 2015, the United States provided funding to UNODC to upgrade the SSDC forensic lab. UNODC suspended plans to provide additional forensic equipment to the SSDC pending clarification on the initiative of the Kyrgyz Government to consolidate all forensic laboratories, a point that remained under discussion at the close of 2015.

In June, the United States participated in a meeting of the Mini-Dublin Group of donor states and international organizations to enhance counterdrug assistance coordination to Kyrgyzstan. In August, U.S. and UNODC assistance helped Kyrgyzstan's Prison Service open a new office of operational analysis to expand interagency cooperation and intelligence sharing with the country's Drug Control Service.

The United States also provided funds for construction of a new building for SSDC's Eastern Department to expand the capacity of this organization. Construction broke ground in September.

### **D. Conclusion**

Kyrgyzstan must continue to address large drug trafficking networks operating within its borders or risk increased political influence by organized crime. The United States will continue to provide training to increase the capacity of the Kyrgyz government to confront transnational organized crime. Progress will require sustained Kyrgyz government resources and political will.

# 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 road, bridge, and communications networks in Laos 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 an estimated 6,200 hectares (ha) reported in 2014, according to the United Nations Office on Drugs and Crime (UNODC). In 2015, the United States resumed its support of alternative development programs the country. Although ATS production within Laos appears to be minor, drug seizures indicate that ATS is 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 2016-2020," was completed in November 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:

- Expanding the evidence base for policy making;
- Promoting integrated alternative development;
- Responding to drug use and reducing harm associated with drug use;
- Preventing drug use before it begins (civic awareness campaign nationwide);
- Using law enforcement strategically;
- Effective decriminalization of drug use and smarter sanctions;
- Regulating precursors and expanding/strengthening forensic laboratory;
- Strengthening governmental concerned agencies, regional and international cooperation;
- Developing capacity for drug control.

The Master Plan implements the country's National Drug Law (promulgated in 2008), and called for a budget of \$60 million over five years, largely funded by international donors and UNODC. Since 1989, the United States has provided Laos with \$45 million in counternarcotic assistance, which helped to eliminate much of Laos' opium poppy cultivation. In 1989, the U.S. government estimated there were 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, though Laos has acceded to multilateral conventions that enable such cooperation.

## **2. Supply Reduction**

During the first six months of 2015, the Lao Commission of Drug Control Department (LCDC) reportedly seized 29 kilograms (kg) heroin, 29 kg opium, 573 kg marijuana, and 4.59 million (459 kg) methamphetamine tablets. While the statistics for the second half of the year have not yet been released by LCDC, according to media reports, the police solved 2,258 drug cases and arrested 3,346 people in 2014, an increase of 600 cases from 2014.

In one of the largest narcotics seizures in 2015, the Lao Drug Control Police (DCD) seized three million tablets of methamphetamine in Vientiane. Most drug-related arrests in Laos in 2015 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 poppy is 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 and completed in 2015;
- A two-year, \$1.2 million “alternative livelihood” project in Phongsaly province, funded by Luxembourg, completed in 2013; 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, completed in 2015.

In 2016, 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. Public Information, Prevention, 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 United States is additionally funding train-the-trainer drug control professionals on Laos’ Universal Prevention Curriculum, as well as 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 2014 and November 2015, GIAA reports that it reviewed approximately 249 corruption cases, of which zero were prosecuted, but resulted in the removal of one governor, and the demotion of another governor and seven officials.

#### **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, 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 2015, 64 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 hashish, cocaine, heroin, and fenethylline (an amphetamine-type stimulant). The primary illicit drugs consumed in Lebanon are hashish, cocaine, fenethylline, and MDMA.

The main drug control goal of the Lebanese government remains eradication of illegally-cultivated opium poppy and cannabis in the Bekaa region. Little significant eradication activity occurred in 2015, however, due in large part to instability along the border with Syria, combined with a lack of logistical support and equipment for the Internal Security Force's eradication efforts.

The volume of cocaine entering Lebanon via commercial aircraft in 2015 was similar to 2014 levels. Individual smugglers typically depart from South America and transit through other countries en route to Lebanon, usually carrying between three and five kilograms (kg) of cocaine in their luggage. Fenethylline continues to be smuggled through Lebanon to Gulf region states and is produced in Syria and the Bekaa Valley area of Lebanon.

Official reports indicate that drug seizure events through the first nine months of 2015 totaled 1,874, down from 2,404 seizure events in all of 2014. Over this nine month period, seizures of heroin totaled approximately six kg (up from one kg in 2014). Cocaine seizures amounted to nearly 76 kg in 2015 – comparable to the 2014 figure of 70 kg. The number of hashish seed seizures dropped from 1,641 in 2014 to 1,089 in 2015. However, quantities of hashish seized increased significantly, from two metric tons (MT) in 2014 to nearly 6.17 MT through September. The number of seized fenethylline tablets increased from 23 million in 2014 to 26 million over this same nine month period.

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 law enforcement cooperation. In 2013, the United States discontinued all material assistance to Lebanon's Internal Security Force's counter-narcotics unit, following a finding of credible reports of human rights violations. There has been no U.S. material assistance within the last two fiscal years. However, U.S. law enforcement entities continue to exchange information with Lebanese counterparts on narcotics matters.

# 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 trends in the 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 passed its first drug law in October 2014.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

Established Nigerian criminal networks operate within Liberia, 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. Several local law enforcement agencies work in concert to fight narcotics trafficking in Liberia, including the Liberia National Police (LNP), Coast Guard, National Security Agency, Liberian Drug Enforcement Agency (LDEA), and the Transnational Crime Unit.

In 2010, Liberia signed the "West Africa Coast Initiative Freetown Commitment," a UN initiative to address the growing problem of illicit drug trafficking, organized crime, and drug abuse throughout the sub-region.

In October 2014, the LDEA Act and a Controlled Drugs and Substances Act came into effect. The legislation conforms to the UN drug conventions, and provides a strong foundation for more effective law enforcement activities. Under previous legislation defendants could only be charged under the public health law. In 2014, before the drug law was passed, the Solicitor General successfully used the public health law to prosecute six defendants and 28 more are pending trial. In 2015, 107 individuals were arrested under the new Anti-Drug Law and there are seven standing indictments, but no prosecutions.

The LDEA continues to improve its operational capacity and professionalism, including using confidential sources, working with business entities, initiating controlled deliveries, investigating international smuggling groups, and effectively working across the Liberian interagency. In recognition of its growing effectiveness, LDEA now receives limited international donor assistance from the United States and the UN. 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 Liberia is a party to multilateral conventions that enable such cooperation.

## **2. Supply Reduction**

Local production of marijuana is not prioritized as a major concern by most of the public; however, local law enforcement authorities sporadically conduct eradication operations. LDEA reports that in 2015, it eradicated 13 marijuana farms with over 15,000 marijuana plants. 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 mapping the extent of internal cultivation and networks; however, progress on these efforts stalled in 2014 and early 2015 due to LDEA's assistance with Ebola security-related matters.

In 2015, Liberian authorities seized approximately 18.8 metric tons (MT) of marijuana, 1.87 kilograms (kg) of cocaine, and 6.2 kg of heroin. In 2014, 2.5 kilograms of cocaine and 1.9 kilograms of heroin were seized.

Throughout 2014 and 2015, LDEA made several successful interdictions, including two air freight interdictions of heroin originating in East Africa. On LDEA's first day stationed at Roberts International Airport, the LDEA interdicted a Ugandan female courier with one kg of heroin hidden in a sewn compartment in the bottom of a suitcase. The Ugandan female eventually stood trial, was convicted, and received a five year sentence. She was the first foreign national sentenced to prison for drug trafficking in Liberia.

In October 2015, LDEA deployed to the Port of Monrovia, suspected of being a key transit point for drug trafficking. Despite initial challenges in accessing all areas of the port, within a month of deployment LDEA had conducted its first operation, resulting in the arrest of two Nigerian traffickers.

## **3. Public Information, Prevention, and Treatment**

Consumption of cannabis is high within Liberia, including cannabis combined 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. The UN Office on Drugs and Crime's (UNODC) 2012 Preliminary Drug Use Assessment Report indicated that drug use among youths, 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 has noted 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 non-governmental organizations (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. The United States funds limited 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 the LDEA Deputy Director for Operations, 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. Also, another senior 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. In October 2015, the first-ever LDEA training class of 101 new recruits graduated from the Liberian National Police Training Academy, marking the nascent but growing cooperation between LNP and LDEA.

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 LDEA has restructured and rid itself of corrupt officers, it is now able 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.

**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 drug crimes, 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. However, drug trafficking through the country to supply domestic and regional markets remains a challenge, and transnational drug trafficking organizations have been attempting to expand crystal methamphetamine production in the country. Illicit drugs smuggled into Malaysia include marijuana, heroin, and amphetamine-type stimulants from Thailand, Myanmar, and Laos. Ecstasy, nimetazepam, and crystal methamphetamine are also trafficked into and through Malaysia from several countries, particularly China, Iran, Nigeria, and India. Transnational drug trafficking organizations continue to use Kuala Lumpur as a trafficking hub, and Nigerian trafficking organizations have been known to use commercial courier services to ship methamphetamine and heroin into and from Malaysia. There is no notable cultivation of illicit drug crops in Malaysia. Demand for and the consumption of drugs is limited on the local market, but police officials have noted some increase in the use of methamphetamine, ketamine and nimetazepam.

Malaysia's drug control officials have the full support of senior government officials, but systemic problems within the legal system hinder the overall effectiveness of enforcement and interdiction efforts. Malaysian law treats drug trafficking as a capital crime, and the death penalty is mandatory for convictions. Other harsh mandatory sentences are also enforced for drug possession and recreational use. In practice, however, many minor offenders are placed into treatment programs instead of prison, and major traffickers are often arrested and held in preventive detention if there is insufficient evidence to prosecute them. In many cases, subjects charged with trafficking have had their charges reduced to lesser offenses or, if convicted of drug trafficking, have had their sentence commuted upon appeal.

With U.S. support, Malaysia is engaged in a long-term process to further professionalize all substance abuse treatment staff in the country through the dissemination of the treatment curriculum and international credentialing developed by the United States and shared 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 good, with frequent information exchanges. The U.S. Coast Guard continued its maritime law enforcement training program with the Malaysian Maritime Enforcement Agency in 2015 by conducting training and curriculum development courses to further develop instructional capabilities. U.S. goals and objectives for 2016 are to further strengthen coordination and communication between Malaysian and U.S. authorities on drug enforcement efforts, including joint effort on interdiction, information-sharing, and training for Malaysia's investigative and prosecutorial processes. Malaysia has bilateral extradition and mutual legal assistance treaties with the United States.

# Mexico

## A. Introduction

Mexico remains a major transit country for cocaine and heroin and a source country for heroin, marijuana, and methamphetamine destined for the United States. Narcotics trafficking and related violence in Mexico continue to pose significant problems to citizen security and economic development. According to the most recently available statistics, published by Mexico's statistics agency (INEGI) in September 2015, reported homicides decreased by nearly 15 percent and kidnappings decreased by 22 percent from 2013 to 2014. However, an estimated 93 percent of all crimes went either unreported or uninvestigated in 2014.

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, nearly \$1.5 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 boosted efforts to capture leaders of these groups. These successes, however, have resulted in smaller, fractured groups that violently compete for power, terrain, and market share.

Mexican consumption of illicit drugs is lower than U.S. levels, although insufficient data exists to determine current consumption trends.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

Mexico continues to strengthen federal and state institutional capacity to confront organized crime. Since 2006, the Government of Mexico restructured and tripled the size of its Federal Police. Many states are reforming their police forces to reduce corruption, including establishing internal affairs units and implementing a single command structure, known as "mando único."

Mexico's 2016 budget for public security and national security increased by 3.6 percent to \$15.4 billion. 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.

Impunity levels in Mexico remain high and Mexico's transition to an accusatorial criminal justice system remains uneven ahead of the country's June 2016 constitutional deadline for implementation. Six states are now fully operating under the new criminal justice system. Other states have thus far adopted partial accusatorial systems, utilizing the new system in certain municipalities or for certain types of crimes. States are also using hybrid systems, trying cases grandfathered under the old inquisitorial system and new cases under the accusatorial system. The Mexican government seeks to increase transparency and decrease corruption in criminal cases through the adoption of the accusatory system. Early results from states implementing the

reforms are encouraging. However, the learning curve moving forward will be steep as the Mexican public and justice operators adjust to it and a new criminal procedure code.

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 is a regional observer in the Central American Integration System and collaborates with Central American countries to improve regional security.

Mexico participates 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 and refine protocols for maritime interdictions. In addition, Mexico hosted a trilateral police chief meeting with Canada and the United States in March 2015.

The current U.S.-Mexico extradition treaty has been in force since 1980, and Mexico remains a strong extradition partners. A bilateral mutual legal assistance treaty in force since 1991 fosters a broad range of cooperation in criminal matters. Collaboration between the United States and Mexico has been promising since new Attorney General Arely Gomez was appointed in March.

## **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 around the world.

Mexico is a major producer of heroin, marijuana, and methamphetamine destined for the United States. Full calendar year 2015 figures were not available at the time of this report. The Government of Mexico reported eradicating 21,425 hectares (ha) of opium poppy in 2014, a significant increase from the 14,419 ha eradicated in 2013. The Government of Mexico also reported eradicating 5,679 ha of cannabis in 2014, a slight increase over the 5,096 ha eradicated in 2013.

The United State estimates that opium poppy cultivation increased 59 percent in 2014, to 17,000 ha from 11,000 ha in 2013, which could potentially produce 42 metric tons (MT) of pure heroin, compared with 26 MT in 2013. Also, in 2014, the United States estimated that Mexico cannabis cultivation decreased 15 percent to 11,000 ha compared with 13,000 ha in 2014.

The Office of the Attorney General reported Mexico seized 929.4 MT of marijuana in 2014, a decrease of 3.0 percent from 2013. Mexico seized 3.6 MT of cocaine, a 41.5 percent decrease, and 1.4 MT of opium gum in 2014, an increase of over 400 percent. U.S. law enforcement seizures of heroin along the U.S.-Mexico border have also 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 2013. Seizures of clandestine drug labs rose slightly. The Mexican government seized 143 labs in 2014, an 11.7 percent increase compared to 2013. Mexican officials participate in regular meetings with U.S. experts to identify and target the latest trends in synthetic drug production.

### **3. Public Information, Prevention, and Treatment**

Official statistics indicate illegal drug use in Mexico is lower than U.S. levels. 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. The 2011 national survey does not include a category for new or designer drugs, known as new psychoactive substances. Regionally, northern Mexico is the area with highest prevalence of illegal drug use (2.3 percent versus 1.5 percent nationally). Mexico plans to conduct a new national survey in 2016.

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.

Funding for public information initiatives, prevention, and treatment largely comes from the federal budget. In 2015, the budget for demand and treatment-related initiatives increased by 3.4 percent (\$83.7 million), though this increase was mitigated by currency depreciation affecting the Mexican peso.

Mexico has made significant efforts to establish drug treatment courts (DTCs) throughout the country. The first DTC was established in Guadalupe, Nuevo León in 2009. Currently, there are 15 DTCs operating in the country, two of which are juvenile courts. 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.

The United States supports the Organization of American States' Inter-American Drug Abuse Control Commission in their technical support to the government's drug treatment and prevention systems, including training and support to treatment facilities.

Additionally, the Government of Mexico is promoting the establishment of anti-drug coalitions on the model developed by the Community Anti-Drug Coalitions of America (CADCA). CADCA supports the formation and/or enhancement of effective drug-free community coalition programs, which assist civil society organizations in reducing drug use. There are now 22 coalitions in Mexico, implemented through a U.S.-funded grant.

CONADIC began a drug counselor certification program in 2015 with U.S. Government support. Previously, drug counselors were not required to be certified, often resulting in inadequate

treatment for drug users. Training, evaluation, and certification will continue through 2016, resulting in the certification of roughly 1,500 drug counselors.

#### **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 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.

In February 2015, President Peña Nieto announced an eight-point anti-corruption plan to enhance the government's commitment to eliminating corruption and increasing transparency. He appointed Virgilio Andrade as the head of the revived Secretariat of Public Administration, which will lead the government's anti-corruption efforts. In April, the Mexican Congress passed legislation to create a new anti-corruption system; however, implementing legislation has not yet been passed.

Mexican law enforcement officials remain poorly compensated, 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 police recruits. The Mexican government and some state governors have conducted large-scale dismissals of corrupt police, but work remains to ensure only fully vetted officials remain in the ranks. 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 \$1.4 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. Merida has initiated a nation-wide training program to help prepare police for their changing roles in the new justice system and continues to advance a full spectrum of police professionalization activities, including the application of international standards regarding training and accreditation, the implementation of minimum employment standards throughout



the career of a police officer, basic policing training, instructor development, continuing education opportunities, and leadership training.

#### **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. Cultivation also remains a challenge, with data trends suggesting illicit opium poppy cultivation is increasing and will continue to increase, especially without the presence of a holistic alternative development program. With respect to drug demand, the limited official statistics indicate that illegal drug use among Mexicans remains low and stable.

Under the Peña Nieto administration's security strategy, future bilateral efforts will emphasize strengthening Mexican institutions, building capacity for all criminal justice actors to carry out their new roles under an accusatorial justice system; professionalizing police, investigators, intelligence analysts, and forensic specialists; and interdicting illicit goods, all with the goal of achieving security goals shared by both nations. 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.

## 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 from Latin America. There is growing law enforcement evidence that Montenegrin traffickers are directly involved in smuggling cocaine from South America to Europe. Authorities estimate that approximately 15 percent of the drugs trafficked through Montenegro are consumed locally. During 2015, synthetic drug use grew significantly, and overall illegal drug demand is increasing. The United States and Montenegro continue to increase counter narcotics cooperation, in information sharing and joint investigations.

In 2015, Montenegro took steps to broaden law enforcement efforts, upgrade capacities in policing and criminal investigations, interdict smuggling chains, reduce distribution, offer prevention programs, and exchange intelligence with foreign law enforcement partners. The Police Anti-Narcotics Department has 50 law enforcement officers in five regional offices and has received upgraded equipment including eight new vehicles. During the first 10 months of 2015, criminal charges were brought against 120 individuals connected to the seizure of 162.5 kilograms (kg) of marijuana, 4.1 kg of heroin, 0.3 kg of cocaine and 1.2 kg of synthetic drugs.

Montenegro continued its 2013 – 2020 national narcotics control strategy with assistance from the United Nations Office of Drugs and Crime and the European Union (EU), and established a national data base on drugs. Authorities estimate that the number of people with substance use disorders seeking medical help is increasing, and the Public Health Institute stated that during 2014, 677 patients were treated. Mitigation efforts include treatment and rehabilitation programs, awareness campaigns, strengthening of municipal offices, and engagement of non-governmental organizations (NGOs) with prisons in post-release rehabilitation and re-socialization projects. Authorities assess that Montenegro has between 2,500 to 5,000 people with substance use disorders, but NGOs estimate that the actual number may range from 10,000 to 15,000.

In June 2015, two senior National Police Directorate officials attended the International Drug Enforcement Conference in Colombia sponsored by the U.S. Drug Enforcement Administration (DEA). Montenegrin authorities conducted several major joint investigations with DEA, EU countries, and coordination bodies such as EUROPOL, leading to arrests and seizures of narcotics in 2015. In one significant operation conducted jointly with Spanish authorities, 69 suspects were arrested, including two Montenegrin citizens, and over 3.5 metric tons of cocaine and 9.4 million euros of criminal assets were seized. The United States will continue to support and assist Montenegro's efforts to fulfill its drug control commitments.

## Morocco

Morocco ranks among the world's largest producers and exporters of cannabis, which is typically processed into hashish. Proximity to Spain provides access to Europe where Morocco continues to be the main supplier of hashish and country source of hashish seizures. According to the government-affiliated National Observatory of Drugs and Addictions, an estimated four to five percent of the Moroccan population uses drugs (excluding tobacco). The report states that more than 95 percent of Moroccan drug users are cannabis smokers.

Economic hardship contributes to Morocco's cannabis production, and has inhibited the effectiveness of Moroccan government crop substitution programs. The Rif Mountain area produces most of the country's cannabis, and its per capita GDP is significantly lower than the country's national average.

Although aggregate statistics were not available at the time of this report, Moroccan authorities achieved multiple large seizures in 2015, often in collaboration with international law enforcement partners including the U.S. Drug Enforcement Administration (DEA). DEA reported numerous large maritime drug seizures that resulted from joint operations between Moroccan authorities and counterparts in Spain, Italy, France, Tunisia, and Egypt. One such ongoing joint operation has led to the seizure of 39 maritime vessels, the arrests of 293 hashish smugglers, and the seizure of approximately 450 metric tons (MT) of Moroccan hashish since its inception in 2013.

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. The UN Office on Drugs and Crime estimates that between 20 and 40 MT of cocaine transits the region annually in route to Europe.

Morocco works closely with the United States and European partners to combat drug trafficking. The Central Bureau of Judicial Investigation was established in 2015 and is among the agencies with authority to conduct counternarcotics investigations. DEA opened a Rabat office in July 2015 to address repeated requests from Moroccan law enforcement for additional assistance with training and information sharing. The Gendarmerie has requested greater international assistance in thwarting high speed vessels transporting hashish from northern Morocco to southern Spain. Morocco's General Directorate for National Security has also requested liaison assistance with international counterparts on drug cases. Allegations of soldier and police corruption and their involvement in drug trafficking continued to persist throughout 2015.

Mutual legal assistance between the United States and Morocco is governed by a bilateral agreement that entered into force in 1993. While there is no bilateral extradition treaty in force between the United States and Morocco, both are parties to multilateral conventions which provide for cooperation in criminal matters.

## The Netherlands

The Netherlands is a significant transit country for illicit drugs, especially cocaine entering through the port of Rotterdam. 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. The United States and the Netherlands have fully operational extradition and mutual legal assistance agreements.

The Netherlands remains an important producer of synthetic drugs, primarily MDMA (ecstasy), of which the majority is believed to be exported. Studies indicate an increased use of ecstasy among the Dutch club scene. Authorities increasingly find laboratories and dumped chemical waste, especially in the south of the Netherlands. Drug production is increasingly tied to other forms of criminal behavior.

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” (illegal but not prosecuted) in establishments called “coffee shops,” which operate under regulated conditions.

Since 2013, local governments were encouraged by the Dutch government to implement a “residency requirement” that would only allow residents of the Netherlands to purchase at coffee shops. Almost all towns with coffee shops adhere to this requirement, though Amsterdam has elected not to. The Dutch Supreme Court ruled in September that this requirement does not constitute discrimination against other EU citizens.

On March 1, 2015, the Opium Act was amended to criminalize facilitation and preparation of cannabis cultivation. The law effectively banned stores that specialize in products to cultivate marijuana, such as light bulbs and nutrients. Implementation of the law may be impacted by judicial reviews that remained ongoing at the time of this report.

The Royal Netherlands Navy patrols the Dutch Caribbean for counternarcotics operations. The Netherlands has a memorandum of understanding with the United States, which enables the deployment and use of U.S. Coast Guard Law Enforcement and Airborne Use of Force Detachments on Royal Netherlands Navy vessels to suppress illicit trafficking in the waters of the Caribbean Area. In May, Dutch and U.S. authorities made the largest ever interception in the Dutch Caribbean, interdicting six metric tons of marijuana on board a motor vessel.

The Netherlands is a member of the Maritime Analysis and Operation Centre-Narcotics, which coordinates international efforts to intercept vessels trafficking bulk shipments of cocaine across the Atlantic Ocean. The Netherlands is a party to the Caribbean Regional Maritime Agreement and a partner in the U.S. Joint Interagency Task Force South.

Passengers on flights from Curaçao, Aruba, Bonaire, Sint Maarten, Suriname, and Venezuela are subject to “100 percent screening” for drugs. Two thirds of all narcotics found by Dutch customs in 2014 came from the Caribbean or South America.

# Nicaragua

## A. Introduction

Nicaragua remains a primary transit route for drug trafficking. The United States estimated that approximately 90 percent of the cocaine trafficked to the United States during the first six months of 2015 first transited through the Mexico/Central America corridor. In Nicaragua's North and South Caribbean Autonomous Regions – the scarcely populated territory comprising almost 50 percent of the country – crime statistics are worse than national averages, as is the long-term unemployment rate. These factors provide a favorable environment for international criminal groups to traffic contraband including drugs, weapons, currency, and people. Domestic production of marijuana and growing consumption of illegal drugs also remain impediments to a safer and more secure Nicaragua.

The Government of Nicaragua's updated Citizen Security plan for 2015 includes several lines of effort to combat drug use and trafficking. Its "Retaining Wall" (Muro de Contención) strategy promotes a coordinated effort to stop narcotics traffickers from entering the country. In 2015, the volume of cocaine seized by Nicaragua's civilian and military law enforcement agencies remained below historical norms. Nicaragua's capacity to conduct successful interdiction operations is challenged by limited law enforcement and targeted intelligence gathering capabilities, compounded by sparsely populated regions that are difficult to police.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

While no new specific drug control legislation was introduced in 2015, a bill was proposed in the National Assembly to reform the criminal code, Law 641, which would increase prison terms for drug trafficking offenses, especially for drug-related crimes committed by military units, prison officials, or police units.

The Cooperative Situational and Information Integration System, which enables greater international law enforcement intelligence sharing, remains in effect, as does the maritime counterdrug bilateral agreement signed in November 2001.

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 signed in 1905 and ratified in 1907, but the Nicaraguan constitution bars the extradition of Nicaraguan citizens. An International Criminal Police Organization Red Notice is usually required for wanted individuals

in order for the Government of Nicaragua to cooperate with the United States in expelling non-Nicaraguan citizen fugitives.

The Nicaraguan National Police underwent training to increase professional development in 2015. In June, 90 police officers from the Commission of Chiefs and Directors of Police from Central America, Mexico, the Caribbean and Colombia met in Nicaragua to evaluate and plan regional operations against organized crime. Funded by the Central American Integration System, the Nicaraguan Attorney General's Office also trained 60 prosecutors on investigation of drug trafficking offenses and related topics.

The President of Honduras met with the President of Nicaragua in May 2015 to strengthen their partnership and develop strategies to improve the security of both countries, among other topics. As part of a 2015 cooperation agreement with Russia, 28 Special Agents from Nicaragua and other countries in the region received counternarcotics training by the Russian Federation.

## **2. Supply Reduction**

There were no discernible changes in the volume of drugs transiting through Nicaragua in 2015. Nicaragua's civilian and military law enforcement seized 4.25 metric tons (MT) of cocaine, less than the 5.11 MT seized in 2014. This continued a trend of declining drug seizures since 2013. Nicaraguan authorities also arrested 81 people and seized \$1.7 million, along with approximately \$1 million in assets and 15 "go-fast" boats. Authorities seized approximately 358 kilograms of marijuana and the Nicaraguan National Police destroyed 2,160 illicit narcotic plants (mainly cannabis growing in the Jinotega Department and Caribbean Coast regions), an increase from the 1,000 plants destroyed the previous year.

The Nicaraguan Navy conducted successful counternarcotics operations, and there was a slight increase in the overall quantity of drugs seized during maritime interdictions from the previous two years. In 2015, during nine seizures, the Nicaraguan Navy seized approximately 2.88 MT of cocaine. This was more than the 1.9 MT seized in 2014 and the 2.5 MT seized in 2013, but far below the average of six MT seized annually over the previous decade. The decreasing trend in maritime seizures may be attributed in part to a reduction in U.S. counternarcotics assets operating near the Nicaraguan littorals, and diversion of Nicaraguan Navy assets to patrol the additional 30,000 square miles of Exclusive Economic Zone in the Caribbean awarded to Nicaragua by the International Court of Justice in 2012. Lack of dedicated air assets and insufficient coordination between the Nicaraguan Navy and the Nicaraguan Air Force continued to affect interdiction efforts.

## **3. Public Information, Prevention, and Treatment**

The Government of Nicaragua's updated National Citizen Security Strategy for 2015 includes an objective to raise drug awareness. The Nicaraguan National Police are in the process of inaugurating a youth center in Bluefields in the South Caribbean Autonomous Region, provided by the European Union and the Spanish Agency for International Development Cooperation. The police will offer drug rehabilitation at the youth center and vocational training at the National Technical Institute of Bluefields. Through their partnership with the private

sector, the police have been able to employ most of the 367 youth graduated since 2012, and 12 alumni have even opened their own small businesses.

Non-governmental organizations (NGOs) continue efforts to prevent drug use and provide treatment to drug addicts, including in partnership with the United States. The United States provided \$2.5 million to fund programs focused on citizen security and drug prevention in 2015, including a grant to the NGO Foundation for the Autonomy and Development of the Atlantic Coast of Nicaragua for a multi-media drug and violence prevention campaign that will reach more than 500,000 people.

The United States also supports the Organization of American States' Inter-American Drug Abuse Control Commission in its technical support to the government's drug treatment and prevention systems, including training and support to treatment facilities.

Private treatment centers in Nicaragua offer two models of patient service: out-patient and residential. Free treatment centers are becoming less common in Nicaragua, and some treatment centers charge a high monthly fee between \$2,000 and \$3,000 per patient.

#### **4. Corruption**

As a matter of policy, the Government of Nicaragua 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, a lack of checks and balances within the judicial system creates problems in meaningful prosecution of serious crimes in the country. For example, though specific legislation (Laws 735 and 745) prohibits early release and sentence reductions for drug trafficking cases, these practices have occurred. Public distrust in the judicial system remains a major impediment to effective law enforcement in Nicaragua.

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

The Nicaraguan government has demonstrated a willingness to investigate and interdict drug-related activities. In 2015, the United States assisted Nicaragua by supporting a wide range of drug control efforts including equipping, training, and building infrastructure of Nicaraguan security forces, as well as funding prevention programs with NGOs.

The United States worked in bilateral cooperation with the Nicaraguan Navy to enhance maritime interdiction capacity by providing intelligence information for interdiction operations, supporting training opportunities, and implementing capacity-building projects. In 2015, the United States focused primarily on support to the Nicaraguan Navy headquarters in Managua, the Pacific naval base in Corinto, and the Caribbean naval base in Bluefields. Secondary efforts included building capacity of the naval bases located at El Bluff, Puerto Cabezas, Cayos Miskitos, Puerto Sandino, and San Carlos. The United States also provided technical and mobile training on radio equipment and patrol boats, provided training opportunities from the Naval Small Craft Instruction and Technical Training School, and supported the Cooperative Situational and Information Integration System.

In 2015, the Nicaraguan National Police's Mobile Inspection Units received funding support from the United States for 21 land interdiction operations that focused on drug smuggling along the Pan-American Highway. The United States also coordinated with the National Police on its participation in five regional interdiction enforcement actions.

The United States continued to provide resources to non-governmental drug demand reduction programs in the North and South Caribbean Autonomous Regions and the Managua area, where populations are more vulnerable to drugs and violence. These grant projects have served to increase citizen security through drug prevention awareness campaigns, community development, youth leadership training, and alternative education intervention programs for at-risk youth in Nicaragua.

#### **D. Conclusion**

In 2015, Nicaragua in cooperation with the United States and others worked to combat drug trafficking through joint interdiction operations, capacity building of law enforcement and the military, and drug demand reduction programs.

The Government of Nicaragua must increase efforts to combat organized crime within the vulnerable Caribbean coast regions of Nicaragua, which remain the primary routes for international drug trafficking. In addition, an increased focus on drug prevention programs and rehabilitation facilities, institutional corruption, and judicial independence is recommended to complement interdiction efforts.



# Nigeria

## A. Introduction

Nigeria is a significant transit country for heroin and cocaine destined for Europe, and to a lesser degree, the United States. Within the past four years, Nigeria has become a major importer of ephedrine and a manufacturer of methamphetamine. The Nigerian 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. The latest trend employed by Nigerian drug traffickers is to utilize relay couriers that meet in an intermediate country in an effort to circumvent law enforcement's interdiction technique of profiling travelers whose travel originated in a source country.

Nigerian organized criminal networks remain a major factor in moving cocaine and heroin worldwide, and have begun to produce and traffic methamphetamine to and around 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 make Nigeria an important trafficking hub.

The only drug cultivated in significant amounts domestically is marijuana; however, foreign seizures of methamphetamine originating from Nigeria indicate that methamphetamine production in Nigeria is on the rise. 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 between them are rare. No single law enforcement agency has adequate resources to combat sophisticated international criminal networks.

In 2012, the NDLEA and the United States signed a memorandum of understanding to establish a vetted unit of 14 officers to exclusively work with the U.S. Drug Enforcement Administration (DEA). In May 2014, the vetted unit was converted to a full-fledged Sensitive Investigative Unit (SIU). In June, the SIU made the first arrest of a leader of a major Nigerian transnational drug trafficking organization in Nigeria, responsible for producing and distributing methamphetamine to multiple continents.

In 2014, the European Union funded a United Nations Office on Drugs and Crime (UNODC) led project to draft a 2015 – 2019 National Drug Control Master Plan for Nigeria. The new plan was adopted and approved by Nigerian President Goodluck Jonathan in May 2015. The Government of Nigeria allocated \$46.6 million for NDLEA's budget in 2015, which represented a decrease of approximately \$8.1 million from the 2014 budget. Of this, 0.002 percent, or approximately \$107,516 was allocated for NDLEA staff training.

The 1931 U.S.-United Kingdom Extradition Treaty, made applicable to Nigeria in 1935, remains the legal basis for U.S. extradition requests. Nigeria and the United States also have a bilateral mutual legal assistance treaty.

## **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 Nigeria's Largest Airport, Murtala Muhammed International Airport (MMIA) in Lagos. The NDLEA faces challenges with arresting the higher level drug traffickers and financiers who organize the regular traffic of low-level drug couriers.

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. 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. Another problem lies with Nigeria's courts, where intimidation and corruption are common.

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. Over the first 10 months of 2015, the NDLEA seized 794.7 metric tons (MT) of marijuana. The NDLEA also continued to attack the widespread cultivation of marijuana in Ondo State. NDLEA operations resulted in the destruction of 15 marijuana farms, 11 marijuana nurseries, and two residences used to store processed marijuana,

Nigerian methamphetamine is produced in large quantities mostly in Lagos and increasingly in Anambra state where the mostly Igbo drug trafficking organizations are relocating their laboratories. 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.

Total drug seizures declined at MMIA in 2015 to 1,028 kg through the first 10 months of the year, from 3.3 MT in all of 2014. Authorities estimate that this was due to the avoidance of MMIA and adoption of alternate routes and transportation from the last reporting period. Over the first 10 months of 2015, NDLEA reported seizing 204.9 kg of cocaine; 24.8 kg of heroin;

794.7 MT of cannabis, 79.5 kg of methamphetamine; 1.3 kg of amphetamine; 583 kg of ephedrine; and 663.9 MT of other psychotropic substances, totaling 1,459.7 MT of total drug seizures.

### **3. Public Information, Prevention, and Treatment**

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 the past year, the NDLEA counseled and rehabilitated 2,056 persons suffering from substance use disorders (a decrease of 67 percent over the previous year), most were in the North Central States of Kano, Kaduna and Katsina.

### **4. Corruption**

The Government of Nigeria does not, as a matter of government policy, 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**

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. In 2015 the United States assisted in transitioning the NDLEA from a primary reactive investigative agency to an intelligence-led proactive investigative agency by providing training in intelligence analysis, evidence collection, criminal enterprise theory and mid-level management. In April, the United States provided a legal adviser to the NDLEA to help improve the NDLEA's drug trafficking and money laundering conspiracy investigations and prosecutions. The adviser is also working with the NDLEA to create a prosecution training manual for the agency as well as mentoring prosecutors. The United States also provided training in defense tactics, street survival, weapons tactics and raid planning.

The United States works closely with the NDLEA and other law enforcement agencies to strengthen capacity. In 2015, the United States trained 100 NDLEA Officers in Criminal Enterprise Theory of Investigations. The objective of the training was to teach officers how to identify, disrupt, dismantle and prosecute transnational drug trafficking groups operating in Nigeria.

The United States also promotes greater cooperation between the Nigeria Customs Service (NCS), Nigerian Immigration Service, the Economic and Financial Crimes Commission and the NDLEA to improve interdiction at the vulnerable seaports and porous land borders. In August, the United States sponsored two interagency Cross Border Financial Investigations Training (CBFIT) sessions to a combined group of the aforementioned agencies in Abuja and Lagos. The

United States continued funding a Counter-Narcotics Advisor and funded the creation of a vetted unit of indigenous language translators. Both of which will help 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. Illicit narcotics are then distributed globally 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 (opium, heroin, and cannabis) produced in Afghanistan enter Pakistan, some for domestic consumption and the rest for transit to international markets, including China, the Gulf States, Africa, and Europe. Additionally, poppy cultivation levels in some areas of Pakistan have risen from previous years. Pakistan is also a major transit country for precursor chemicals used in the production of heroin and methamphetamines.

In 2015, Pakistan made multiple noteworthy seizures and carried out several anti-drug awareness activities. Pakistan's law enforcement agencies also arrested over 90 traffickers designated as priority targets by the U.S. Drug Enforcement Administration (DEA). Pakistan's Anti-Narcotics Force (ANF), the country's lead counternarcotics agency, reported that in 2015 it seized approximately 12.16 metric tons (MT) of heroin, 50.15 MT of opium, 30 kilograms (kg) of cocaine, and 133.64 MT of hashish. Overall 2015 seizures represent a 30 percent increase over 2014, with the most significant change being in cocaine seizures, which increased by 329 percent. However, the Government of Pakistan's limited budget and the law enforcement's preoccupation with more urgent threats to national security, such as violent extremism, continue to hinder the country's drug control efforts.

Domestic drug consumption is a growing problem. According to a 2013 UNODC nationwide survey, Pakistan is home to 6.7 million drug users who consume 59 MT of opiate and cannabis products annually. Pakistan lacks the capacity to properly treat those with substance use disorders and educate its people about the dangers of illicit narcotics.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

In 2015, Pakistan continued to participate in the Paris Pact and Triangular Initiative, two multilateral mechanisms promoting international counternarcotics coordination. The ANF conducted joint counternarcotics operations with foreign counterparts, including the United Kingdom, Malaysia, New Zealand, and the United Arab Emirates. Pakistan continued to host at least 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 aspires to place officers in its embassies in important drug destination countries.

On April 14, the ANF was responsible for one of the largest seizures of MDMA (ecstasy) in Pakistan in recent years – 6,943 tablets. One Dutch national with ties to three other DEA investigations was arrested. In a welcome sign of improving cooperation, the ANF also provided a drug sample for testing in the United States.

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 2015 federal budget of \$19.43 million is insufficient to support its daunting mission and limits its capacity to adequately perform key sustainability functions like operational maintenance on vehicles and equipment. Nearly 80 percent of the ANF budget is used to pay salaries. Moreover, the ANF's 3,100 employees remained thinly deployed across some 40 stations and field offices spanning every province and administrative territory, except the Federally Administered Tribal Areas (FATA), where it has not operated 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. During 2015, the ANF chaired the quarterly meetings of the Inter-Agency Task Force, which is composed of 27 agencies and intended to enhance coordination and communication on drug control issues. The ANF also partnered with DEA and the UK's National Crime Agency to operate Special Investigation Cells (SICs). In 2015, the ANF Academy provided instruction to over 616 trainees from across Pakistan's law enforcement community. As part of UNODC's Container Control Program, the ANF and Pakistan Customs operated nine Port Control Units, while Pakistan Customs hosted regional training courses on risk profiling of containerized cargo. The 1931 Extradition Treaty between the United States and the United Kingdom, which applies to Pakistan, remains in force.

## **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 the conduct of reliable ground surveying, hampering efforts to determine precise cultivation levels. In 2015, the ANF reported 977 hectares (ha) of poppy and eradicated 605 ha, leaving a balance of 372 ha that were not eradicated. U.S. government estimates for 2015 cultivation levels were not available at the time of this report. However, 2013 estimates indicated a significant increase in poppy cultivation, with over 4,000 ha in traditional growing areas like FATA and Balochistan. A partial survey in 2014 showed sustained poppy cultivation levels in the FATA and Balochistan. Alternative livelihood and development programs for farmers, including distribution of seeds, agricultural training, and construction of "small-scheme" irrigation mechanisms, have discouraged 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 a 2009 UNODC study, the most recent available, 160 to 200 MT of Afghan heroin are trafficked through Pakistan annually. Despite their best efforts, Pakistan is only able to interdict a fraction of that traffic. For example, the ANF reported that from January to September 2015, it seized approximately 10.88 MT of heroin. In one seizure alone in January 2015, the ANF confiscated 568 kg of heroin as it was transported overland from Afghanistan through Balochistan province. Furthermore, Pakistan Customs seized 74.29 kg of heroin, 89.15

kg of opium, 43.8 MT of poppy seeds, 15 kg of hashish, and 0.45 kg of crystalline amphetamine during the first nine months of 2015. However, the ANF and Customs represent only a small portion of Pakistan law enforcement. The rest of the almost 600,000 police and paramilitary forces in Pakistan are not trained in counternarcotics and do not see it as a part of their core mission.

During 2015, the ANF registered 1,207 cases for drug charges with a 35 percent conviction rate. However, some of these cases are overturned on appeal, and many more are still pending final court decisions, adding to Pakistan's vast pre-trial detention prisoner population. The vast majority of these cases involved low-level possession or small quantity courier trafficking. Suspects arrested by the 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.

### **3. Public Information, Prevention, and Treatment**

UNODC's 2013 nationwide drug user survey indicated that 6.7 million Pakistanis aged 15 to 64 – about six percent of the population – used drugs for non-medical purposes at least once in the 12 months preceding questioning. Cannabis and opioids were the most prevalent drugs consumed, with four million and 2.7 million users, respectively. The survey results also found that almost all women drug users reported misuse of opioid-based painkillers. Misuse of synthetic tranquilizers/sedatives was also prevalent among women drug users. In total, the survey classified 4.25 million drug users aged 15 to 64 as suffering from substance use disorders.

Pakistan's police officers and teachers have historically lacked knowledge about the harmful physiological properties of drugs, or their destructive effects on society. Nevertheless in 2015, Pakistan intensified efforts to raise public awareness about drug abuse. The ANF lectured frequently at universities, colleges, and schools about drug awareness. With the aid of international donors, including the United States, local non-governmental organizations (NGOs) conduct drug awareness activities, many of which are focused campaigns targeting teachers, parents, youth, and vulnerable populations.

In 2015, Pakistan's drug treatment capacities, with fewer than 100 clinics operating nationwide, remained insufficient to meet the growing demand. Very few public hospitals offer drug treatment services, though Khyber Pakhtunkhwa was the first province to take steps to integrate basic addiction counseling into its public health system. Lacking government funding, over 90 percent of Pakistan's detoxification centers are operated by NGOs. As a result, cost remains the primary obstacle preventing widespread access to treatment, leaving 75 percent of people addicted to opiates without an avenue to seek help. According to the most recent UNODC estimate, fewer than 30,000 drug users received detoxification therapy annually. Due to a lack of institutional capacity to serve women, the majority of drug users receiving treatment are men.

Over the past few years, donor-funded "train-the-trainer" programs have increased the number of Pakistan's addiction centers that provide evidence-based treatment. Additionally, the United States has supported the strengthening of civil society drug demand reduction programs by

issuing grants to NGOs in the treatment and prevention fields. These efforts could reduce remission rates, which currently approach 80 percent.

The inaugural Pakistan Drug Demand Reduction Stakeholder Meeting occurred in April 2015, which represented the first effort of its kind to bring together the country's government and civil society to address substance use prevention and treatment in the country. Pakistani government and civil society representatives, alongside of international organizations and the United States met to discuss the current demand reduction system and planned how to strengthen drug treatment and prevention services, staff training, and research and evaluation.

#### **4. Corruption**

Corruption remains a major challenge to the justice system and the effectiveness of law enforcement. Despite parliamentary oversight committees, an independent judicial system, and a critical free press that exposed corrupt practices in 2015, low conviction rates continue. Accordingly, corruption continues to facilitate the movement of contraband, including in the form of bribes to public servants. Still, there have been a few encouraging signs, such as when the Narcotics Control Division (NCD) discovered that members of their staff had embezzled funds in 2014. NCD referred the case to the Federal Investigative Authority and subsequently suspended the responsible employees, though one employee has since been reinstated.

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

The United States remains strongly committed to a multitrack 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 to conduct 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. 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 threat. 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 alternative livelihood irrigation projects.

Over the past five years, U.S. supply-side assistance has mainly funded poppy reduction programs and ANF interdiction activities. In 2015, 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 2015 by strengthening cooperation with Pakistani 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 often ill-prepared to successfully prosecute cases that involve modern investigative techniques. Since the passage 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.

On demand-reduction, the United States expanded and diversified funding for various drug treatment and practitioner training programs. In 2015, 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 to promote drug awareness throughout Pakistan working with partners like UNODC, ANF, and NCD.

#### **D. Conclusion**

Although Pakistan continues to face enormous economic and security challenges that often supersede 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 facilitate concerted government action across law enforcement agencies.

# Panama

## A. Introduction

Panama remains a major transshipment crossroads for illicit drug trafficking due to its location and logistics infrastructure. The United States estimated that approximately 90 percent of the cocaine trafficked to the United States during the first six months of 2015 first transited through the Mexico/Central America corridor. Panama does not produce significant amounts of drugs destined for the U.S. market, although limited cannabis cultivation occurs in remote regions for local consumption. Transnational drug trafficking organizations, including Mexican and Colombian groups, move illegal contraband through Panama's remote Darién region and along its coastline and littoral zones. Drug traffickers exploit Panama's transportation infrastructure, including the second largest free trade zone in the world, four major container seaports, airports, and the Pan-American Highway. The Panamanian government is concerned that drug consumption may be growing within the country, and is committed to working with international partners to confront drug use and trafficking both domestically and regionally. The United States enjoys strong partnerships with all Panamanian security services.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Developments

In 2015, Panama built on past efforts to improve its security institutions, enhance interdiction capacity, and ensure citizen security. Under the administration of President Juan Carlos Varela, the Ministry of Public Security's budget increased in 2015 for the seventh consecutive year. The major challenges to host-government policies and institutions include managing interagency and inter-service cooperation to combat illicit trafficking. The Panamanian National Police (PNP), with U.S. assistance, continued to implement modern policing strategies and integration of the COMPSTAT (comparative statistics) model, allowing real-time mapping and analysis of criminal activity. Increasingly effective use of COMPSTAT led to more-effective police enforcement in 2015, with a decrease in major crimes in zones where the PNP fully implemented the model, according to government statistics. Additional reforms continued at the Police Academy, which the Ministry of Education certified as an accredited academic institution and now offers eight college-level degrees to new PNP members. The Academy has increased its focus on distance learning, continuing education, and seminar programs to serve the entire force.

In 2010, the PNP created a specific anti-drug unit, and the maritime (or coastal) Anti-Narcotics Operations Tactical Unit (Unidad Táctica de Operaciones Antinarcóticas), which continues as an effective interdiction organization. The PNP continues to endorse a vetted Sensitive Investigative Unit supported by the U.S. Drug Enforcement Administration (DEA). The Government of Panama continues to devote resources to improving security in the Darién province, where the National Border Service (SENAFRONT) remains the operational mainstay in the region, performing humanitarian assistance and community policing missions alongside its normal duties. Although the FARC no longer operates with impunity in the Darién, SENAFRONT confronts criminal gangs moving drug shipments through the jungles. Through the Regional Border Protection Training Program, the United States provides training to

SENAFRONT and other regional security services on border security operations at and between ports of entry. Thanks to “train-the-trainer” cooperation with the United States and Colombia, SENAFRONT now conducts various levels of training on its own and provides such training to increasing numbers of students from regional partners, including Costa Rica, Belize, and Honduras.

With U.S. assistance, Panama’s Air and Naval Service (SENAN) continued to address shortcomings hindering its operational effectiveness in 2015. Many problems persist, including poor logistics and maintenance systems, inadequate human resources, a deficit of maritime mid-grade and senior officers, insufficient intelligence collection capability, and limited support and operational intercept assets. The United States works jointly with the Colombian Navy to help SENAN develop organic and sustainable maintenance and operational capacities. While resourcing for additional training, equipment, and personnel is improving, the development of a professional cadre will take years.

Panamanian authorities continued their phased transition from an inquisitorial justice system to a faster and more transparent adversarial justice system, which the United States supports through training. Panama has implemented the system in eight of ten provinces. In the provinces where it is implemented, case processing times were reduced, though the government will need to commit additional resources as the system is implemented in the two remaining provinces of Colon and Panama City, which are the most heavily populated and have the most crime. 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. The United States and Panama signed the Supplementary Arrangement on U.S. Coast Guard Assistance, known as 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, and an international maritime interdiction support provision, which enables the transfer of third-party national detainees and a representative sample of contraband through Panama to an awaiting U.S. aircraft for further transfer to the United States to face criminal prosecution. The program enhanced the effectiveness of counter-trafficking operations in and around Panama by improving detection, monitoring, interdiction, and apprehension of traffickers.

## **2. Supply Reduction**

Panama reported seizing 52.3 metric tons (MT) of cocaine in 2015, largely in cooperation with U.S. law enforcement. This includes cocaine captured by Panamanian authorities but does not include cocaine seized by U.S. Coast Guard assets in or near Panamanian territorial waters or cocaine jettisoned by traffickers under pursuit and not recovered. The volume of seized cocaine increased significantly from 2014 (35.1 MT in total), reflecting the increasing ability of Panama’s security services to act on operational intelligence. Panama continued to enjoy a high pursuit-to-interdiction ratio of 86 percent (January - September 2015), capturing 59 of the 69

maritime targets that were chased. Additionally, Panamanian authorities seized 2.5 MT of cannabis, 20.1 kilograms of heroin, and \$7,422,475 in drug-related cash, up from \$2.35 million over the same period in 2014.

Several local drug trafficking organizations in Panama continued to provide logistical support to international trafficking networks smuggling cocaine into Panama for further distribution northward in Central America. Based along both of Panama's coastlines, these organizations 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 coastlines for subsequent transport further north.

The Government of Panama has not reported significant problems associated with synthetic drugs.

### **3. Public Information, Prevention, and Treatment**

Although illicit drug abuse currently is not a major problem in the country, the government is concerned it could become so, in concert with the growth of gangs influenced by problems from northern Central America. 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. Panama conducted its last drug-demand study 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 American States' Inter-American Drug Abuse Control Commission, funds drug treatment and prevention training for treatment service professionals in Panama.

The Government of Panama is attempting to implement a whole-of-government approach to combatting crime that includes prevention and demand reduction programs. The United States partnered with the PNP to implement programs such as Drug Awareness and Resistance Education and the Community Policing Strategy to help at-risk youth.

### **4. Corruption**

Corruption remains a concern throughout the security services, customs, and justice sector. Drug trafficking organizations have penetrated the security services, and Panamanian authorities detained several security-service members involved in trafficking in 2015. The Government of Panama recognizes this issue, and the PNP and SENAN are favorable to U.S. requests to polygraph security service members. The government actively investigates and prosecutes officials for corruption. Most corruption charges are non-trafficking related, instead focusing on allegations of personal enrichment through government funds or contracts, including a Supreme Court justice who pled guilty to non-narcotics-related charges in February. However, Panama did not adjudicate any significant cases of corruption within the security services in 2015, in part due to poor investigative capacity, a lengthy investigative process, and a weak judicial system.

As a matter of government policy, Panama does not encourage or facilitate illegal activity associated with drug trafficking or have senior government officials engaged in such activity.

### **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. 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, and communications assets.

In 2015 the United States continued to provide assistance to modernize and maintain SENAN, SENAFRONT, and PNP vessels and facilities in support of interdiction efforts. U.S.-provided aviation assets have helped SENAN expand its ability to support joint drug enforcement operations, including interdiction and detection of suspect aircraft. U.S.-provided training helps to improve the professionalism and effectiveness of Panama's security services by enhancing skills in areas such as small boat operations, small unit tactics, maritime interdiction, equipment, and logistics support. The United States continues to advance progress through a trilateral cooperation relationship with Panama and Colombia, where Colombian law enforcement, justice sector, and military experts train members of Panama's security services.

U.S. and Panamanian law enforcement units collaborate closely on drug control efforts, which in 2015 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. During 2015, U.S. law enforcement leads led Panamanian authorities to the seizure of more than \$2.5 million. In another case, a DEA-supported Panamanian vetted unit dismantled an international drug trafficking organization responsible for multi-ton cocaine shipments and indicted 25 members of the organization, including six corrupt Panama law enforcement officials with drug trafficking charges tied to over seven tons of cocaine seized in Panama since 2010.

### **D. Conclusion**

The Government of Panama continued its support for joint counternarcotics operations and investigations in 2015, while continuing to invest in building its own capacity. Panama remains one of the regional leaders in narcotics interdiction and seizures, and President Varela has stated a desire to increase that regional leadership. Nevertheless, the overall magnitude of the drug threat exceeds the capacity of Panama's security services to manage alone. To maintain the momentum of improvements, the United States will continue to assist Panama in implementing reforms to ensure that PNP, SENAFRONT, and SENAN become strong, professional security services and that Panama's justice sector can capably overcome the corrosive effects of transnational crime. The United States continues to work positively with all the security services and encourages stronger and more organized support by the prosecutorial sector to ensure the

Government of Panama can follow through on the difficult task of removing the corrosive effects of illicit drugs from their country.

## Paraguay

Paraguay faces various challenges in its efforts to reduce narcotics trafficking and production. Paraguay is one of the largest source countries of marijuana in the Western Hemisphere, with the majority exported to Brazil and Argentina. The majority of marijuana is grown along the Paraguay-Brazil border. It is a transit country for Andean cocaine, primarily destined for Paraguay's neighbors or for onward transshipment to Europe and other overseas markets. Drug traffickers exploit the landlocked country's porous borders, extensive internal waterways, and under-resourced law enforcement and judicial institutions. Arms trafficking, money laundering, counterfeiting, and other illegal activities linked to narcotics trafficking increasingly involve international criminal organizations operating along the Paraguay-Brazil border.

The National Anti-Drug Secretariat (SENAD) and the Paraguayan National Police (PNP) achieved multiple noteworthy successes during the year, targeting land, river, and air trafficking. The agencies seized drugs, cash, and planes and arrested multiple offenders in enforcement operations on rivers, at airports, and at clandestine airstrips. SENAD and the PNP used canines donated by the United States to support successful road interdiction operations and inspections of suitcases and packages at airports. During the year, the PNP conducted multiple successful marijuana eradication operations, primarily in San Pedro Department.

In 2015, the PNP destroyed more hectares (ha) of cannabis (809 in 2015, compared to 291 in 2014) and seized more cocaine (958 kilograms in 2015, compared to 894 kilograms in 2014). SENAD eradicated more cannabis (2,116 ha in 2015 compared to 1,657 ha in 2014) and seized more cocaine (2,230 kilograms in 2015 compared to 1,847 kilograms in 2014). To augment Paraguay's limited law enforcement resources, Brazil and Paraguay collaborated on combined operations to eradicate cannabis within Paraguay.

The U.S. and Paraguay are parties to an extradition treaty that entered into force in 2001. There is no mutual legal assistance treaty in force between Paraguay and the United States, though both are parties to various multilateral conventions which provide for cooperation in criminal matters.

The United States works closely with the Government of Paraguay to disrupt drug trafficking organizations and 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 facilitated drug seizures, arrests, and the presentation of cases for prosecution. Enhancing Paraguayan interagency coordination, improving the judicial system's ability to prosecute cases quickly and effectively, confronting corruption and strengthening law enforcement efforts would help to further deter narcotics producers and traffickers.

# Peru

## A. Introduction

Peru remained the world's top producer of cocaine and was the second-largest cultivator of coca, with an estimated 46,500 hectares (ha) under cultivation as of 2014, the most recent year for which data is available. The majority of cocaine produced in Peru goes to South American countries for domestic consumption, or for onward shipment to Europe, the United States, East Asia, Mexico, and Africa 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. This document, prepared in 2012, originally set the 2015 eradication goal at 26,000 ha; however, late in 2014, President Humala increased the goal by more than 34 percent to 35,000 ha. The terrorist group Sendero Luminoso (SL or Shining Path), operating in the Valley of the Rivers Apurimac, Ene, and Mantaro (VRAEM) region, continued to rely on drug trafficking for funding and wounded two and killed eight Peruvian security personnel during counternarcotics operations in 2015.

Domestic consumption of illicit drugs is growing, particularly in mid-sized cities east of the Andes where much of the drug production occurs and in coastal transit cities where most of Peru's population lives. The number of treatment centers falls short of what is needed to treat the estimated 32,000 to 60,000 people addicted to cocaine, and the larger number of marijuana users. Abuse of the low-priced and highly addictive coca paste is also increasing.

## 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 more than \$165 million in 2014, and is projected to spend \$184 million in 2015. In 2014, Peru more than doubled its 2013 contribution towards eradication and concomitant aviation support, effectively nationalizing a program historically funded by the United States, and increased its 2015 contribution to \$36.6 million.

To counteract the use of private aircraft transporting drugs, the police and armed forces continued to target clandestine runways for destruction, destroying 277 throughout the country in 2015, compared to 263 in 2014. Law enforcement operations resulted in the seizure of approximately 15 aircraft. On August 29, Peru adopted a law that allows for the aerial interdiction of civil aircraft believed to be transporting drugs. Both U.S and international law prohibit using lethal force against civil aircraft, regardless of whether the aircraft is being used for drug trafficking.



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. The number of judicial districts operating under the NCPC increased from 23 in 2014 to 27 in 2015, out of a total of 33. None, however, operate exclusively under the new system. Implementation for the six remaining districts, initially expected by April 2016, will likely be delayed to 2017. The United States continues to assist Peru's NCPC transition through a training program administered by the American Bar Association – Rule of Law Initiative, which has trained more than 3,500 judicial authorities since 2012.

The bilateral extradition treaty between the United States and Peru entered into force in 2003, and cooperation is strong.

Peru continues to strive to complete implementation of its 2012 National Plan to Combat Money Laundering and Terrorist Financing.

## **2. Supply Reduction**

The U.S. government estimates that 46,500 ha of coca were under cultivation in Peru in 2014, a 22 percent decrease from the 2013 estimate of 59,500 ha. The United Nations, using a different methodology, estimated 42,900 ha of cultivation in 2014, a 13.9 percent decrease from its 2013 estimate of 49,800 ha. The U.S. government's 2014 estimate for potential pure cocaine production was 285 metric tons (MT).

During 2015, the Peruvian government eradication agency, CORAH, operated in San Martin, Huánuco, Pasco, Loreto, Ucayali, and Puno regions. In 2015, Peru eradicated 35,868 ha of coca, exceeding its 2015 goal of 35,000 ha, its most ambitious goal to date. Although the Government of Peru (GOP) planned eradication operations in the VRAEM, a region accounting for an estimated more than 60 percent of Peru's total 2014 potential pure cocaine production, it revised its approach in favor of a "productive reconversion" strategy to encourage farmers to voluntarily cease coca cultivation in favor of alternative licit crops. Under this model, farmers receive technical assistance and a subsidy for registering with the Ministry of Agriculture and Irrigation and removing the coca from their plot. The Ministry hoped to convert 5,000 ha by the end of 2014 and an additional 3,000 ha by 2015. The Ministry reported that a cumulative total of 2,200 ha had been converted by the end of 2015.

DIREJANDRO, the police anti-drug unit, received a \$17 million budget in 2015, up from \$12 million in 2014. This unit reported seizing lower volumes of cocaine in 2015– 20 MT of cocaine, including 11.6 MT of cocaine base and 8.4 MT of cocaine hydrochloride – compared to 2014, when a record 7.7 MT single seizure pushed the total to 30 MT. DIREJANDRO also seized 91.9 MT of marijuana, destroyed 546 cocaine laboratories, and seized 126.9 MT of coca during 2015. Peru produces precursor chemicals, such as sulfuric acid, and is a major importer of other essential chemicals for cocaine production.

DIREJANDRO's Precursor Chemical Unit, DEPCIQ, reported slight increases in the seizure of precursor chemicals – from 1,740 MT in 2014 to 1,985 MT in 2015. The Government of Peru

launched a Precursor Chemicals Initiative for 2015-2016 with coverage of approximately 65 percent of roads in the VRAEM, Puerto Maldonado, and Puno regions. DEPCIQ utilized 20 backscatter x-ray scanners in this initiative, two of which were donated by the United States. Counterdrug police personnel in this unit increased from 36 to 125 and received full logistical support from the United States. Sustained interdictions and surveillance against known chemical trafficking routes resulted in DIVICDIQ increasing its seizures of precursor chemicals from 1,634 MT in 2014 (which constituted 64 percent of all PNP precursor chemical seizures) to 2,786 MT in 2015 (72 percent of all PNP seizures).

Approximately 45-50 percent of cocaine departing Peru is believed to move via small aircraft to Bolivia. In early 2015, a decline in this type of flight activity was observed in the tri-river area of the VRAEM, likely due to increased military and police activity, aggressive destruction of clandestine airstrips, and the installation of radar in Puerto Maldonado, Madre De Dios Department along the Bolivian border. Air bridge activity has now been noted in the Rio Alto Picha and Rio Urubamba areas, likely due to the disruption of established routes, and trafficking organizations are moving large amounts of cocaine base and cocaine hydrochloride overland to clandestine airfields east of the Andes. From January through August 2015, the U.S. Drug Enforcement Administration documented 310 air-bridge flights, which could account for approximately 95 MT of cocaine.

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, DIREJANDRO identified and disrupted major international cocaine trafficking organizations using maritime and air conveyances to ship cocaine for export.

The Cusco International Airport's law enforcement climate improved significantly after U.S.-sponsored training prompted officials to implement new security procedures. In 2015, airport officials seized more than 30 kg of illegally mined gold, worth an estimated \$1.3 million; \$200,000 in currency; a Cessna airplane; and approximately 10 kg in narcotics. Prior to U.S. engagement in Cusco, no significant seizures had occurred since 2011.

The PNP conducted successful investigations resulting in the seizure of financial assets. One case resulted in seizures of \$106.5 million in assets from known drug trafficking/money laundering organizations. In a second case, the PNP seized \$5.5 million in assets from an organization trafficking in precursor chemicals.

### **3. Public Information, Prevention, and Treatment**

Illegal drug use in Peru is increasing, particularly along drug trafficking routes in mid-size cities east of the Andes and in transit cities along the coast. Marijuana accounts for the majority of drug use, with cocaine paste and cocaine hydrochloride a distant second and third.

DEVIDA, Peru's counternarcotics policy agency, continues to provide a drug counseling services hotline and implement an awareness program for parents and children aged 10-14.

DEVIDA's 2015 budget for drug abuse prevention increased substantially from 2014, from \$7.9 million to \$10.2 million.

Public treatment facilities in Peru remain insufficient. Peru provides 160 beds for persons suffering from substance use disorders, all available only for men. In 2015, however, one of Peru's three public mental health hospitals announced the opening of an in-patient facility for women with 10 beds. Peru has approximately 400 privately-run "therapeutic community centers" (a group-based approach to drug addiction treatment) nationwide, but the majority are unregulated and many lack trained staff. Only 43 such centers are registered and only 16 meet Peru's public health legal standards. In 2015, the Ministry of Health inaugurated 21 community mental health centers that will provide drug-treatment services. Of Peru's 66 prisons nationwide, few offer treatment programs for inmates.

The United States sponsored a drug-treatment training program focused on treatment for women substance abusers, entitled "Guiding the Recovery of Women (GROW)." In August 2015, more than 42 Peruvian mental health-care providers completed six of GROW's ten training modules. The participants will train 72 public health centers on the curricula, reaching up to 500 additional health-care professionals, and the Ministry of Health will then accredit them as national master trainers.

The United States supports a program to develop anti-drug community coalitions, which focuses on organizing various sectors at the local level to develop strategies that prevent drug use and reduce crime and violence.

#### **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.

Corruption is widespread at the regional government level. At the end of 2015, 11 of the 25 regional governors were under investigation for corruption-related charges, with three awaiting trial. Electoral authorities barred two additional elected governors from serving based on corruption-related charges. In a September 20 poll, 79 percent of respondents said they lacked confidence in the judiciary system and 55 percent said they lacked confidence in the police. In separate incidents in October, five counternarcotics police were arrested transporting drugs, and a Peruvian Army officer was arrested for complicity in allowing drug flights into the VRAEM.

#### **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 enhancing the capacity of the Peruvian police and military to effectively counter drug trafficking and terrorist activities in the VRAEM.

The United States Agency for International Development (USAID) administers an Alternative Development (AD) program to build the GOP's capacity to help communities move from illicit coca to licit livelihoods. In FY 2015, the Government of Peru invested \$38 million into AD, and USAID invested just over \$25 million. U.S. foreign assistance funds supported more than 31,700 families, created 18,600 jobs, and planted more than 19,700 ha of cacao and coffee, which generated more than \$34 million in coffee and cacao sales. In addition to leveraging significant ownership from the Government of Peru, foreign assistance has leveraged more than \$13.5 million in private investments.

#### **D. Conclusion**

The Government of Peru demonstrates strong political will to address drug production and trafficking in Peru, including through funding a substantial share of alternative development and 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 Peruvian government is also increasing resources to treat those addicted to illegal substances. The United States partnership with Peru and its support in implementing the government's counternarcotics strategy, as well as efforts to provide licit alternatives to drug production through alternative development efforts, remain critical in combating the production and trafficking of cocaine.

# Philippines

## A. Introduction

The Government of the Philippines continues to wage an ongoing struggle against drug abuse and drug trafficking. Reported usage of “shabu,” the street name of methamphetamine, continues to grow as the nation’s most widely trafficked narcotic, and shabu addiction remains the most significant drug problem in the Philippines. Marijuana is the second most abused drug and limited cannabis cultivation takes place within the country, mostly for local consumption. Cocaine is rare in the Philippines, due to high prices and limited demand, but club drugs, such as MDMA (ecstasy) and controlled pharmaceuticals have become more prevalent. Inhalants are also widely abused. Endemic poverty, corrupt government officials, and extremely porous borders create an environment where drug trafficking is very lucrative, with a relatively low risk of successful interdiction or prosecution.

International organized crime groups have established operational elements throughout the urban areas of the Philippines. In 2015, the Philippine Drug Enforcement Agency (PDEA), the lead counternarcotics enforcement agency in the country, reported that 8,629 villages or barangays (approximately 20 percent of the country’s villages) reported drug-related crimes.

Philippine law enforcement and justice sector agencies lack sufficient resources, staff, and effective investigative tools to identify, investigate, and prosecute transnational drug trafficking organizations. Restrictions imposed by the Anti-Wiretapping Act of 1965 continue to bar the use of judicially authorized interception of criminal communications, and procedures such as plea bargaining and drug-related asset forfeitures are rarely used. Many drug-related cases are dismissed for failure to follow the strict evidentiary procedures in the Comprehensive Dangerous Drugs Act of 2002. Reforms to the law remain pending. Prosecution and adjudication of drug-related cases continue to face significant procedural delays.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

PDEA reported that as of July 31, 2015, their organization had 804 drug enforcement officers assigned nationwide to counternarcotic operations. These officers are tasked with enforcing the Philippines Republic Act 9165, known as the Comprehensive Dangerous Drug Act of 2002, to curb the growing problem of drug abuse in the country. PDEA also has 16 regional laboratories that employ 28 forensic chemists, two laboratory aides, and 18 laboratory technicians. Currently, PDEA has 34 drug detecting canines (K9) deployed in 13 regional offices and plans to deploy additional K9’s in Regional Offices 12, 13, and the Autonomous Region of Muslim Mindanao by the end of 2015.

PDEA promotes effective interagency coordination to supplement its limited staff during major operations combating the smuggling of illegal drugs into and through the major airports of the Philippines. Since its formation in 2013, the Ninoy Aquino International Airport Inter-Agency Anti-Drug Interdiction Task Group (NAIA Task Group) office has acted as an increasingly

effective fusion center, bringing together officials from the PDEA, Philippine National Police (PNP), National Bureau of Investigation (NBI), Bureau of Customs, and Bureau of Immigration.

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**

During the first seven months of 2015, PDEA conducted 13,596 counternarcotics operations that included dismantling two clandestine methamphetamine laboratories, a drug storage warehouse, and several cannabis growing facilities. During these operations, PDEA made 10,868 arrests.

The Philippines produces and consumes marijuana. Cultivation occurs primarily in remote, mountainous regions in Luzon and Mindanao. During the first seven months of 2015, PDEA completed 22 successful cannabis eradication operations that resulted in the destruction of 117 growing sites and a seizure of cannabis valued at approximately \$3.5 million.

Also during the first seven months of 2015, PDEA reported the seizure of 1,570 kilograms (kg) of cannabis products; 441 kg of methamphetamine; 59.37 kg of cocaine; 2,902 MDMA tablets ecstasy; and smaller amounts of synthetic drugs and diverted pharmaceutical drugs.

Recent seizures indicate that higher purity methamphetamine from Mexico is potentially supplanting less pure Chinese-sourced methamphetamine. Despite this new trend, the most substantial source of methamphetamine remains bulk shipments from China, largely controlled by Chinese organized criminal groups. Additionally, drug couriers use flights to the Philippines both to smuggle drugs into the country and to transship drugs to other countries.

Philippine law enforcement agencies also note an increasing number of West African drug syndicates using airports to smuggle methamphetamine into the Philippines for onward distribution throughout Southeast Asia. Additionally, law enforcement agencies continue to monitor the potential presence of Latin American drug trafficking groups.

## **3. Public Information, Prevention, and Treatment**

According to recent statistics from the Dangerous Drug Board (DDB), 1.7 million Filipinos are addicted to illegal drugs (approximately 1.6 percent of the population). The DDB oversees national preventive education programs aimed at promoting self-awareness and explaining the repercussions of drug dependency. The DDB also conducts systematic training for effective parenting to help protect children from illegal drug use.

The DDB is developing an online training program to expand access to information about establishing drug-free workplaces. During 2015, the DDB, in cooperation with the Philippine Department of Health (DOH), improved the access of rehabilitation services and implemented seminars and educational sessions aimed at improving the knowledge of drug abuse among students. Public information materials such as flyers and posters, stickers, t-shirts and notebooks

with anti-drug slogans were also produced and disseminated. The DDB conducted multiple training programs to reduce demand, including “Peer Group against Drugs” which involved 2,301 participants. In June, the DDB conducted a seminar called “Life Skills Enhancement in Drug Abuse Prevention” at the University of Negros Occidental Recoletos in Bacolod City. In July, the DDB held other seminars during the “Pasig City Students Campus Tour against Drugs.” In October, the DDB educated Nueva Ecija “out of school youth” about drug abuse with the participation of local government officials who delivered messages emphasizing that illegal drugs are a threat to Filipino youth and one of the most serious problems in society.

PDEA has also worked with non-governmental organizations to develop seminars for teachers on how to mentor students to pursue drug-free lifestyles. Most schools have integrated drug education programs into the general education curriculum.

#### **4. Corruption**

In December 2014, a drug and bribery scandal in Bilibid Prison made the headlines of national newspapers for weeks. The scandal exposed alleged corruption in corrections management as a number of imprisoned drug lords were found to be “living like kings,” according to the Philippine Justice Secretary. The scandal involved officials accepting bribes, violating the Anti-Graft and Corruption Practices Act, which mandates criminal penalties for corruption by public officials. Although the scandal drew extensive media coverage, no senior Philippine government official has been convicted of facilitating drug trafficking, and, as a matter of policy, the Government of the Philippines does not facilitate drug trafficking or the laundering of drug proceeds. Insufficient resources and judicial tools often lead to the dismissal of drug cases due to technicalities associated with the custody and disposition of evidence. Despite the dismissals, a large number of low-level drug cases remain, clogging court dockets and delaying justice.

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

In 2015, U.S. foreign assistance continued to bolster the NAIA Task Group by providing both equipment and training. U.S. agencies also collaborated to institute a new bilateral comprehensive training program to select Philippine drug enforcement units in an effort to enhance law enforcement investigative abilities. These drug units work in both urban and rural environments throughout the country to combat local and foreign drug trafficking organizations.

Philippine authorities eagerly seek to cooperate with foreign governments, most significantly the United States, China, South Korea, and Australia on investigations involving international drug traffickers. The Philippines is also a member of various international enforcement organizations, including: INTERPOL, the Customs Cooperation Council, and the Association of Southeast Asian Nations-Police (ASEAN-POL).

The Philippines is also using U.S.-developed curriculum to support training and professionalization of its substance use treatment workforce. With U.S. support, the program is establishing a cadre of national trainers who will disseminate the training throughout the country.

**D. Conclusion**

Improved senior leadership and increased cooperation between PDEA and the PNP Anti-Illegal Drugs Special Operation Task Force (PNP-AIDSOTF) has significantly enhanced counternarcotic operations in the Philippines. With a recent change in leadership, the Bureau of Customs has become an increasingly active and participatory member in interagency efforts to interdict drug trafficking.

Despite progress, Philippine law enforcement capability to successfully prosecute high-volume drug traffickers remains hampered, due to the inability to use judicially authorized interception of criminal communications, limited use of plea bargaining, and an inefficient drug asset forfeiture system. Philippine authorities are faced with multiple challenges, including the expansion of Mexican-based trafficking organizations, ongoing domestic methamphetamine production, and confronting drug trafficking in rural areas where little state presence exists. The development of enhanced judicial investigative capabilities and imposition of money-laundering controls on casinos would allow the government to better combat the increasingly sophisticated drug trafficking organizations.



## Portugal

Portugal is neither a center of drug production nor a significant source of drugs destined for the United States. Rather, it largely represents a transshipment point for drugs originating from South America and West Africa destined for other European countries. Revenues garnered from the narcotics trade in Portugal are repatriated to traffickers in South America. 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 from South America en route to Europe. In 2015, Portuguese authorities continued to prioritize cocaine as their highest drug threat, though ecstasy, hashish, and heroin also remaining readily accessible in the country.

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 conducted multiple, highly successful joint investigations throughout 2015.

The Government of Portugal vigorously investigates and prosecutes drug traffickers traversing Portuguese territory. It also continues to enforce and update 2013 legislation criminalizing the possession and sale of certain analogue chemicals used to produce 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 also hosts the European Monitoring Center for Drugs and Drug Addiction (EMCDDA), and is 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, which coordinates international efforts to intercept vessels trafficking bulk shipments of cocaine across the Atlantic Ocean.

Drug use in Portugal remains stable and below the EU average. Drug trafficking of any amount is illegal. However, since 2001, "personal use" quantities of drugs have been decriminalized. Those individuals found by law enforcement to be in possession of 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 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.

## Russia

Russia remains a major destination country for Afghan opiates, consuming approximately 75 metric tons (MT) of heroin each year, according to a UN estimate from 2011. Smuggled opiates primarily enter Russia through extensive land and rail routes through Central Asia and through the country's Baltic and Black Sea ports. Other illegal drugs, particularly cocaine, are also smuggled into Russia via the port in St. Petersburg. In the first half of 2015, Russian law enforcement seized approximately 14 MT of illegal drugs, of which 1.34 tons were opiates (approximately half the volume of opiates seized during the same period in 2014). Four federal agencies conduct drug-related investigations in Russia: Federal Drug Control Service (FSKN); Ministry of Internal Affairs (MVD); Federal Security Service (FSB); and Federal Customs Service (FTS). FSKN is also the primary agency responsible for demand reduction within Russia.

According to FSKN, the estimated population of persons suffering from substance use disorders ranges from 7.5 to 8.5 million. Even at the low end this represents a significant increase from the 2011 estimate of 670,000. According to the FSKN, youth mortality (within the age group of 15 to 34) related to drug addiction has decreased by 30 percent over the last 14 years, from 130,000 annual deaths to 92,000. Nevertheless, in 2014, the FSKN reported a 35 percent increase in usage by minors in Moscow, while the Ministry of Health claimed a 6.5 percent increase by youth across the country. Leading specialists ascribe spotty progress and metrics to poor interagency and intersectoral cooperation, as well as a lack of a cohesive national rehabilitation program.

In 2013, Russia terminated its letter of agreement with the United States that funded counternarcotic capacity building programs. FSKN Director Victor Ivanov is included on the list of Russian officials sanctioned by the United States as a result of the illegal Russian annexation of Crimea. Cooperation between the FSKN and the U.S. Drug Enforcement Administration (DEA) has diminished, though good working relationships have been maintained between DEA and the FSB, and to some degree with the MVD and FTS.

On February 3, 2015, President Putin signed into law a bill allowing 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 took 12 to 18 months. This initiative was prompted by a series of synthetic marijuana poisonings and deaths in several Russian regions in September 2014. In addition, Russian law enforcement officials have recently sought assistance from DEA for structure and implementation of the temporary scheduling procedure employed in the United States.

## Senegal

Senegal's location and transportation infrastructure make it an appealing transit point for drug traffickers moving illegal drugs into Europe and across West Africa. Cocaine is trafficked into Senegal by land and sea from neighboring countries like Guinea-Bissau and Mali, then on to Europe by sea and air. Cannabis is cultivated in the southern Casamance region for local use and further consumption across West Africa, and methamphetamine is transported into Senegal from Nigeria.

In 2015, there were multiple seizures by Senegalese law enforcement authorities of the *Catha Edulis* (khat) plant in Dakar. Subsequent investigation determined that hundreds of kilograms of seized khat were destined for consumer markets in the United States. Khat contains cathinone, a Schedule I substance under the U.S. Controlled Substances Act.

Senegal's 1997 Drug Law was amended in 2006 with tougher penalties for drug trafficking. Senegal's national counternarcotics plan, drafted in 1998, aims to control the cultivation, production, and trafficking of drugs, as well as to inform the population of the dangers of drug use, and rehabilitate drug addicts. Senegal lacks the resources to reliably identify and seize narcotics, to investigate and dismantle larger networks outside its borders, or to identify the funding and money laundering schemes used by drug trafficking organizations.

Senegal collaborates with partners from the Economic Community of West African States to combat narcotics trafficking. Senegal has several bilateral agreements for this 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 to strengthen Senegal's capacity to counter maritime drug trafficking through joint U.S.-Senegalese operations. Senegal does not have an extradition or mutual legal assistance treaty with the United States, though mutual legal assistance is provided on a reciprocal basis through letters of request. Senegal also is a party to multilateral conventions that contain provisions regarding extradition and mutual legal assistance.

The Senegalese government continues to note the importance of strengthening the fight against illicit drug trafficking across the Malian-Senegal border. This effort was helped by the passing of the Malian Border Delimitation and Demarcation Law in February 2015, as part of the African Union's program encouraging states to delineate borders by 2017.

The United States supports the activities of the Community Anti-Drug Coalitions of America in Senegal, which conducted training in collaboration with local non-governmental organizations to develop strategies to prevent drug use and reduce crime and violence.

While the Government of Senegal has the political will to fight drug trafficking, limited infrastructure and funding impede its efforts. Despite Senegal's national action plan and cooperation with neighboring countries, traffickers continue to have superior resources, limiting the government's ability to track and prevent the movement of illegal drugs.

## Serbia

Serbia is not a significant source country or market for illegal drugs but remains a transit country for drugs smuggled to other European markets. According to the UN Office on Drugs and Crime, between 50 and 60 metric tons of heroin originating from Afghanistan are estimated to transit Serbia annually along traditional Balkan smuggling routes controlled by multinational criminal organizations. Over the first 10 months of 2015, approximately 50 kilograms (kg) of heroin were seized by Serbian authorities. Marijuana produced in Albania is also smuggled into Serbia, and authorities reported seizing approximately 720 kg over this same 10 month period.

Synthetic drugs such as amphetamines and MDMA (ecstasy) are produced in relatively small quantities in clandestine labs in Serbia and exported mainly to European Union countries. Methamphetamine laboratories are detected and seized by authorities on an infrequent basis. Cocaine is not widely consumed in Serbia as the cost is prohibitive to most users. Serbian authorities estimate that hashish use is rising but still small when compared to the consumption of heroin and marijuana.

In 2014, Serbia established the Service for Abuse of Drugs and Drug Trafficking (formerly a subordinate unit under the Service for Combatting Organized Crime) responsible for narcotics investigations and addiction prevention programs, and increased the organization's authorized staffing from 12 to 89. Treatment and prevention of substance use disorders is mainly the responsibility of the Ministry of Health, but non-governmental organizations working on the local level also provide some services. In October, the Ministry of Interior opened a specialized training department at the Mitrovo Polje police training center to detect and investigate the production of synthetic drugs. On a regional level, bigger cities such as Belgrade, Nis, and Novi Sad have police units dedicated to curbing the use of narcotics and investigating drug-related crimes.

In 2015, the United States provided training and professional development opportunities to Serbian authorities with regard to narcotics investigations, terrorist financing, and money laundering, with a focus on task force operations to detect and dismantle criminal networks. Additional regional assistance is anticipated in 2016 to provide training for narcotics investigations supervisors, clandestine laboratory investigations, and exposure to contemporary U.S. best practices for investigations, prosecutions, task forces, and regional cooperation.

## South Africa

South Africa is the largest market for illicit drugs within sub-Saharan Africa, and a transshipment point for cocaine and heroin, primarily to Europe. Cocaine primarily arrives from South America via air transport to Johannesburg's O.R. Tambo International Airport. A portion is distributed for local consumption and the remainder is 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 is subsequently transported by land to South Africa, often transiting Zambia and Botswana. Heroin not remaining in South Africa is then trafficked via air to Europe. Methamphetamine ("tik"), methcathinone ("cat"), and methaqualone (mandrax) are synthesized from precursors imported primarily from India and China.

Cannabis is the most commonly used illicit drug in South Africa. A recent trend in poorer communities is the use of a combination of heroin and marijuana called "nyaope." Such drugs are often adulterated with other substances. Quantification of domestic drug use is difficult. The South Africa Police Service (SAPS) annual crime statistics indicate that drug-related crime continued to rise in 2015. South Africa aims "to reduce illicit drug supply, demand, and harm" through its comprehensive National Drug Master Plan (NDMP), but insufficient resources and limited capacity challenge implementation. Operation Fiela, a law enforcement operation initiated in 2015, focuses on areas identified as havens of illegal drugs, weapons, and other illegal activities but has generated controversy, as critics claim it targets immigrants. The nationwide operation involves South African police and military raids, and has resulted in the arrest of an estimated 10,000 suspects and the seizure of large quantities of weapons and drugs.

South Africa has engaged with international counterparts to increase the effectiveness of its drug control efforts. South African law enforcement agencies continue to effectively coordinate with their U.S. counterparts on operations, investigations, and capacity building training. Multiple collaborative law enforcement operations and investigations resulted in several arrests in 2015, including of transnational criminal syndicate members with links to the United States, as well as large seizures of narcotics and other contraband. On request, South African authorities regularly investigate shipments suspected by U.S. authorities to contain illegal contraband. U.S.-sponsored training in 2015 enhanced South African capacities in the fields of counternarcotics, illicit trafficking, border enforcement, and cybercrime forensics. Community Anti-Drug Coalitions of America (CADCA) initiated a drug prevention project in 2015 to further develop Community Anti-Drug Coalitions. South Africa is also using curriculum developed by the United States to train and professionalize its substance use treatment workforce. In addition to current community-based and law enforcement efforts, further efforts to improve underlying socioeconomic conditions that influence illegal drug use could make a positive impact in reducing demand, as part of a multifaceted approach to drug control.

## Spain

Spain remains an important transit point in Europe for cocaine originating in Latin America and for hashish from Morocco, especially across the strait of Gibraltar. The growth of West Africa as a transit point for South American cocaine is a serious concern to Spanish law enforcement, and there have been some recent indications of inflows of cocaine via North Africa. A shift continues away from large containerized shipments from Latin America to smaller more dispersed shipments via small-sized recreational boats. According to the Guardia Civil, enforcement actions have stemmed the flow of small aircraft used to move hashish shipments as an alternate to sea-based shipments. Spanish law enforcement efforts continued to be effective through a strong combination of border control and coastal monitoring, sophisticated geospatial technology, domestic police action, and international cooperation.

The UN's "2015 World Report on Drugs" reported that usage rates of cannabis and cocaine and demand for treatment among Spanish citizens declined modestly, although rates remain among the highest in Europe, especially among the 15-34 age group. Despite continued austerity in the national budget, funding for drug control programs has held steady. Thirty percent of assets seized in counter-drug operations continue to go towards supply reduction programs, supplementing operational budgets.

Domestic drug production is minor, although marijuana production continues a marked increase. There are a small number of labs involved in cutting, mixing, and reconstituting cocaine products. In 2014, law enforcement seizures of cocaine fell to 21.69 metric tons (MT) from 26.7 MT in 2013 and heroin seizures fell to 244 kilograms (kg) from 291 kg in 2013. However, hashish seizures increased to 380 MT from 319.3 MT in 2013, and MDMA (ecstasy) seizures jumped significantly to 554,867 tablets from 154,732 tablets in 2013.

Spain enjoyed excellent bilateral and multilateral law enforcement cooperation in 2015. Spanish cooperation on European Union (EU) operations in the Mediterranean continued, and the EU paid for the construction of an EU command and control center in Spain to oversee maritime operations. Spain is a member country of the Maritime Analysis and Operations Center-Narcotics, which coordinates international efforts to intercept vessels trafficking bulk shipments of cocaine across the Atlantic Ocean. Spain also continues to provide 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 2015. For example, in July 2015, in a joint operation with the U.S. Drug Enforcement Administration, authorities seized approximately 1.54 MT of cocaine and approximately \$2.2 million worth of assets connected to the arrest of 13 people.

## Suriname

Suriname is a transit zone for South American cocaine en 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. There is little evidence of drug production in Suriname.

The Government of Suriname is officially opposed to narcotics trafficking, but there appears to be little political will for vigorous enforcement. Corruption pervades many government offices in Suriname and may also play a role. Criminal investigations of alleged corrupt acts are rare and prosecutions even rarer. President Desiré Bouterse and Member of Parliament Ronnie Brunswijk have been convicted of drug trafficking in absentia in separate court cases in the Netherlands and France. Dino Bouterse, son of President Desire Bouterse, was sentenced in March 2015 to prison in New York for drug smuggling and other crimes.

Cargo containers carry most of the narcotics smuggled through Suriname, but smaller fishing vessels also carry drugs out to sea for transfer to larger freighters. A U.S.-funded, UN-sponsored Container Control Unit operates at the Terminal of Nieuwe Haven (Port of Paramaribo) and has assisted in two drug investigations this year; however, their operating protocol requires permission and oversight of Surinamese Customs authorities.

During the first nine months of 2015, Surinamese authorities arrested 139 alleged drug traffickers and seized 626.6 kilograms (kg) of cocaine, 33.8 liters of liquid cocaine, 841.7 kg of marijuana, four grams of heroin, 4.3 grams of hashish and 2,878 MDMA tablets. A 32-man Combating International Drug Trafficking (BID) team screens airport passengers on flights bound for the Netherlands. Suriname installed an automated biometrics border control system for travelers at points of entry in 2013 and amended the criminal code to allow DNA as evidence in 2014.

There is one free government-run detoxification center to treat domestic drug abuse; other treatment centers are run by non-governmental organizations. In 2014, legislation was adopted which allows treatment for drug addicts as an alternative to criminal sentencing.

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. Suriname has a bilateral maritime counternarcotics enforcement agreement with the United States, as well as similar agreements with the Netherlands, Brazil, Venezuela, and Colombia.

In 2015, the United States provided training, technical assistance, and material support to several elements of the Surinamese Police as part of the Caribbean Basin Security Initiative (CBSI), a security partnership between the United States and nations of the Caribbean that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice. The United States encourages the Government of Suriname to increase narcotics interdiction as well as subsequent investigations and prosecutions.

# Tajikistan

## A. Introduction

Tajikistan is located on one of the highest volume illicit drug trafficking routes in the world, between Afghanistan's opium harvests on its southern border and the illicit drug markets of the Russian Federation and Eastern Europe to the north. The UN Office on Drugs and Crime (UNODC) estimated in 2011 that 75-80 metric tons (MT) of Afghan heroin and 35-40 MT of opium flowed through Tajikistan on its way north, but the country seizes only a small fraction of those amounts. The Tajik government's high level of commitment to drug control did not result in an equivalent increase in drug seizures in 2015, possibly due to smugglers changing techniques or routes. As in past years, there were few major traffickers arrested and imprisoned. Nevertheless, Tajikistan was able to seize higher volumes of opiates than any other country in Central Asia.

The number of people with substance use disorders in the country has remained relatively stable, as the Ministry of Health registered 7,226 in 2015. However, the Red Cross and UNODC have estimated the actual numbers of addicted users is much higher.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

The United States and other donor nations continued to invest in border facilities, outposts and equipment in 2015, but implementation of the 2010 National Border Management Strategy remained slow. The Strategy provides a framework for coordination and the administrative architecture for effective action on border security.

The Drug Control Agency's (DCA) Vetted Unit, with support from the U.S. government, expanded to 23 officers in 2015. Expansion of the Unit allowed for staffing in the regional office of Khujand and should provide the necessary resources to focus on higher level drug violators. With the influx of relatively inexperienced officers, the Unit (now three years old) will still take additional time to develop. The Tajik government's understanding of the value of the Unit must gain traction as well.

Tajikistan has watched the development of the synthetic drug market in the Russian Federation and elsewhere in Central Asia and has some experience with MDMA (ecstasy). DCA plans to propose an amendment to the Tajik government's existing list of illicit drugs so that new psychoactive substances (synthetic analogues which mimic the physical reaction of a drug but with a slight chemical difference) may be included.

In preparation for the United Nations General Assembly Special Session on the World Drug Problem 2016, Tajikistan convened and chaired a regional conference which agreed on a resolution which is broad in scope, but reflects regional concerns of drug control coordination and Afghan heroin production.



There is no extradition treaty or formal mutual legal assistance agreement between the United States and Tajikistan.

## **2. Supply Reduction**

According to the DCA, Tajikistan's law enforcement agencies seized approximately 4.68 MT of illicit drugs during 2015. Seizures included 499 kilograms (kg) of heroin, 1.08 MT of opium, and 3.1 MT of cannabis products (including hashish). The total also includes 29 grams of cocaine, the first seizures of that drug in Tajikistan since 2012. Notably, authorities seized 11,233 dosage units of MDMA (ecstasy) in 2015, a more than ten-fold increase from 2014.

Overall, 2015's total seizures were 24.7 percent lower than those for 2014, although opium seizures were up nine percent compared to 2014 (in real terms an 89 kg increase). Cannabis seizures (including hashish) declined by 34 percent. Seizures (in particular heroin) have been generally declining across Central Asia for five years for unclear reasons. Tajikistan's declining seizures have been attributed to a strengthening of forces along its border with Afghanistan; other analysts claim trafficking routes have shifted further west. Tajikistan's heroin seizures, down from their 2009 and 2010 highs, have remained relatively constant in recent years, hovering around 500 kg.

By agency, the Ministry of Internal Affairs (MIA) made the most drug seizures in 2015, followed by the State Committee on National Security, the DCA, and Customs Service. Given the breadth of work they perform in the country (from traffic police to uniformed officers and investigators), MIA personnel have more frequent opportunities to detect and seize illicit drugs.

## **3. Public Information, Prevention, and Treatment**

International donors, including the United States and various ministries of the government rely on the media, sporting events, and printed material to deliver the drug awareness message in Tajikistan. The Ministry of Health provides treatment services through centers in Dushanbe and four regional centers. Psychological care and specialized out-patient drug treatment exist in urban areas, but in rural areas only primary care is available.

According to the Ministry of Health, there were 7,226 registered people with substance use disorders in the country as of October 2015, 226 of whom were women. Of that number, over 80 percent were reportedly addicted to heroin. The number of addicted people has changed little in the past 12 months.

## **4. Corruption**

As a matter of policy, the government of Tajikistan does not encourage or facilitate illegal activity associated with drug trafficking. Significant amounts of narcotics move through Tajikistan, likely with the support of corrupt law enforcement and government officials. Extremely low salaries for state officials, the scale of the profits from illicit drugs, and the dearth of other profitable activities make profiting from drug trafficking attractive. In May, two senior

officers of the Drug Control Agency were arrested and charged with extorting money from a drug defendant's family in exchange for a reduced sentence.

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

In 2015, the United States provided \$8 million to help improve the professionalism, effectiveness, and operational capabilities of Tajikistan's law enforcement agencies. The aid included construction of new buildings for DCA and the Border Guards, along with training, equipment, and salary supplements to DCA staff. It also included support to fund Tajikistan's counternarcotics liaison office in Takhar Province, Afghanistan, which improved cross-border coordination.

The original goal of cooperation between the United States and Tajikistan was to develop DCA and Border Guard capabilities while increasing proficiency regarding detection and interdiction, with progress measured by increases in seizures, arrests and operations. The abilities of these organizations have increased substantially; however, over the last five years, overall seizures have declined and arrests have remained relatively stable.

The United States supports a substance use treatment program administered by the UN Office on Drugs and Crime and World Health Organization that seeks to integrate drug treatment into the country's public health systems, including through training of treatment professionals. The United States also supports a program to develop anti-drug community coalitions.

### **D. Conclusion**

While total illicit drug seizures may have declined in 2015 from 2014, it is promising that heroin seizures were up, especially since over 80 percent of the country's registered people with substance use disorders are heroin abusers. Until such time as Afghanistan's opium production wanes, Tajikistan's law enforcement agencies should prioritize cases involving that drug.

The 2015 arrests of two senior DCA officers for corruption is troubling, especially given that the United States provides resources for salary supplements to avoid such temptations. The Government of Tajikistan should take additional steps to curb corruption to improve the overall effectiveness of drug law enforcement.

## Tanzania

Tanzania is a significant transit country for illicit drugs, most notably heroin originating in Afghanistan and cocaine from South America, 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, coupled with high levels of corruption and porous borders, present 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, Asia, 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. Precursor chemicals obtained primarily from sources in Asia are brought through Tanzanian ports, and used to produce methamphetamine and psychotropic substances in clandestine labs within Tanzania to supply domestic and international markets.

The Tanzanian Drug Control Commission, the Tanzania Intelligence and Security Service, and the Tanzanian Police Service's Anti-Narcotics Unit 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. In March 2015, to address perceived flaws in previous anti-drug legislation, Tanzania's Parliament passed the Drug Control and Enforcement Act, which established a Drug Control and Enforcement Authority and other government agencies to coordinate anti-drug use and trafficking efforts.

Extradition between Tanzania and the United States is governed 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 can be provided on a reciprocal basis through letters of request.

There were several successes targeting illicit drug trafficking organizations operating in and through Tanzania in 2015, including two convictions against significant traffickers. In November, a Tanzania court convicted Chukwudi Okechukwu, who was arrested in 2011 for smuggling cocaine with a street value of approximately \$1.4 million. In September, Fred William Chonde was convicted for trafficking 180 kilograms of heroin in 2011.

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 to 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, methamphetamine, or other drugs cultivated or produced in Thailand in 2015. Various transnational criminal organizations use Thailand as a destination and transshipment country for illicit drugs destined for regional and international markets. Thailand is a net importer of illicit narcotics, and domestic use continues to remain a serious problem. The primary drugs of concern continue to be amphetamine-type stimulants (ATS), primarily methamphetamine, and abuse of these drugs continues to increase. Increased ATS availability is primarily due to growing cross-border trafficking and importation of methamphetamine from neighboring Burma.

According to the UN Office on Drugs and Crime, Thai authorities have not reported eradicating opium poppy since 2013, when 264 hectares of poppy were reportedly destroyed. In 2014, there was a slight decrease in heroin and cocaine seizures, but continued growth in MDMA, crystal methamphetamine, and methamphetamine tablet seizures.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

Thai authorities continue to focus on tracking the movements of large international drug trafficking organizations operating in Thailand. In 2015, the Royal Thai Police Narcotics Suppression Bureau (RTP/NSB) increased its focus on Africa-based drug trafficking organizations responsible for controlling a large portion of the drug trade in Thailand. Thailand's counternarcotics assets are insufficient to patrol the long and remote borders with Laos, Burma, and Cambodia, where most drugs cross into the country. Thailand continues to increase its efforts to coordinate with neighboring law enforcement entities, with U.S. support for equipment and training.

Thailand has bilateral extradition and mutual legal assistance treaties with the United States. 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

Thai law enforcement agencies continued to seize significant amounts of illegal drugs in 2015. The U.S. Drug Enforcement Administration (DEA) worked closely with Thai law enforcement authorities on joint investigations, resulting in the successful disruption of several international drug trafficking organizations.

Trafficking in heroin through Thailand appeared to decrease in 2015, but remains a challenge for Thai law enforcement agencies. The Office of Narcotics Control Board

(ONCB) reported that Thai authorities seized 207.1 kilograms (kg) of heroin in 2015, compared to 371 kg in 2014, and 784.6 kg in 2013.

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, where demand for the drug continues to grow. The production of crystal methamphetamine by the United Wa State Army in Burma and other regional producers remains an issue of great concern to Thailand. In 2015, ONCB seized approximately 1.14 metric tons (MT) of crystal methamphetamine and 9.75 MT of methamphetamine tablets, compared to 1019.3 kg of crystal methamphetamine and 11.32 MT of tablets in 2014. ONCB estimates that 80 percent of the drugs smuggled into Thailand enter through its northern border.

There was an increase of inbound couriers carrying crystal methamphetamine to Thailand from China in 2015. Thai authorities believe that the couriers were directed by Africa-based drug syndicates operating in Guangzhou, China.

Thailand has a small domestic market for MDMA (ecstasy) and cocaine, largely among affluent residents in large cities, as well as tourists and expats in Thailand. MDMA arrives in Thailand from a variety of sources and routes including overland from Cambodia, Malaysia, and Burma, and also via commercial flights from Europe and Canada. Through March 2015, approximately 18.5 grams of MDMA were seized, compared to 6.66 kg in 2014. In Thailand, the cocaine market is still largely controlled by Africa-based trafficking networks. However, South American and Chinese trafficking groups are also involved in bulk cocaine smuggling through Thailand, typically for further export to China and Australia. In 2015, approximately 48.8 kg of cocaine were seized, compared to 28.57 kg in 2014 and 69.8 kg in 2013.

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. In 2015, 23.63 MT of dried marijuana were seized, compared to 38.72 MT in all of 2014.

Ketamine consumption appears to be limited to use as an alternative to methamphetamine tablets. In 2015, 26.1 kg of ketamine were seized, compared to 36.1 kg in 2014. South Asian and Taiwanese drug trafficking organizations are prominently involved in ketamine trafficking.

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. Public Information, Prevention, and Treatment**

Thailand carries out comprehensive demand reduction programs, combining drug abuse prevention programs with treatment for those suffering from substance abuse disorders. According to the ONCB, drug treatment programs have reached over 700,000 persons with substance abuse disorders since 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. 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 remains a problem in Thailand, and some officials are susceptible to bribery. In 2015, several high level Royal Thai Police officers were accused of numerous offenses due to corruption, removed from office, and subsequently criminally charged.

### **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 specific to drug trafficking. Through the U.S.-funded International Law Enforcement Academy and other programs, the United States and Thailand are working to enhance regional cooperation to combat transnational crime.

Thailand is also using U.S.-developed curriculum to support training and professionalization of its substance use treatment workforce. With U.S. support, the program is establishing a cadre of national trainers who will disseminate the training throughout the country.

### **D. Conclusion**

The U.S. government enjoys a particularly close and collaborative relationship with Thai law enforcement. The United States has encouraged the Thai government to adopt laws and regulations more closely aligned with international standards and has 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.

The United States will continue to assist the Thai government in its efforts to promote greater cooperation between its police and prosecutors, prevent corruption, and further advance regional cooperation.



# 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 and international observers 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 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.

Timor-Leste is a prime target for development of drug trafficking due to its strategic location near key countries like Indonesia, China, Thailand, Australia, and New Zealand. Existing data collection efforts are insufficient to accurately measure the scope of drug trafficking throughout the country.

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 2015 was based primarily on intelligence from Indonesian officials. 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 combatting 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 undeveloped 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. A new law enforcement unit under the Ministry of Justice is just establishing its jurisdiction, which will likely include transnational and complex crimes such as drug trafficking.

The Border Police Unit of the National Police (PNTL) generally acknowledges its weaknesses in controlling the border, 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. With respect to drug trafficking, many border officers lack training to perform proper searches for narcotics and recognize contraband and were only recently supplied with drug identification field test kits.

In 2015, a counternarcotics law and an anticorruption law passed the Council of Ministers and were submitted to the National Parliament for consideration. Passage of these laws would strengthen the statutory framework and support the ability of the justice sector to combat illegal narcotics. Parliament has indicated that it will pass the counternarcotics law within the current legislative schedule (before June 2016), but passage of laws in Timor-Leste is often a slow process.

## **2. Supply Reduction**

Timorese law enforcement made very few drug arrests in 2015, and police and prosecutors reported few drug cases. Timor-Leste's prosecutorial framework for trying and convicting alleged drug traffickers is only beginning to mature into a functional criminal justice system.

## **3. Public Information, Prevention, 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 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, and an anticorruption law is currently pending before the National Parliament. 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 the potential for a growing narcotics problem and is taking some steps to counter it. In 2013, the PNTL signed a memorandum of understanding with Indonesia on drug control cooperation. 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 provides the framework for increased international cooperation. In 2015, with U.S. funding, the UN Office on Drugs and Crime (UNODC) provided training to the Timorese Border Patrol Unit and also hosted two border conferences to facilitate Timorese and Indonesian cooperation.

Foreign development partners are interested in engaging Timor-Leste on issues such as counternarcotics and customs enforcement, but many initiatives have shown slow progress. The Ministry of Justice finalized the new counternarcotics law in 2015 and has submitted it to the National Parliament. Cooperation with Australia on airport security continues to grow, although significant improvements to Dili's airport security will probably take years to materialize.

In 2013, the United States provided \$1.1 million for a two-year program through UNODC to fortify border police units with training, equipment, and resources. The training covered basic border patrol techniques and tactics to combat drug trafficking, human trafficking, cash couriers, and other transnational crime. Basic interdiction techniques were discussed and procedures from surveillance to capture to prosecution were explained. The scope and length of the training did not reach more advanced topics and long-term mentoring is likely necessary for sustainable development in this area. In August 2015, the United States provided a three-day counternarcotics training session to 25 public prosecutors that covered topics including undercover investigations, the use of informants, case studies, and will include blocks of instruction on money laundering and financial crimes.

#### **D. Conclusion**

Timor-Leste is only beginning to focus on and fully understand the scope of narcotics issues. There is political will to combat drugs, but the legal and investigative framework needed to mount an effective home grown counternarcotics strategy remain in the very early stages.

# Trinidad and Tobago

## A. Introduction

Trinidad and Tobago's open coastline and direct transportation routes to Europe, Canada, and the United States make it an ideal location for cocaine and marijuana transshipment. Illegal drug shipments appeared to increase in 2015, mainly originating from Trinidad's southern neighbors. Marijuana is locally produced and is the most widely used drug domestically, but other drugs, including cocaine, heroin, and MDMA (ecstasy) are also available.

Robust interdiction efforts in 2015 resulted in an increased overall volume of drug seizures. The Government of Trinidad and Tobago continues to progress in its ability to investigate and prosecute complex drug cases that target criminal networks. Commitment to drug demand reduction is strong but rehabilitation capacity remains 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 demonstrates continued commitment to drug control through bilateral cooperation with the United States and intelligence sharing with countries of origin, transit, and destination. The Government of Trinidad and Tobago regularly communicates with local, regional, and international organizations, collaborating on international and national priorities. Trinidad and Tobago's drug control institutions, however, are challenged by deficiencies in staffing and funding. Distrust within and between certain units of law enforcement, the military, and the intelligence community impedes effective interagency information sharing and collaboration.

Counternarcotic units receive support from international donors in specialized training and equipment. Improvements in investigating and prosecuting drug cases illustrate the effectiveness of international support, and the growing ability of Trinidad and Tobago's law enforcement and investigative units to innovate and track highly flexible criminal networks.

Trinidad and Tobago has mutual legal assistance treaties with the United States, Canada, and the United Kingdom. Trinidad and Tobago maintains a narcotics control and law enforcement letter of agreement with the United States and 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. Since 1999, an extradition treaty has been in force between Trinidad and Tobago and the United States. Although extraditions from Trinidad and Tobago can take one or more years to complete, the treaty remains an effective way to return fugitives to the United States for prosecution. In 2015, several fugitives were returned to the United States from Trinidad and Tobago for prosecution, including a major narcotics trafficker.

### 2. Supply Reduction

Marijuana is the only known locally-produced illicit drug. Production is concentrated on 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.

In collaboration with several international partners, Trinidad and Tobago law enforcement entities seized 2,541 kilograms (kg) of marijuana and 392 kg of cocaine in 2015, an increase compared to 471 kg and 83 kg of these respective drugs in 2014. The Trinidad and Tobago Transnational Crime Unit, collaborating with law enforcement, international partners, and the Coast Guard, plays a significant role in the increased detection and interception of illegal drugs.

### **3. Public Information, Prevention, and Treatment**

Information on drug-use trends in Trinidad and Tobago is anecdotal, and the government is seeking to conduct a survey over the coming years to acquire empirical data on drug usage. It is widely accepted, however, that drug use occurs across all socio-economic classes in Trinidad and Tobago. The primary drug used is marijuana, and the second most-frequently used drug is cocaine, including “crack” cocaine. Drug treatment professionals assess that drug usage is increasing among youth.

There are approximately 29 drug treatment programs in Trinidad and Tobago supported by the government, non-governmental organizations, religious groups, and hospitals. Challenges remain in integrating existing criminal justice, healthcare, welfare and education systems to effectively treat drug use disorders, and there is a need to train more prevention specialists and treatment service providers to accredited standards.

In 2014, Trinidad and Tobago launched its National Supply Reduction Strategy 2014 – 2024, designed to reduce the illicit production and trafficking of drugs and to promote related control measures. Drug prevention efforts include school-based education programs; training for educators; anti-drug media campaigns; and special outreach events. Trinidad and Tobago successfully piloted an alternative drug treatment sentencing program in 2014 that produced its first graduates and continues to successfully expand the program. The government also continues to collaborate with the Organization of American States’ Inter-American Drug Abuse Control Commission (CICAD). With U.S. support, CICAD provides technical assistance to the government’s drug treatment and prevention systems, including training and support to treatment facilities. In September, Trinidad and Tobago launched its Adolescent Drug Treatment Program to train professionals who interact with adolescents to identify and treat alcohol, tobacco, and other drug use. There is also continued progress with implementing the Regional Counter Drug Intelligence Training School, which graduated its first training class in November 2015.

### **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 2015. Media and anecdotal reports of drug-related corruption in the ranks of the Police Service, Prisons, Defense Force, Customs and Excise Division, and port employees are common.

The Police Complaints Authority, an independent law enforcement oversight body, recorded 317 complaints, including perverting the course of justice, fraud, corruption and extortion in 2015.

### **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 2015 that included successful investigations and increased interdictions, extraditions of known narcotics traffickers, and improved international cooperation. In order to continue its success and deter traffickers, the Government of Trinidad and Tobago should implement reforms and programs to expedite prosecutions and persist with a more evidence-based criminal justice system to enable convictions.

# Turkey

## A. Introduction

Turkey remains a significant transit country for illicit drug trafficking. Heroin, opium, and cocaine are generally trafficked through Turkey to European markets, and methamphetamine and amphetamine-type stimulants (ATS) are trafficked to markets in the Middle East and Southeast Asia. Large amounts of opiates and hashish continue to be seized in Turkey, and the Government of Turkey remains committed to upholding its international drug control obligations.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

The Turkish National Police (TNP) KOM Department (Anti-Smuggling and Organized Crime Department) was re-organized on October 9, 2015. As a result, the drug enforcement authorities were made a separate unit and renamed the TNP “Narcotics Department.” The TNP Narcotics Department is the country’s most proactive counterdrug force and has jurisdiction for drug-related crimes in urban areas. The U.S. Drug Enforcement Administration (DEA) often partners with the TNP Narcotics Department. The Jandarma, a component of the Ministry of the Interior responsible for rural areas outside the jurisdiction of the TNP, also plays a significant role, especially in the country’s hashish eradication programs. TNP intelligence frequently leads 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 drug control responsibilities, and the Ministry of Customs and Trade, Directorate General of Customs Guards, is also one of the Turkish counterparts to the U.S. DEA. The Ministry of Health (MOH) is responsible for regulating pharmaceutical products and 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

Most heroin trafficked via Turkey is marketed in Western Europe, where Turkish traffickers control much of the distribution. Turkey also acts as a transit route for opiates smuggled overland from Afghanistan via Iran, and to a lesser extent, Turkmenistan, Azerbaijan, and Georgia en route to Western Europe. Major Turkish smugglers are frequently involved in both heroin sales and transport, as well as limited production and smuggling of synthetic drugs. Some criminal elements in Turkey reportedly have interests in heroin laboratories operating in Iran near Turkey's border. Heroin increasingly arrives in Turkey as a finished product from Afghanistan. Turkish authorities have stated that no labs have been detected in Turkey since 2008.

Turkey also serves as a transit route for methamphetamine smuggled by air from Iran and bound for markets in Southeast Asia, as well as ATS originating in Eastern Europe bound for countries in the Middle East. Methamphetamine, while available in Turkey, has not overtaken Turkey as the drug of choice among those suffering from substance use disorders or new users. Cocaine arrives from either South America or via transshipment locations in West Africa. The TNP estimates that most cocaine transported to Turkey is brought via couriers onboard commercial aircraft. Seizures indicate cocaine is predominantly hidden inside passenger luggage or hidden on persons. Cannabis products, primarily hashish, enter Turkey through Afghanistan, Lebanon, and Albania, and are primarily for local consumption.

Turkey also acts as a transit route for opium smuggled overland from Afghanistan via Turkmenistan, Azerbaijan, and Georgia en route to Western Europe. In November 2015, UNODC estimated that approximately 170 metric tons (MT) per year of Afghan opiates transit the so-called "Balkan route," and estimated that most of this volume transits Turkey. While the Balkan Route into Western Europe remains heavily used, evidence suggests that traffickers also use a more northerly route through Azerbaijan, Georgia, Russia, and the Ukraine. Turkey and India are the only two licit traditional poppy-growing countries recognized by the U.S. government and the International Narcotics Control Board. Opium is produced in Turkey 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. 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. In February 2012, the U.S. Department of the Treasury sanctioned supporters of the Kurdistan Workers' Party (PKK) who ran significant drug trafficking networks based in Moldova and Romania, and in July, an estimated 1700 Turkish police and soldiers participated in a major crackdown on drug trafficking by the PKK in southeast Turkey.

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.



During the first nine months of 2015, Turkish authorities seized approximately 5.9 MT of heroin, slightly below the pace of seizures in 2014 (8.73 MT) over this same period. The volume of hashish seized during this same period (24 MT) decreased substantially from 2014 (67.26 MT) and 2013 (133 MT) levels. Seizures of ATS (fenethylline and MDMA), however, rose considerably to 3.34 million tablets, up from approximately 140,000 over the same nine month period in 2014 and approximate to the 4.3 million tablets that were seized in 2013. There was also a sharp increase in the volume of acetic anhydride seized during this time period, resulting in the capture 1,919 liters of the chemical used in refining heroin, compared to 251 liters seized during the same period in 2014. The amount of cocaine seized between January and October in 2015 totaled approximately 265.4 kilograms (kg), comparable to the 256.8 kg seized over the same period in 2014. Seizures of synthetic cannabinoids (known as “bonsai” or “spice”) fell to 288.69 kg during this same time period, from approximately 504.3 kg seized during the same period in 2014.

### **3. Public Information, Prevention, 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 nongovernmental organizations and is mainly funded through the state and health insurance.

Most Turkish treatment services for those with substance use disorders are aimed at achieving a drug-free life and dealing 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 illegal drug use remains modest in scale in Turkey compared to other countries in the surrounding region, the number of people seeking treatment for substance use disorders is increasing. The Ministry of Health has responsibility for promoting drug awareness and providing treatment, but it remains underfunded and does not conduct regular, periodic drug abuse surveys.

### **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. Similarly, no senior level government official is alleged to have participated in such activities in 2015.

### **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 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 traffickers attempting to smuggle Afghan opiates 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 500-mile border with Afghanistan and its 713-mile frontier with Iran.

Counternarcotic efforts continue to be a government policy priority. Although reliable statistics remain difficult to secure, internal narcotics trafficking has reportedly dropped since the government stopped the practice of granting pardons to prisoners previously convicted of drug-related crimes.

Major developments during 2015 included President Berdimuhamedov issuing special instructions to the State Service to Protect the Security of a Healthy Society (SSPSHS – former State Counter Narcotics Service) to strengthen the fight against drug addiction, and to develop new proposals for strengthening the capacity of the Service, particularly outside of Ashgabat and in border regions. Berdimuhamedov also ordered the SSPSHS to redouble its efforts to eradicate isolated patches of illicit poppy that grow in the country. President Berdimuhamedov also signed amendments to Turkmenistan's national drug control law, making persons convicted of crimes related to illicit trafficking in narcotic drugs, psychotropic substances and precursors ineligible for amnesty.

Turkmenistan has increased cooperation with international organizations and diplomatic missions, but its law enforcement agencies still need increased 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 couriers, and in some cases, by concealment in the stomach or body cavities of humans and animals. Commercial truck traffic from Iran is heavy, and Caspian Sea ferry traffic from Turkmenistan to Azerbaijan and Russia is also an opportune smuggling route.

President Berdimuhamedov continued to stress at government meetings that the war against drugs should be a top priority for his administration. At his urging, Turkmenistan's national drug control law was amended to prohibit amnesty for those convicted of drug trafficking, and to increase the penalties for such crimes. According to local authorities, the street-level prices of heroin, opium and marijuana are the highest in Central Asia, reflecting decreased supply. In June, the SSPSHS held a "drug burn" ceremony destroying 200 kilograms (kg) of narcotics, an

event that usually coincides with the UN International Day against Drug Abuse and Illicit Trafficking.

In April, the Government of Turkmenistan launched an annual operation (Opium Poppy 2015) to destroy naturally grown and in some cases illegally cultivated opium poppy. 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 which provides a mechanism to provide legal assistance in accordance with its provisions.

## **2. Supply Reduction**

According to information provided by the SSPSHS, 195.8 kg of illegal drugs were seized during the first six months of 2015. This was above the pace of seizures in 2014 (232.5 kg for the year), though it was down from what was seized during 2013 (440.7 kg for the year) and well below the pace of seizures recorded in 2012, when 752.2 kg were seized. Most seizures in 2015 (192.8 kg) were of raw opium, and the volume of seized heroin (100 grams) was very low.

There is no evidence of synthetic drug production in Turkmenistan. State television and the weekly newspaper "Adalat" (Justice) continue to report occasionally on law enforcement activities combating narcotics trafficking and on drug-related crimes.

## **3. Public Information, Prevention, and Treatment**

The Ministry of Health operates six drug treatment clinics, and one out-patient facility for people with substance use disorders in Ashgabat. The ministry also operates a Psychological and Narcological Hospital in the Ilyaly district of Dashoguz province and in each of the other four provincial administrative centers. People with substance use disorders 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. In 2015, the Government of Turkmenistan announced plans to open an additional Rehabilitation Center for the treatment of substance abuse in the Altyn Asyr district of Ahal province that will be able to house approximately 120 patients.

Turkmenistan's government 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 high level of corruption in law enforcement. Payments to junior officials at border crossing points to facilitate passage of smuggled goods occur frequently and reports persist that link law enforcement officials to the drug trade. However, during 2015, 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 2015, three managers from the Medical Examination Bureau of the Ministry of Health and Medical Industry participated in the 67th Annual Meeting of the American Academy of Forensic Sciences, where they gained exposure to the latest research of some of the world's top forensic scientists on addiction and treatment.

In July and September, the United States conducted two five-day workshops on "Emerging Synthetic Drugs" and "Airport Interdiction Operations" in Ashgabat for officials from Turkmenistan's border, migration and customs services, as well as SSPSHS and the Ministry of Health.

The United States also funded the participation of two officers from the SSPSHS in the Advanced Narcotics Investigations Course that took place in October at the Turkish Academy Against Drugs and Organized Crime Training Academy in Ankara.

In June, the Government of the United States and the Government of Turkmenistan signed an amendment to the existing bilateral Letter of Agreement on Narcotics Control and Law Enforcement Assistance, providing an additional \$97,000 to continue an English language training program for law enforcement officers.

### **D. Conclusion**

The Government of Turkmenistan has clearly demonstrated increasing interest in cooperation with international partners in the fight against the use of illicit narcotics and drug trafficking. President Berdimuhamedov's regular public statements calling for greater international cooperation and increased efforts against illegal narcotics make clear the importance the government places on its counternarcotics efforts. The SSPSHS has also shown interest in emerging threats such as synthetic drugs. Law enforcement efforts targeting drug cultivation and drug trafficking receive high profile coverage in state-controlled media. Government of Turkmenistan statements at all levels show 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 to promote more effective drug interdiction and build more effective law enforcement institutions. The United States will also continue to encourage the Government of Turkmenistan to intensify long-term demand reduction efforts and broaden its cooperation with regional partners, including through the exchange of drug-related intelligence.

Further cooperation with international organizations such as the UN Office on Drugs and Crime and regional bodies such as the Central Asia Regional Information and Coordination Center would play a valuable role in fostering Turkmenistan's progress against the threat of illegal drugs.

## Ukraine

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 (EU) illegal drug market.

Heroin from Afghanistan is trafficked through Russia, the Caucasus, and Turkey, before passing through Ukraine. Cocaine originating from South America is moved through Ukrainian seaports and airports for both domestic use and further transit to EU countries. Ukrainian law enforcement occasionally interdicts large shipments of drugs in commercial shipping transiting southern ports. In June 2015, a record 500 kilogram shipment of heroin was seized in transit arriving from Turkey through Illichivsk near Odesa, en route to Western Europe. More commonly, drugs are found in small quantities, ranging from several grams to several hundred grams. Russian aggression in eastern Ukraine, including arming, training, and fighting alongside separatists, has created a new vulnerability that could lead to increased drug transit through the region.

The use of synthetic drugs and psychotropic substances, especially amphetamines, has been rapidly increasing in Ukraine over the past decade, in line with international trends. Synthetic drugs are trafficked to Ukraine primarily from Poland, Lithuania, and the Netherlands, but they are also produced locally in small clandestine labs.

Most domestic drug abuse, however, continues to be focused on drugs made from illicit drug crops (cannabis and opium poppy) grown in the region. These account for more than 90 percent of the total drug market in Ukraine. In most instances, these drugs are either locally produced or supplied from Russia and Moldova.

The number of registered drug addicts was 68,220 as of May 2015. However, various experts estimate the actual total number of people with substance use disorders in Ukraine could be as high as 500,000.

The United States maintains an active role in helping Ukraine bring its law enforcement and justice sector institutions up to European standards, facilitating Ukraine's integration into Euro-Atlantic institutions. This integration will in turn assist Ukrainian authorities in building effective law enforcement capacity and drug control programs, including programs to reduce demand for dangerous drugs. A bilateral mutual legal assistance treaty between Ukraine and the United States has been in force since 2001. The U.S. Drug Enforcement Administration has established a good working relationship with both the Ministry of Interior (MOI) and the Security Service of Ukraine, 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 capability of the State Border Guard Service and the State Fiscal Service to control Ukraine's 3,490 mile-long border.

## 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 illegal drugs. International drug trafficking organizations exploit Dubai's role as a global crossroads by using it as a command and control center and logistics hub for facilitating drug trafficking through the region and beyond. Rising volumes of drug seizures over the past 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 transit 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, due in part to 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 drug threats are hashish, illegal pharmaceutical drugs, and, minimally, heroin. Fenethylline, an amphetamine-type stimulant, may be the most widely available drug in the region. Use of new psychoactive substances, pharmaceutical drugs, and hashish continues to increase and poses an emerging threat.

The UAE government has made significant commitments of personnel and funding towards building new drug control institutions and conducting counter-narcotics law enforcement operations. The UAE hosts and funds a UN Office on Drug and Crime semi-regional office. The U.S. Drug Enforcement Administration (DEA) coordinates with UAE authorities to combat domestic and regionally-based drug trafficking organizations. Through the first nine months of 2015, UAE authorities passed approximately 70 drug leads to DEA on drug couriers, the majority of whom were arrested in the countries of their final destination due to law enforcement coordination between the involved countries. DEA works with Dubai Police on awareness efforts in schools, and the U.S. Department of Homeland Security coordinates with UAE law enforcement officials to investigate smuggling crimes in the UAE and the region.

In 2015, significant highlights of cooperation between U.S. and UAE law enforcement authorities included Operation Dirty Dhow, a multilateral operation targeting regional drug trafficking that resulted in the arrest of multiple suspected traffickers and the seizure of over one metric ton of heroin.

The UAE does 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 significant consumer country of illicit drugs, and, to a lesser extent, a transshipment route for drugs destined for other international markets. International criminal organizations responsible for trafficking drugs into the country also engage in a wide assortment of additional criminal activity, including financial crimes and money laundering.

Marijuana and cocaine are the most widely used drugs in the UK. In April, UK authorities conducted one of the largest illicit drug seizures in UK history, interdicting and seizing over three metric tons of cocaine from a vessel off the coast of Scotland. The operation involved the National Crime Agency (NCA), Border Force, and the Royal Navy, in coordination with other European authorities and underscored the successful interoperability of UK law enforcement agencies and their foreign partners. The UK is a member country of the Maritime Analysis and Operations Center-Narcotics, which coordinates international efforts to intercept vessels trafficking bulk shipments of cocaine across the Atlantic Ocean.

UK authorities have seized an increasing amount of new psychoactive substances (NPS) in the country. New variations of these substances have outpaced legal efforts to ban their use, allowing many consumers to order these substances online and receive them through fast parcels services. To close this legal gap, the UK government is seeking legislation to restrict all psychoactive substances that stimulate or depress the central nervous system or affect an individual's mental functioning or emotional state. The bill is expected to pass in 2016.

The United States and the United Kingdom enjoy an excellent bilateral relationship and cooperate closely on multilateral narcotics enforcement efforts. The United States and UK have a memorandum of understanding allowing U.S. Coast Guard Law Enforcement and Airborne Use of Force Detachments to operate from the platforms of UK naval vessels in the Caribbean. The United States continues to conduct joint drug trafficking and money laundering investigations with the NCA, which maintains an aggressive policy to counter drug trafficking and money laundering, as well as Police Scotland, the Police Services of Northern Ireland, and other UK law enforcement agencies. The United States has provided lead information on drug shipments bound for the UK, including couriers, parcels, and containerized cargo.

## 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, known as "pasta base," remains a serious problem. The Uruguayan government passed legislation in December 2013 that regulates the legal sale and distribution of marijuana. The law allows each household to grow up to six marijuana plants and allows registered individuals to buy up to 40 grams per person per month at pharmacies. However, implementation of the legislation continued to lag through 2015. In October, the government announced it will license two companies to grow up to two metric tons of cannabis per year on state-owned land. These companies announced plans to have cannabis ready to sell in mid-2016.

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" assists those with substance use disorders seeking help. With U.S. support, the Organization of American States' Inter-American Drug Abuse Control Commission provides technical support to the government's drug treatment and prevention systems, including training for personnel and support to treatment facilities.

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. In 2015, the Government of Uruguay seized 137 kilograms (kg) of cocaine, 74 kg of "pasta base," and 2.65 metric tons of marijuana. U.S. assistance included operational support and training to different Uruguayan agencies on narcotics investigations. 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 Central Asian countries. Uzbekistan's borders afford drug traffickers ample opportunity to enter undetected via thousands of miles of open desert, rugged mountains, and across the Amudarya River. Afghanistan and Tajikistan are the two bordering countries most utilized by drug traffickers to smuggle narcotics into Uzbekistan. The route from Afghanistan to Russia and Europe through Uzbekistan offers both direct and indirect transit for narcotics, aided by Uzbekistan's infrastructure, corruption, and rugged border terrain.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

Uzbekistan's drug control strategy is detailed in the "Program of Complex Measures on Counteracting Drug Abuse and Illicit Trafficking for 2011-2015" (Program). The Program outlines government agency responsibilities to restrict illicit drug trafficking, reduce demand, prevent abuse, improve enforcement-related legislation and cooperate with international partners. The National Information and Analytical Center for Drug Control under the Cabinet of the Ministers (NCDC), which oversees counternarcotic policy coordination and data collection, is responsible for drafting an updated Program for 2016-2021, which is expected to be adopted as law in early 2016.

Law enforcement agencies responsible for combatting narcotics trafficking include the Ministry of Internal Affairs (MVD), the National Security Service, the State Border Protection Committee, and the State Customs Committee. The NCDC coordinates these agencies' efforts and supports capacity development through trainings but does not have an operational role. Inter-agency regional commissions reporting to the NCDC support local level coordination.

Uzbekistan's drug control agencies perform slightly better than regional standards based on interdiction and narcotics-related arrest statistics. Uzbekistan is developing counternarcotic and border security policies largely in isolation from its neighbors, reducing their overall effectiveness. Uzbekistan is a full member of the Central Asia Regional Information and Coordination Center (CARICC) and participates in regional UN Office on Drugs and Crime (UNODC) and European Union projects. It has also signed cooperation agreements with other Central Asian countries, Russia, Latvia, the Czech Republic, Japan, and China. Cooperation is generally focused on programs rather than operational activities or intelligence exchanges.

The U.S. Drug Enforcement Administration (DEA) has Memoranda of Understanding (MOUs) in place with the MVD and the Office of the Prosecutor General's Financial Intelligence Unit dedicated to money laundering investigations. These MOUs provide a legal foundation for joint investigative activities and intelligence exchanges. In July, DEA signed an additional MOU with

the NCDC, further facilitating information sharing and exchange of best practices through joint training.

In 2015, Uzbek law enforcement and border control agencies used U.S.-funded training and equipment to improve their ability to interdict illicit narcotics and investigate drug trafficking networks. With international funding, Uzbekistan is also developing a national inter-agency law enforcement database of drug-related crimes to facilitate information sharing. Uzbekistan does not have an extradition treaty or mutual legal assistance agreement with the United States.

## **2. Supply Reduction**

Uzbek officials insist that the rugged, poorly protected border 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 or rail utilizing guarded Uzbek border crossings.

Uzbekistan is not a significant source country of illegal drugs. On an annual basis, Uzbekistan conducts a “Black Poppy” eradication campaign to destroy illicitly cultivated opium and cannabis. As part of this campaign in 2014, the last year for which information is available, authorities uncovered 1,125 cases of illegal drug cultivation and eradicated an aggregate cultivated area of 0.67 hectares. During the first six months of 2015, the government reported seizing 361.7 kilograms (kg) of marijuana; 565.5 kg of opium; 180 kg of poppy straw; 94.6 kg of hashish; and 65.9 kg of heroin. Authorities initiated 3,379 drug-related criminal cases in that period.

Uzbek law enforcement officials report that Iranian-sourced methamphetamine transits Uzbekistan on its way to Southeast Asian countries. Furthermore, Uzbek authorities have shown increasing concern regarding the growing use of new psychoactive substances, particularly of synthetic cannabinoid known as “spice” from China. The NCDC held a U.S.-funded seminar dedicated to synthetic drug interdiction in 2015.

## **3. Public Information, Prevention, and Treatment**

Official data on domestic drug consumption is unreliable. According to the latest available statistics from 2014, the number of registered drug users declined by eight percent from 2013 to 14,692. Of this number, 61 percent were heroin users and 26 percent were cannabis users. Approximately 11 percent (1,654 users) were newly registered in 2014. Only three percent of all users were female based on official reporting. The last study of overall drug use prevalence in Uzbekistan was conducted in 2006 by UNODC and estimated that 0.8 percent of the population aged 15-64 were opiate users.

Uzbekistan’s drug control program provides for demand reduction programs and treatment options. In 2014, 3,090 patients were treated in rehabilitation facilities. The government regularly organizes outreach to school administrators and teachers on addiction prevention and support to addicts. Drug treatment institutions also support phone “hotline” consultations, delivering 2,526 such consultations in 2014 according to official data. These efforts likely reach

only a small proportion of addicts. Furthermore, as Uzbekistan prohibits opioid substitution therapy, treatment options are limited.

With U.S. and UNODC support, Uzbekistan is implementing a long-term continuing education project initiated in 2014 to professionalize all substance use treatment staff in the country. In 2015, under this project, UNODC conducted a series of trainings for 135 doctors on HIV prevention, treatment and care for intravenous drug users.

#### **4. Corruption**

There is evidence of corruption, at multiple levels of government, which confounds national efforts to prevent the distribution and production of illegal narcotics. There are occasional reports of convictions of government officials on corruption charges, but such cases largely appear to target low or mid-level officers. Uzbekistan is implementing a 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 counternarcotic strategy is increasing the institutional capacity through training. Support for such efforts remains strategically important to the United States since they improve the U.S.-Uzbekistan bilateral relationship and contribute to ongoing regional security efforts.

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.

#### **D. Conclusion**

Drug control cooperation between the United States and Uzbekistan continued to grow slowly in 2015, mirroring the overall trajectory of the bilateral relationship. This cooperation reflects the extent of 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 could 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 2015. Venezuela is one of the preferred trafficking routes for illegal drugs, predominately cocaine, 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 2015, traffickers moved increased amounts of marijuana cultivated in Colombia through Venezuela, primarily to the Caribbean Islands. There is insufficient data to determine current drug consumption trends within Venezuela, but marijuana is believed to be the most commonly consumed illicit drug, 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 unknown. In 2015, Venezuelan authorities did not release statistics on seizures of drug labs or precursor chemicals. The Venezuelan government has not reported the production or trafficking of new psychoactive substances in Venezuela.

In 2015, the President of the United States determined 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 U.S. national security.

In 2015, the Venezuelan government engaged in minimal bilateral law enforcement cooperation with the United States. 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 significantly impede the operations of major drug trafficking organizations.

## B. Drug Control Accomplishments, Policies, and Trends

### 1. Institutional Development

In 2013, the Venezuelan National Anti-Narcotics Office (ONA) developed a National Anti-Drug Plan for 2015-2019 that sought to reduce drug consumption and increase prevention activities. ONA reported to have worked closely with civil society to provide anti-drug education training and athletic programming in different areas around the country to increase awareness and prevent consumption.

ONA reported the seizure of 65.76 metric tons (MT) of illegal drugs during the first eight months of 2015, a 132 percent increase compared to the same period in 2014. Cocaine (83 percent) and marijuana (16 percent) comprised the overwhelming majority of seizures, 78 percent of which occurred in Zulia state. ONA reported a nearly 9 percent decrease in detentions of traffickers during the same period, from 8,190 in 2014 to 7,479 in 2015. The Public Ministry reported

investigations of 21,127 individuals for suspected drug crimes in 2015, leading to formal charges against 11,795.

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 2015 were destined for the Caribbean, Central America, the United States, West Africa, and Europe. Colombian drug-trafficking organizations – including multiple criminal bands, or “BACRIM” groups, 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 also operate in Venezuela, including the Sinaloa Cartel and Los Zetas.

The Venezuelan government occasionally reports drug seizures, arrests, and destruction of drugs and airstrips to the public. Venezuela is not a member of the Cooperative Situational Information Integration 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 2015, ONA President Irwin Jose Ascanio stated publicly that Venezuelan authorities had seized 69 MT of illegal drugs since January, nearly double the seizure rate from the same period last year. Ascanio claimed the August 2015 closure of the Venezuelan-Colombian border in Tachira and Zulia states resulted in the reduction of the flow of drugs across the border by 70 percent.

In November 2014, 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. In January 2015, the Venezuelan Air Force confirmed that it shot down a private aircraft near Aruba trafficking cocaine northward from Apure state. In May 2015, Venezuelan Defense Minister Vladimir Padrino claimed the Venezuela Air Force shot down an aircraft suspected of trafficking drugs as it departed Venezuelan airspace, resulting in the aircraft crashing into the Caribbean Sea off the coast of Colombia. Both U.S and international law prohibit using lethal force against civil aircraft, regardless of whether the aircraft is being used for drug trafficking.

### **3. Public Information, Prevention, and Treatment**

The use of illegal drugs in Venezuela remained a problem in 2015, 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 1.56 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 those suffering from substance use disorders 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, the most recent year for which data is available, ONA reported that 37,549 individuals were treated in this system, 19,835 of whom also 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 was granted decree powers by the National Assembly in March of 2015 to combat corruption and defend Venezuela from a



variety of threats, though it remains to be seen whether measures authorized under the decree powers will be effective tools to combat corruption.

In September 2015, the United States unsealed indictments against former Bolivarian Intelligence Service (SEBIN) chief of finance Pedro Luis Martin Olivares and former anti-drug official in the Scientific, Penal, and Criminal Investigative Corps (CICPC) Jesus Alfredo Itriago for alleged involvement in drug trafficking activities affecting the United States. 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 Venezuelan National Guard reported the arrest of Villarroel-Ramirez in July of 2015.

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 March 30, 2015, one Bolivarian National Guard (GNB) officer and two enlisted men were arrested on charges of facilitating the trafficking of 450 packages of cocaine in an airplane interdicted in the Dominican Republic on March 17. Military officials arrested two security officials at the Maiquetia (Caracas) airport on April 13 for attempting to traffic 2.5 kilograms of cocaine on a flight bound from Caracas to Paris.

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

Counternarcotics cooperation between Venezuela and the United States is limited and inconsistent since 2005, when Venezuela refused to sign a negotiated addendum to the MOU to improve anti-drug cooperation. In 2015, Venezuela participated in the International Drug Enforcement Conference (IDEC) for the second consecutive year following a five year hiatus.

The United States and Venezuela continue 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 2015, the Venezuelan government cooperated with the United States Coast Guard in approximately 10 documented maritime drug-interdiction cases, compared to two cases in 2014, 10 cases in 2013, and five cases in 2012.

**D. Conclusion**

Though the level of drug control cooperation between Venezuela and the United States was limited during 2015, 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 can sign an 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. According to the Government of Vietnam, heroin is the primary drug both used in and trafficked through the country, though use of amphetamine-type stimulant (ATS) is on the rise. Since 2010, ATS have been the second most widely used drug in Vietnam, predominantly in the form of methamphetamine pills, but increased availability of crystal methamphetamine has also been reported. Although cultivation and production of illicit narcotics remains limited, cocaine has begun to transit through Vietnam. Notably, Vietnamese authorities seized 31 kilograms (kg) of cocaine near Ho Chi Minh City's port in May 2015, the largest cocaine seizure in the country's history.

The Vietnamese government continues to implement its 2011 comprehensive anti-drug strategy. In 2012, the Prime Minister allocated \$121 million through 2015 to support drug control and drug prevention. In December 2013, the Vietnamese government approved the Decision on Drug Rehabilitation Renovation Plan for 2013-2020 aimed at diversifying drug dependence treatment models, scaling up community-based and voluntary treatment centers, and reducing the number of people in compulsory rehabilitation centers.

According to the most recent data available from the Government of Vietnam, in 2014 law enforcement agencies investigated 21,619 cases and arrested 31,551 people involved in drug related crimes. During the first six months of 2015, Vietnam's law enforcement authorities investigated 8,772 drug-related cases and arrested 13,171 people involved in drug-related crime, both decreases from the same period in 2014. Vietnam's National Committee on AIDS, Drugs and Prostitution Control and Prevention reported that over the first six months of 2015, law enforcement agencies seized 674.7 kg of heroin, 13.9 kg of opium, 122.0 kg of cannabis, 390.6 kg of synthetic drugs and 42 kg of cocaine. Vietnam works with neighboring countries to carry out interdiction operations, including 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. Through the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the United States budgeted approximately \$5.4 million in 2015 in support of medication-assisted therapy for more than 30,000 patients to prevent HIV transmission and improve treatment outcomes among people who inject drugs. The United States also supports a substance use treatment program administered by the UN Office on Drugs and Crime and World Health Organization that seeks to integrate drug treatment into the country's public health systems, including through training of treatment professionals.

Vietnam and the United States do not have bilateral extradition or mutual legal assistance treaties, but Vietnam has acceded to relevant multilateral conventions that enable such cooperation.



**United States Department of State**

**Bureau for International Narcotics and Law  
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**Volume II**

**Money Laundering and Financial Crimes**

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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
CBP	Customs and Border Protection
CDD	Customer Due Diligence
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
DHS/HSI	Department of Homeland Security/Homeland Security Investigations
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
FT	Financing of Terrorism
FTZ	Free Trade Zone
FSRB	FATF-Style Regional Body
GABAC	Action Group against Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America

GIABA	Inter Governmental Action Group against Money Laundering
IBC	International Business Company
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
ISIL	Islamic State of Iraq and the Levant
KYC	Know-Your-Customer
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
ML	Money Laundering
ML/TF	Money Laundering/Terrorist Financing
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
PEP	Politically Exposed Person
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TF	Terrorist Financing

TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption
UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNGPMML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office for Drug Control and Crime Prevention
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	United States Agency for International Development
USG	United States Government

## Definitions

**Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT):** Collective term used to describe the overall legal, procedural, and enforcement regime countries must implement.

**Bearer Share:** 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.

**Black Market Peso Exchange (BMPE):** 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.

**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.

**Currency Transaction Report (CTR):** 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).

**Customer Due Diligence/Know Your Customer (CDD/KYC):** 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.

**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-Style Regional Body (FSRB):** 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.

**Financial Action Task Force (FATF):** 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.

**Financial Intelligence Unit (FIU):** 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

**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.

**International Business Company (IBC):** 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.

**Kimberly Process (KP):** 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.

**Mutual Evaluation (ME):** 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.

**Mutual Evaluation Report (MER):** 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.

**Politically Exposed Person (PEP):** 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.

**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.

**Suspicious Transaction Report/Suspicious Activity Report (STR/SAR):** 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.

**Tipping Off:** The 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. The FATF Recommendations call for such an action to be criminalized.

**Trade-Based Money Laundering (TBML):** The process of disguising the proceeds of crime and moving value via trade transactions in an attempt to legitimize their illicit origin.

**Trade Transparency Unit (TTU):** 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.

**UNSCR 1988:** UN Security Council Resolution 1988 requires all UN member states to take measures to freeze without delay the assets and economic resources of designated individuals and entities of the Taliban, and other individuals, groups, undertakings, and entities associated with the Taliban. In addition, member states must prevent the designated individuals or entities from entering into, or transiting through, the member state's territory. An "Afghanistan Sanctions Committee" oversees the implementation of the sanctions.

**UNSCR 2178:** UN Security Council Resolution 2178 requires member states to, consistent with international law, prevent the "recruiting, organizing, transporting or equipping of individuals who travel to a State other than their States of residence for the purpose of the perpetration, planning of, or participation in terrorist acts." The resolution was primarily created to disrupt the travel and support of foreign terrorist fighters associated with the Islamic State in Iraq and the Levant (ISIL), al-Nusra Front (ANL) and other affiliates or splinter groups of al-Qaida.

***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 2016 INCSR is the 32nd annual report prepared pursuant to the FAA.<sup>1</sup>

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 2016 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

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<sup>1</sup> The 2016 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 2016 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 Office of Terrorist Financing and Financial Crimes, which 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, Criminal Division, National Security Division, Office of International Affairs, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance, and Training; and, Treasury's Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance. Also providing information on training and technical assistance is the independent Board of Governors of the Federal Reserve System.

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 2015:**

**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, Sint Maarten, Somalia, Spain, 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 *2016 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 details 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 2015, 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 remains 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 2015, 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 2015, 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 the British Virgin Islands. Countries participating in these FRB initiatives were Aruba, Bahamas, Bermuda, Barbados, British Virgin Islands, Curacao, Haiti, Hong Kong, India, Jamaica, Jordan, Lebanon, Malawi, Malta, Malaysia, Nigeria, Philippines, Seychelles, St. Kitts, Sint Maarten, Suriname, Trinidad and Tobago, and Turks & Caicos Islands.

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**

Customs and Border Protection (CBP) participates in the Homeland Security Investigations (HSI) Cross Border Financial Investigations Training (CBFIT), designed to educate participants on financial crimes. CBP's attendance increases the participants' knowledge of money laundering; including what it is, why it exists, and who engages in it. CBP's main role during this course is to cover the topics of Bulk Cash Smuggling, Post Seizure Analysis, Passenger Analysis and Selectivity, Targeting and Interdiction, and Reviewing Cargo Documents. Participants in the CBFIT courses in which CBP participated include Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jordan, Kenya, Kuwait, Nigeria, Panama, Paraguay, Philippines, Saudi Arabia, Senegal, Tanzania, Togo, Turkey, and the United Arab Emirates.

### **Homeland Security Investigations**

In 2015, HSI, the investigative arm of the U.S. Department of Homeland Security (DHS), provided financial investigations training to over 1,100 foreign law enforcement officers; regulatory, intelligence, and administrative agencies; and judicial authorities from over 20 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 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 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 administered the CBFIT program and 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 2015, HSI International Operations conducted 23 CBFIT training events for several countries, including Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jordan, Kenya, Kuwait, Nigeria, Panama, Paraguay, Philippines, Saudi Arabia, Senegal, Tanzania, Togo, Turkey, and the United Arab Emirates.

#### **Cross Border Financial Investigations Advisor**

HSI special agents are 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 2015, HSI deployed 18 subject matter experts to serve as advisors under the CBFIA program in Argentina, Brazil, India, Indonesia, Jordan, Kenya, Nigeria, Panama, Paraguay, Philippines, Tanzania, 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 (TBML). TTUs generate, initiate, and support investigations and prosecutions related to TBML, 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 TBML investigations emerging from TTU activity continues to grow.

The United States established a TTU within HSI that generates both domestic and international investigations. HSI continues to expand the network of operational TTUs, which now includes Argentina, Australia, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru, and the Philippines. 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 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 conducts international training for foreign counterparts to share strategic ideas and promote effective techniques in financial investigations. During 2015, FO provided training on basic money laundering, trade based money laundering, undercover financial operations, basic financial investigations, and financial intelligence to Peruvian law enforcement in Lima, Peru; Dutch, Belgian, French, Spanish, and Italian law enforcement in Deauville, France; Australian law enforcement in Manly and Canberra, Australia; the Royal Thailand Police in Bangkok, Thailand; as well as the Senegalese Gendarmerie in Dakar, Senegal on the development of money laundering profiles and risk assessment strategies and programs.

### **Federal Bureau of Investigation**

The Federal Bureau of Investigation (FBI), through an agreement with the Department of State and other agencies, provided training and/or technical assistance to law enforcement personnel in the Philippines and Southeast Asia. All the trainings and technical assistance programs were designed to enhance host country law enforcement capacity to investigate and prosecute money laundering and terrorism financing crimes. The original agreement was intended to support capacity building efforts from the beginning of fiscal year 2014 through the end of fiscal year 2015. A new agreement was recently signed to extend the program through the end of fiscal year 2017.

As part of this program, an interagency law enforcement task force, the Joint Terrorism Financial Investigation Group (JTFIG), was established in the Philippines. The JTFIG meets weekly to address terrorism financing threats in the Philippines and Southeast Asia and includes representatives from the FBI, the Philippine Anti-Money Laundering Council, the Philippine National Bureau of Investigation Counter-Terrorism Division, the Philippine Center on Transnational Crime, and Philippine National Police representatives from the Directorate for Intelligence, Intelligence Group, Criminal Investigation and Detection Group, Special Action Force, Anti-Kidnapping Group, and Anti-Cybercrime Group. To support the initiative, FBI Los

Angeles has deployed agents to Legat Manila, on a continuing temporary duty basis, to work with Philippine agencies through the JTFIG and provide terrorism financing trainings, in collaboration with the FBI's Terrorist Financing Operations Section (TFOS), to law enforcement entities in the Philippines and throughout Southeast Asia.

Another large component of this initiative is to help enhance the overall counterterrorism capacity in Southeast Asia, by training law enforcement agencies in countries throughout the region on various components of terrorism financing networks and operations. During the last year, TFOS agents have provided weeklong terrorism financing trainings to law enforcement officials in the Philippines, Indonesia, and Malaysia. In addition, specific follow-up blocks of training have been provided to individuals in the Philippines, Thailand, Malaysia, and Indonesia. TFOS also provided training in Vietnam.

In September 2015, the "Financial Investigations for Terrorist Financing, Money Laundering, and Other Complex Crimes" was held in Doha, Qatar. Attendees were 30 Pakistani officers with oversight of complex financial crime investigations. Objectives for the program include developing knowledge and skills in the following areas: modern basic financial investigation techniques, including international best practices; identifying patterns of criminal activity linked to terrorist and other criminal organizations; interpreting and analyzing suspicious transaction reports; mitigating and combatting threats from emerging technologies; securing, analyzing, and using financial evidence in criminal trials; asset identification, confiscation, and management; the development and use of human intelligence; and the development and use of task forces.

The FBI also conducts training through the International Law Enforcement Academies (ILEA) in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. In 2015, the FBI delivered training to 610 students from 15 countries at ILEA Budapest. At ILEA Bangkok, the FBI provided training to 214 students from nine countries in the Supervisory Criminal Investigators Course. At ILEA Gaborone, the FBI provided training to 245 students from 19 African countries. At ILEA San Salvador, the FBI provided training to 576 students from 19 Latin American countries.

Additionally, the FBI provided courses in various countries regarding AML/CFT and related topics. Courses on money laundering and associated topics, such as illicit finance and cybercrime, were held in Brazil, Ghana, and Italy. Seminars and workshops on terrorist financing were given in several locations to participants from Colombia, Georgia, Ghana, Mauritius, Paraguay, Seychelles, and Uruguay. A seminar on terrorism and weapons of mass destruction was held in Albania. Finally, workshops on financial intelligence and asset forfeiture/money laundering were given in Tunisia and Morocco, respectively.

## **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.

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 2015, OPDAT, AFMLS, and NSD met with and provided presentations to more than 30 international visitors from more than 10 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 national and international cooperative efforts to combat criminal and terrorist activity, and strategies for countering radicalization and violence. Of great interest to visitors is the balancing of civil liberties and national security issues, as well as FATF compliance and implementation.

### **Anti-Money Laundering/Asset Forfeiture/Fraud**

In 2015, OPDAT and AFMLS provided assistance in drafting AML statutes compliant with international standards and related confiscation legislation, 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 2015 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; pre-seizure planning and asset management issues; counterfeiting; real estate fraud; digital currency, and international mutual legal assistance. AFMLS experts participated in a variety of conferences and seminars around the world, including in China, Philippines, Ukraine and Thailand.

Based on guidance and recommendations from OPDAT's RLA, with support from Treasury and other DOJ components, Algeria released new AML/CFT guidelines in September 2015 related to freezing terrorist assets that close a potential loophole in the existing regime. As a result of U.S. government technical assistance, which included NSD and OPDAT, on October 23, 2015, the

FATF removed Algeria from its Public Statement, a list of countries with strategic deficiencies in their AML/CFT regimes.

OPDAT designed and implemented a five-day curriculum on Financial Investigations and Money Laundering in Panama in August 2015, creating an interagency train-the-trainers group of prosecutors, judges, investigators, forensic accountants, and financial analysts. The Panamanian trainers have since delivered the program twice in 2015, and will continue to deliver the program to criminal justice and other practitioners in 2016. AFMLS, OPDAT, and the Office of International Affairs provided several days of training in the Philippines in May 2015 focused on money laundering, confiscation, and mutual legal assistance to further AML and asset confiscation programs, particularly involving financial crimes and corruption. AFMLS also provided advice on the Philippines' draft legislation governing management of seized assets stemming from narcotics and money laundering offenses.

AFMLS, working with OPDAT and UNODC, provided technical assistance to representatives of the Government of Indonesia in drafting legislation for non-conviction based confiscation. In August 2015, AFMLS provided lectures on using AML and asset forfeiture provisions in all types of corruption cases at a training organized by APEC. AFMLS participated in the Treasury-led U.S.-China SED (Strategic and Economic Dialogues) sessions focusing on AML/CFT in April and December 2015. AFMLS also provided lectures to a delegation of Chinese judges and lawyers as part of a conference organized by the International Law Institute in August 2015 in Washington, D.C., relating to money laundering and asset confiscation; as well as, in May 2015, on money laundering, confiscation, and mutual legal assistance to a delegation of judges, prosecutors, and lawyers from Brazil.

AFMLS, working with OPDAT, over a period of months in 2015, provided advice and made recommendations to a delegation of Ukrainian officials and NGOs who were working to reform Ukraine's asset management and asset confiscation legislation. AFMLS provided extensive background materials and examples of policies and legislation and met with the delegation. AFMLS followed up with specific comments on the legislation the Ukrainians developed.

In 2015, AFMLS also provided technical assistance to the governments of Panama and Ecuador on AML legislation, and to Costa Rica and the Dominican Republic on confiscation of criminal proceeds, including for money laundering offenses. DOJ officials also participated in a symposium on a legislative proposal for asset confiscation under the laws of the Dominican Republic in the Dominican Republic.

### **Terrorism/Terrorist Financing**

In 2015, funding from the Department of State's Bureau of Counterterrorism supported eight RLAs, located in Algeria, Bangladesh, Iraq, Kenya, Panama, Senegal, Turkey, and the United Arab Emirates (UAE) to focus on AML/CFT efforts. The RLA for the UAE is responsible for OPDAT program activities in the UAE, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen. Additionally, in 2015, the Regional Security Initiative supported an Intermittent Legal Advisor (ILA) for Colombia and Paraguay. RLAs in the Philippines, Indonesia, and Malaysia are partially supported by funds earmarked for counterterrorism. 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.

In October 2015, AFMLS conducted a week-long conference for a delegation of Lebanese judges and prosecutors working on non-conviction based confiscation legislation and reforming their asset management operations. In December 2015, AFMLS participated in AFAR, the Arab Forum on Asset Recovery in Tunisia, including making presentations and conducting bilateral meetings with representatives from countries working to recover assets for Arab Spring countries. The conference was organized by Germany, Qatar, and Tunisia with support from the US.

Some highlights of the RLAs' efforts in 2015 include assistance to the Governments of Bangladesh, Pakistan, Panama, 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. Panama passed a comprehensive AML-CFT law in 2015, to include the freezing of terrorist assets, and the OPDAT RLA worked on the development of the legislation and corresponding regulations and continues to assist with implementation. In addition, NSD and OPDAT have provided bilateral technical assistance, via the relevant RLAs and ILAs, to the Governments of Algeria, Bahrain, Indonesia, Iraq, and the Maldives.

Additional OPDAT activities focusing on AML/CFT topics were conducted in Algeria, Bangladesh, Colombia, Egypt, Indonesia, Jordan, Kenya, Malaysia, Mauritania, Niger, Nigeria, Philippines, Qatar, Panama, Paraguay, Turkey, the UAE, and Yemen. NSD met with delegations from and provided capacity building on AML/CFT topics to countries such as Algeria, Argentina, Brazil, Chile, Colombia, Egypt, El Salvador, Iraq, Kenya, Kuwait, Jordan, the Maldives, Oman, Panama, Paraguay, Peru, Saudi Arabia, Lebanon, Qatar, Tunisia, and Turkey.

## 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, other bureaus of the Department of State, U.S. government agencies, and multilateral organizations, 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 2015, INL-funded training was delivered to many 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), and the U.S. Department of the Treasury, 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 countries which are vulnerable to being used for financing terrorism. The capacity to thwart the funding of terrorism is linked to a robust AML regime. In 2015, 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 2015, 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 mentor in Central Africa focused on assisting the Task Force on Money Laundering in Central Africa (GABAC) to become a FATF associate member. 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 financial and/or participative 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 of Latin America (GAFILAT), the APG, GABAC, 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, 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 International Law Enforcement Academies (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 to 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. 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. 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.

In addition to core programs, the ILEA curriculum includes specialized short courses for law enforcement or criminal justice officials on specific topics. Additionally, regional seminars or workshops present various emerging law enforcement topics such as transnational crimes, financial crimes, and counterterrorism.



## **Department of the Treasury**

### **Financial Crimes Enforcement Network**

The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit (FIU). During 2015, FinCEN conducted bilateral and multilateral training and assistance with foreign counterpart FIUs and various agencies and departments. This included spearheading a project aimed at multilateral information sharing between various FIUs to analyze and combat ISIL's efforts with regard to terrorist financing. FinCEN hosted the Turkish FIU for a bilateral Analyst Exchange program to enhance its analytic capabilities and strengthen operational collaboration with FinCEN through exchange and analysis of ISIL-related financial intelligence data. Goals included providing participants an overview of each FIU's capacities and programs as well as identifying, tracking, and developing actionable ISIL-related operational intelligence through joint analysis of previously exchanged financial intelligence data.

FinCEN also coordinated with regional partners and the Egmont Group of FIUs to hold major courses on FIU strategic analysis. FinCEN implemented the Egmont Strategic Analysis Course for Financial Intelligence Units of the Latin America Financial Action Task Force in Lima, Peru. FinCEN facilitated the training to 31 participants from 12 countries, which was planned for and conducted entirely in Spanish. This program gave participants an understanding of the skills, practices, and standards required to prepare quality strategic intelligence reports.

FinCEN also implemented an Analyst Exchange program with the Kenyan FIU. Such a program promoted good governance and anti-corruption efforts. Additionally, FinCEN held bilateral discussions with the Uganda FIU and talks with high-level Ghanaian officials.

### **Internal Revenue Service, Criminal Investigations**

For calendar year 2015, 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 2015, IRS-CI conducted FIT courses funded by an interagency agreement between the DOS and IRS-CI. Fifteen courses were conducted in the Ivory Coast, Brazil, China, Indonesia, South Africa, Kenya, Panama, El Salvador, Thailand, Trinidad and Tobago, Tanzania, and Hungary. Over 500 individuals participated in these courses.

**International Law Enforcement Academy Training**

IRS-CI participated in training at the ILEAs located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. Programs included support for the LELD courses, plus FIT and Fraud and Public Corruption training.

During 2015, IRS-CI participated in training programs at the ILEAs for participants from Albania, Antigua and Barbuda, Bahamas, Barbados, Belize, Bosnia and Herzegovina, Botswana, Bulgaria, Burundi, Colombia, Comoros, Costa Rica, Democratic Republic of Congo, Dominican Republic, El Salvador, Gabon, Grenada, Guatemala, Guyana, Haiti, Honduras, Hungary, Jamaica, Kazakhstan, Kenya, Kosovo, Lesotho, Macedonia, Madagascar, Mauritius, Mexico, Moldova, Panama, Paraguay, Peru, St. Lucia, St. Kitts, Tanzania, Togo, Ukraine, Uruguay, and Zambia.

**Other Training Initiatives**

From July 13 through July 25, 2015, IRS-CI conducted two one-week Fraud and Public Corruption courses at ILEA Bangkok in Bangkok, Thailand. At least 78 participants attended the training. Participants from Laos, Malaysia, Thailand, and Vietnam attended.

From July 20 through July 25, 2015, IRS-CI provided an instructor for the “Fundamentals of the Accusatory System” course in Mexico City, Mexico. This training was sponsored by the Department of Justice Overseas Prosecutorial Development Assistance and Training (DOJ-OPDAT).

From September 21 through September 25, 2015, IRS-CI conducted Fraud and Public Corruption training in Brasilia, Brazil. Forty-four participants attended the course that was funded by DOS-CT.

Finally on November 30 through December 11, 2015, IRS-CI hosted twenty-one participants from Colombia for the Policia Economica Financiera Comprehensive Financial Investigations Course that was held at NCITA. The course was funded by DOS-INL and NAS.

**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 2015, 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 2015 AML School was attended by foreign supervisors from Canada, China, Hong Kong, India, Indonesia, Malaysia, Panama, South Korea, Singapore, Tanzania, and Turkey. 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 2015 by participating with other federal banking agencies in regulator panels at the Institute of International Bankers, and the Association of Certified Anti-Money Laundering Specialists' 14th Annual International Anti-Money Laundering Conference. The focus of the regulator panels was keeping pace with global regulatory changes.

In 2015, 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. OCC participated in a significant number of international working groups/public-private dialogues in 2015 that included representatives from Central America, Mexico, China, the U.K., India and the Persian Gulf region. 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 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 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 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, central bank, finance ministry, law enforcement authority, or other relevant government agency.

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 on-the-job and classroom training provided by the

ECT is equally broad and includes, among other topics, supervisory techniques for banking, money and value transfer systems, securities, insurance, gaming, and other regulatory areas; analytic and financial investigative techniques; cross-border currency movement; trade-based money laundering; asset seizure, forfeiture, and management; and the use of interagency financial crimes working groups.

In 2015, following these principles and methods, the ECT delivered technical assistance in Burma, Cambodia, Cabo Verde, Costa Rica, Dominica, El Salvador, Ghana, Guatemala, Honduras, Jamaica, Paraguay, Peru, and Saudi Arabia. Representative counterpart accomplishments from around the world that were supported by that technical assistance include the following activities. In Burma, the Central Bank, with ECT guidance, hosted a successful and well-attended compliance forum in September 2015 and by the end of the year assumed the full leadership role in planning a series of private sector compliance fora expected in 2016. In Cabo Verde, counterparts formed an interagency Financial Crimes Working Group that is addressing functional gaps in the AML/CFT framework to include a cross-border currency declaration regime. El Salvador approved a cash bulk smuggling law in August 2015 that provides for criminal sanctions for failure to declare currency and other monetary instruments equal to or exceeding \$10,000. Jamaica's Major Organized Crime and Anti-Corruption Agency implemented a new case management system that helped reduce its active investigations by 50% thus allowing investigators to focus on priority cases and gain greater depth in investigations. Lastly, the Peruvian asset management agency successfully disposed of specialized forfeited assets, netting over \$300,000 in a jewelry auction and over \$4 million in real estate auctions, providing much needed funding support for Peruvian law enforcement agencies.

## **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 Sint Maarten), Nigeria, Panama, the 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 U.S.-Bulgaria Extradition Treaty also includes an Agreement on Certain Aspects of Mutual Legal Assistance in Criminal Matters that institutes some key provisions of the U.S.-EU Agreement. 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 and an Agreement on Drug Trafficking and Forfeiture with Singapore. 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, Netherlands, Singapore, Turks and Caicos Islands, the United Kingdom, and the Bailiwicks of Jersey and Guernsey (in drug cases only).

Treasury's FinCEN has a Memorandum of Understanding (MOU) or an exchange of letters in place with many other 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, the 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. In 2015, FinCEN signed MOUs with the FIUs of Macau and China. FinCEN also established an MOU to facilitate the exchange of supervisory information with Canada's Financial Transactions and Reports Analysis Centre of Canada, 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 include asset forfeiture.

From Fiscal Year (FY) 1989 through FY 2015, the international asset sharing program administered by the Department of Justice shared \$258,333,279 with 48 countries. In FY 2015, the Department of Justice shared a total of \$8,790,087 with five countries and shared with Curacao 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, Italy, Jersey, Jordan, Liechtenstein, Luxembourg, Mexico, Netherlands Antilles, Panama, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the Turks and Caicos Islands, the United Kingdom, Uruguay, and Venezuela.

To date, Antigua and Barbuda, the Bahamas, Canada, Cayman Islands, Hong Kong, Jersey, Liechtenstein, Luxembourg, Netherlands, Singapore, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

The United States has permanent bilateral forfeited asset sharing agreements with 20 countries. During FY 2015, new sharing agreements entered into force with Guernsey and Jersey. Other such agreements are in force with Andorra, Anguilla, Austria, the British Virgin Islands, Canada, the Cayman Islands, Colombia, the Dominican Republic, Ecuador, Hong Kong,

Jamaica, Mexico, Monaco, Montserrat, Netherlands, Singapore, the Turks and Caicos Islands, and the United Kingdom.

From FY 1994 through FY 2015, the international asset-sharing program administered by the Department of Treasury shared \$40,343,787 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, Netherlands, Nicaragua, Palau, Panama, Portugal, Qatar, St. Vincent & the Grenadines, Switzerland, the United Kingdom, and Vietnam.

## **Multilateral Organization 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 Sint 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 nine 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. Vincent & the Grenadines, Sint Maarten, 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 are currently France and Italy. By virtue of Resolution CM/Res(2012)6, the UK Crown Dependencies of Guernsey, Jersey, and the Isle of Man formally participate in the mutual evaluation procedures of MONEYVAL, as does the British Overseas Territory of Gibraltar via Resolution CM/Res(2015)26.

### **The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)**

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was established in 1999. Eighteen countries comprise its membership: Angola, Botswana, Comoros, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, 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 of Latin America (GAFILAT)**

The Financial Action Task Force 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, Cote 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, Palestinian Authority, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

## **The Task Force on Money Laundering in Central Africa (GABAC)**

The Task Force on Money Laundering in Central Africa (GABAC), established in 2000, is a body of the Economic and Monetary Community of Central Africa (CEMAC). GABAC became an observer organization of the FATF in February 2012, and since then worked with the FATF to meet the requirement of a FATF-Style Regional Body. In October 2015, the FATF recognized GABAC as an FSRB and admitted it as an associate member. GABAC's associate membership has extended the reach of the FATF global network into Central Africa. GABAC currently has 10 members, comprising six member countries and four regional representatives, as follows: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea, Gabon, the Governor of the Banks of the States of Central Africa, the president of the CEMAC Commission, the president of the Committee of Police Chiefs of Central Africa, and the Secretary General of the Banking Commission of Central Africa.

## **The Organization of American States Inter-American Drug Abuse Control Commission Group of Experts to Control Money Laundering**

In 2015, the Organization of American States (OAS), through the Inter-American Drug Abuse Control Commission (CICAD), held capacity-building programs and workshops with the objective of raising awareness of the AML/CFT problem in Central and South America and the Caribbean; improving compliance with AML/CFT standards within the region; and building AML/CFT systems and promoting best practices on inter-institutional integration, investigation methodologies, analysis techniques, IT tools, and asset investigation, recovery, and administration.

### **Seized and Forfeited Assets**

The Seized and Forfeited Asset Management Project in Latin America (BIDAL) developed a number of successful programs. The 2014 assessment of the Brazilian national asset forfeiture system was presented to the Brazilian authorities in 2015 during the “National Workshop on the Management of Seized and Forfeited Assets.” Meetings of the new Brazilian Interagency Working Group (IWG) took place in Brazil with the participation of high-level representatives of the National Strategy for Combating Corruption and Money Laundering; and the “Regional Seminar on Asset Administration and Disposal” was held in Brasilia and included participants from Brazil, Paraguay, Peru, Ecuador, Costa Rica, and Mexico. In Paraguay, a BIDAL work plan was presented to Paraguayan authorities; technical assistance was provided to the senate to improve the *in rem* forfeiture bill as well as an assessment on the asset forfeiture system in Paraguay; and the “National Workshop on the Management of Seized and Forfeited Assets” was held in Asuncion, Paraguay. Additionally a new Paraguayan IWG was established and began meeting.

### **Technical Assistance**

In 2014 in Montevideo, Uruguay, the Executive Secretariat/CICAD (ES/CICAD) participated in and supported a technical assistance mission carried out by the International Monetary Fund to enhance the AML/CFT capacities of the FIU of Uruguay. In 2015, there was a follow-up technical assistance mission.

Within the implementation of the Technical Assistance Plan to Combat Money Laundering in Peru, developed with the support of the Committee for the Implementation and Monitoring of the National Strategy for Combating Money Laundering, workshops on developing cooperation and joint work between the Public Ministry and the police were completed in a number of Peruvian cities in 2015, with roughly 300 participants. The ES/CICAD developed a guide for the development of an investigation plan and 1,000 copies were printed and distributed to key-institutions within Peru. A “National Workshop on Money Laundering Investigations related to Drug Trafficking” was held in Lima for 43 prosecutors and FIU analysts.

### **Capacity Building**

In 2015, under the framework of the Capacity Building of Financial Intelligence Units Program, the “Regional Workshop on the Strategic Analysis of AML/CFT to FIUs” was held in coordination with the Egmont Group, FinCEN, and the Financial Action Task Force in Latin America (GAFILAT) with the participation of 32 officials from Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, and Uruguay. Technical assistance also was provided to El Salvador to strengthen the financial investigation unit in developing and designing a process for the certification of compliance officers.

Two regional workshops were carried out jointly with the Inter-American Committee against Terrorism (CICTE/OAS) on money laundering and terrorism financing issues. One was held in the United States on illicit flows, criminal networks and terrorism, with the participation of officers from Micronesia, Samoa, Tonga, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. Another workshop took place in Panama on risks associated with free trade zones, with 34 participants from Panama, Guatemala, Costa Rica, and Colombia.

### **International Cooperation**

Assistance was provided to the Intelligence Centre against Terrorism and Organized Crime of the Ministry of the Interior of Spain in organizing a conference on “Information Exchange to Combat Money Laundering: Equity Research and Asset Recovery Offices” in Cartagena, Colombia. Experts from Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Spain, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela attended the conference.

In Vienna, Austria, the ES/CICAD participated in three events carried out by UNODC: the Working Group for the Prevention of Corruption; the ninth meeting of the Working Group on

Asset Recovery; and the Expert Meeting on the Effective Administration and Disposal of Frozen, Seized, and Forfeited Assets.

The ES/CICAD was invited to deliver three presentations at a CFATF meeting on the progress made regarding the implementation of an asset recovery network for the Caribbean and circulated a concept note on the project. The ES/CICAD also participated in a meeting of the Asset Recovery Network of the GAFILAT (RRAG), plus working groups and a typologies exercise sponsored by GAFILAT.

In the context of the Coordination Committee addressing terrorism and terrorist financing (MECOOR), a regional workshop on terrorism and its financing was held in Asuncion, Paraguay for 39 prosecutors, investigators, and FIU analysts from Argentina, Brazil, Paraguay, and Uruguay. ES/CICAD developed the RRAG Strengthening Program and promoted the use of the network in various meetings held in Peru, Chile, and Bolivia.

Plenary meetings of the Group of Experts for the Control of Money Laundering were held in Washington D.C. and Lima, Peru. After the discussion of best practices and knowledge sharing, the following guides and documents were approved: “Analysis on the rights of victims and bona fide third parties regarding forfeiture processes for assets of illicit origin;” “Analysis of the applicability and effectiveness of modern judicial instruments for the disposal of seized and forfeited assets;” “Asset Investigation Guide;” “Recommendations and considerations for the Security and Integrity of officials responsible for combatting money laundering and its related crimes;” and a program proposal on “Open Sources of Information as a Tool in the Development of Asset Investigations.”

## **The Egmont Group of Financial Intelligence Units**

The goal of the Egmont Group of Financial Intelligence Units (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 151 FIUs in 2015. The FIUs of Cambodia, Cuba, Nepal, and Niger were admitted to the Egmont Group in 2015. The FIU of Syria was reinstated.

As of 2015, the 151 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, Cambodia, Cameroon, Canada, Cayman Islands, Chad, Chile, Colombia, Cook Islands, Costa Rica, Cote d'Ivoire, Croatia, Cuba, 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, Nepal, Netherlands, New Zealand, Niger, Nigeria, Niue, Norway, Panama, Paraguay, Peru, the Philippines, Poland, Portugal, Qatar, Romania, Russia, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Sint Maarten, Slovakia, Slovenia, Solomon Islands, South Africa, South Korea, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sweden, Switzerland, Syria, 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.

## **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 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 UN International Convention for the Suppression of the Financing of Terrorism, the UN Convention against Transnational Organized Crime, and the UN Convention against Corruption. 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 2015, GPML provided long-term assistance in the development of AML/CFT programs to 66 jurisdictions. GPML has trained over 4,000 representatives of law enforcement agencies, FIUs, judicial authorities, and reporting entities; out of them, 900 received training from local experts who had participated in the GPML train-the-trainer program.

## **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. Mentors serve as residential advisors for as long as one to four years, and offer sustained skills and knowledge transfer. The mentor can pinpoint specific needs over a period of months, provide advice on real cases and problems as they arise, and adjust his/her work plan to target assistance that responds to the counterparts' needs. Furthermore, 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 2015, GPML employed five mentors. GPML mentors stationed in Senegal, South Africa, Gabon, Samoa, 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 2015, 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. Six visiting short-term mentors were deployed to the 10 ARINSA countries to provide trainings on money laundering investigations and asset recovery, assist in developing the legislation and policy, and provide assistance in particular asset recovery cases. In total, over 2,500 officers in ARINSA countries have received the GPML trainings. GPML efforts have a practical impact in ARINSA countries: ARINSA processed 41 cases in 2015, and has examples of successful asset recovery (e.g., Tanzania and Mozambique - \$363,000 frozen in 10 cases of illegal timber, and \$300,000 recovered in the case of a corrupt official in Zambia).

In West Africa, GPML's main achievements in 2015 include the successful delivery of train-the-trainers programs in Senegal, Cote d'Ivoire, Ghana, and Benin. As a result, 169 national officers have been trained to conduct financial investigations, and 42 new trainers have been identified. This training already has a multiplier effect: new trainers themselves have trained 70 professionals in Senegal and 868 in Cote d'Ivoire.

GPML continues to support a CARIN-style regional network for prosecutors and financial investigators in West Africa (ARINWA), comprised of all 15 Economic Community of West African States countries plus Sao Tome and Principe. In October 2015, ARINWA held a joint plenary with other regional programs on judicial cooperation. The mentor also contributed to the strengthening of the AML/CFT framework and operational capacities, particularly of FIUs, in Burkina Faso and Mali. Activities have been completed in coordination with the Inter Governmental Action Group against Money Laundering in West Africa (GIABA). Additionally, GPML deployed a visiting consultant to West Central Africa to deliver cash courier and money value transfer systems trainings.

The GPML mentor based in Hanoi continued to strengthen operational capacities in Burma, Cambodia, Laos, and Vietnam. The mentor assisted Vietnamese and Laotian authorities to revise money laundering offense definitions in the penal codes of these countries. The mentor assisted Cambodia in its strengthening of its AML/CFT regime, and in Vietnam, the mentor continued to deliver training workshops on bulk cash smuggling, AML/CFT investigations, and raising awareness, and has distributed 1,000 pocket guides on cash smuggling interdiction to the customs officers. The mentor also has conducted eight national AML workshops and two international workshops on financial flows from wildlife and timber crimes. The Mekong mentor continued to support the CARIN-style regional network for prosecutors and financial investigators in the Asia Pacific (ARIN-AP), which has grown to 18 countries in 2015, and ARIN-AP Secretariat handled 14 asset recovery investigations.

The GPML mentor in Central Africa focused on assisting GABAC to become a FATF associate member, which it did in 2015. The GPML mentor assisted GABAC to establish an action plan to comply with the FATF requirements, provided advice to the GABAC Secretariat, assisted GABAC to conduct an AML/CFT workshop in Central Africa and with the organization of a 2015 GABAC Technical Commission and Ministerial Meeting. The mentor also arranged a training for GABAC on AML/CFT and on the new FATF Recommendations. The Mentor also assisted GABAC to prepare the mutual evaluation of Equatorial Guinea.

The GPML mentor for the Pacific Islands started the program's activities in November 2015 by identifying the technical assistance needs of the islands.

A GPML consultant, jointly with UNDP, assisted Somalia's Parliament to prepare an AML/CFT Bill and conducted two workshops for the drafters of the bill and the Parliament Committee. The AML/CFT Bill was enacted in December 2015.

## **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 2015, the UNODC conducted a research project on the economic impact of drug trafficking over the Balkan Route.

GPML conducted two events on the disruption of illicit financial flows in 2015: training on disruption of illicit financial flows from the drug trade (Belarus and Ukraine) and a workshop on disruption of illicit financial flows from human trafficking and migrant smuggling (Eastern Europe).

Throughout 2015, GPML continued to work 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 held an inter-regional workshop on illicit financial flows from wildlife and timber crime, gathering practitioners from Southeast Africa and Southeast Asia in January 2015.

**Financial Investigation Course:** GPML's Financial Investigation Course 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. The new version of the training is delivered to three levels of participants: junior and senior investigators and senior managers. In 2015, the regional training was delivered in South Africa, with pilot trainings started in Kazakhstan and Ukraine.

**Development of AML/CFT Experts/Trainers:** GPML is continuing a train-the-trainers project on financial investigations for West Africa.

**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.

**goAML and goTrace:** GPML cooperates with the UNODC IT Section to deploy the goAML software for Financial Intelligence and goTrace for secure exchange of information. goAML is currently running in 26 countries and 10 are in the process of deployment, goTrace has been requested by more than 40 government agencies.

**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.



## 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 2016 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 2015**

There were no changes to the prioritization for 2015.

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	Sint Maarten	Cook Islands	Senegal	Cuba	Palau
Costa Rica	Somalia	Cote d'Ivoire	Serbia	Denmark	Papua New Guinea
Curacao	Spain	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, 2015, 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

“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
<b>Govt/Jurisdiction</b>																					
<b>Afghanistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Albania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Algeria</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Andorra</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Angola</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Anguilla<sup>2</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
<b>Antigua and Barbuda</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Argentina</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Armenia</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

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 Bermuda, 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 Anguilla, Bermuda, the British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, the Isle of Man, Jersey, and the Turks and Caicos Islands.

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
<b>Govt/Jurisdiction</b>																					
<b>Aruba<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Australia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Austria</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Azerbaijan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Bahamas</b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Bahrain</b>	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Bangladesh</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Barbados</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
<b>Belarus</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Belgium</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Belize</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Benin</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Bermuda<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Bolivia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Bosnia &amp; Herzegovina</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Botswana</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Brazil</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
<b>British Virgin Islands<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Brunei</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

<sup>2</sup> 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	Y	Y	Y	Y	Y	Y
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	N	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 <sup>1</sup>	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	Y	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	Y	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
<b>Govt/Jurisdiction</b>																					
<b>Curacao<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Cyprus<sup>3</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Czech Republic</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Denmark</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Djibouti</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Dominica</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Dominican Republic</b>	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Ecuador</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Egypt</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>El Salvador</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Equatorial Guinea</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	N	Y	N	N	N	N	N	Y	Y	N	N
<b>Eritrea</b>	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	Y	N	Y
<b>Estonia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Ethiopia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Fiji</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
<b>Finland</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>France</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Gabon</b>	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N

3

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
<b>Govt/Jurisdiction</b>																					
<b>Gambia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
<b>Georgia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Germany</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Ghana</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Gibraltar<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
<b>Greece</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Grenada</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
<b>Guatemala</b>	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Guernsey<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Guinea</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	Y	N	N	Y	Y	Y	Y	N
<b>Guinea-Bissau</b>	Y	Y	Y	N	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
<b>Guyana</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Haiti</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Holy See</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Honduras</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Hong Kong<sup>4</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Hungary</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Iceland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>India</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Indonesia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Iran</b>	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y

<sup>4</sup> 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	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Iraq</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Ireland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Isle of Man<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Israel</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Italy</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Jamaica</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Japan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
<b>Jersey<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Jordan</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Kazakhstan</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Kenya</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Korea, North</b>	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	N	Y
<b>Korea, South</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
<b>Kosovo</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N	N
<b>Kuwait</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Kyrgyz Republic</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Laos</b>	Y	Y	N	N	Y	N	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
<b>Latvia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Lebanon</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	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
<b>Govt/Jurisdiction</b>																					
<b>Lesotho</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Liberia</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Libya</b>	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
<b>Liechtenstein</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Lithuania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Luxembourg</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Macau<sup>4</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Macedonia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Madagascar</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Malawi</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Malaysia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Maldives</b>	Y	N	Y	Y	Y	N	Y	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Mali</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
<b>Malta</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Marshall Islands</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mauritania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mauritius</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mexico</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Micronesia, FS</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
<b>Moldova</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Monaco</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Mongolia</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Montenegro</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

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Govt/Jurisdiction																					
Montserrat <sup>1</sup>	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	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Namibia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	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	Y	N
Nicaragua	Y	Y	Y	N	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*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	Y	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	Y	N
Pakistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	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	Y	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	Y
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. Maarten <sup>2</sup>	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	Y	Y	Y	N	N	N
San Marino	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Sao Tome and Principe	Y	Y	Y	N	Y	Y	N	Y	Y	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	N	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	Y	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	Y	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	N	Y*	Y	N	N	Y	Y	Y	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	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	N	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	Y	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 Caicos <sup>1</sup>	Y	Y	Y	N	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 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
<b>Govt/Jurisdiction</b>																					
<b>Ukraine</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>UAE</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>United Kingdom</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uruguay</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uzbekistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Vanuatu</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Venezuela</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Vietnam</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>West Bank and Gaza</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	N	N	Y	N
<b>Yemen</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Zambia</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
<b>Zimbabwe</b>	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 2015, 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 2015, 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 2015, 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, 2015, 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, bulk 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.

Afghanistan has a small banking sector, and the government has implemented management reforms over the past year. 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. 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 CTR 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:*** 4 in 2014

***Convictions:*** 4 in 2014

***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 with the enactment of its July 2014 AML and CFT laws. Significant provisions include the creation of an adequate legal basis to criminalize money laundering; and the authority to confiscate funds or real property derived from criminal activity, sell property, and hold the proceeds in an asset recovery/sharing fund. In addition, in mid-2015, Afghanistan enacted a comprehensive banking law to enhance reporting and the governance of private and state-owned banks. The law, which also includes criteria for fit and proper determinations and a regime for declaring cross-border transportation of cash and bearer negotiable instruments, will go into effect in early 2016.

Despite making some regulatory progress on banking, no clear division exists between the hawala system and the small 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 hawaladars 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), as compared to the 10 to 15 STRs FinTRACA receives daily from traditional financial institutions. 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. Precious metals and stones dealers, 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. Afghanistan's cross-border reporting requirement applies to those entering or exiting the country with an amount of more than

\$10,000 but less than \$20,000; however, the system is not enforced across Afghanistan's borders due to lack of resources. If Afghanistan implements its cross border regulation on cash movements to prohibit travelers from carrying more than \$20,000 across borders or through airports, bulk cash smuggling could become increasingly difficult. However, implementing the law requires harmonization with existing customs regulations and other administrative changes. Customs regulations, issued in September 2015, lack clarity on what should be done by authorities when there is suspicion of ML/TF. 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 currency inspection controls for all passengers and includes a VIP lane that does not require subjects to undergo any inspections or controls. Beyond the formal border crossings, the Afghanistan-Pakistan frontier is notoriously porous, presenting an additional challenge for the government to control and enforce illicit cash and trade movements.

In 2011, the Afghanistan/Pakistan Transit Trade Agreement (APTTA) expanded trade cooperation between the two countries and attempted to minimize smuggling by maximizing oversight and technical monitoring. Yet the designated trade routes pass through key locations where insurgent and terrorist groups operate. It appears insurgents are finding creative ways to utilize APTTA's new rule of being able to maintain control of a cargo truck from country of origin to cross-border destinations without having to risk unloading trucks at border crossings. In addition, since the initiation of the new APTTA agreement, it appears organized smuggling groups have increased their use of Iranian ports of entry. With the phasing-out of Iranian sanctions, this trend will continue to grow. The Afghan transit trade is used in trade-based money laundering, value transfer, and in counter-valuation or the process of settling accounts between hawaladars.

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 unclear. The U.S. does not have an extradition treaty with Afghanistan.

Afghanistan's laws related to terrorism financing are largely in line with international standards. The CFT law provides the basic framework needed to authorize Afghanistan's ability to freeze and seize terrorist assets; however, the corresponding implementing regulations lack clarity and effectiveness. FinTRACA's limited capacity to identify bad actors and build cases against them often meets administrative hurdles at the Attorney General's Office (AGO), which is considered ineffective in other criminal or anticorruption contexts, as well. The AGO is authorized to prosecute a case and freeze or seize illicit assets, but its senior leaders have expressed reluctance and skepticism regarding money laundering prosecutions in general and seizing assets in particular.

While the authority to seize assets exists, the Afghan government has yet to establish an asset recovery mechanism to recover the value of any assets seized, and as a result, no entity, including the police or the courts, has responsibility for post-conviction asset recovery. A small number of criminal investigations with asset forfeiture issues have been reported by Afghan authorities, but they have not led to seizures of real property or prosecutions or convictions for money laundering. However, for the first time, prosecutors are going after the real property of a high profile drug trafficker. Drug kingpin Haji Lal Jan Ishaqzai was convicted in 2013 and given a 15-year sentence for opium trafficking under Afghan's Counternarcotics (CN) law. Despite his questionable release from prison in June 2014, prosecutors are using the AML law to attempt to seize a shopping center owned by Lal Jan as proceeds of criminal activity. The case is pending before Afghanistan's CN Supreme Court.

Although Afghanistan has taken steps toward improving its AML/CFT regime, certain deficiencies remain. 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 enact a comprehensive registration regime, and expand implementation of the MSB/hawala licensing program. Afghanistan should create an outreach program to notify and educate hawaladars about the licensing, large transaction reporting requirement, and STR filing processes. Afghanistan should continue to 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 adequate procedures for the confiscation of assets related to money laundering; and enhance the effectiveness of FinTRACA. Afghanistan also should strengthen inspection controls for airport passengers.

## **Antigua and Barbuda**

Antigua and Barbuda is an offshore center which continues to be vulnerable to money laundering and other financial crimes. Its relatively large financial sector and internet gaming industry add to its susceptibility. According to the Antiguan Office of National Drug Control and Money Laundering Policy (AONDCP), the collaborative efforts between Antigua and Barbuda and United States law enforcement agencies have brought about a decrease in drug trafficking activity.

Although the number of internet gaming companies is in decline, according to AONDCP statistics, casinos and internet gaming maintain a strong presence in Antigua and Barbuda. Internet gaming companies are regulated by the Financial Services Regulatory Commission, and supervised for AML/CFT by the AONDCP. Regulation requires them to incorporate as international business corporations (IBCs) and maintain a physical presence on the island. Domestic casinos must incorporate as domestic corporations. 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:*** 272: January 1 – November 1, 2015

***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:* 3 in 2015

*Convictions:* 1 in 2015

***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/documents/mutual-evaluation-reports/antigua-and-barbuda-1/34-antigua-and-barbuda-3rd-round-mer>

***ENFORCEMENT AND IMPEMENTATION ISSUES AND COMMENTS:***

Antigua and Barbuda continues to work to improve its AML/CFT regime. The AONDCP's 2014 analysis shows that financial institutions in Antigua and Barbuda have improved their AML/CFT policies and customer due diligence procedures. In 2014, AONDCP's Financial Investigations Department was involved in 14 new cases, both criminal and civil. In 2015, with the assistance of an international donor, AONDCP spearheaded a national risk assessment of the country's vulnerabilities to money laundering and terrorist financing.

In October, 2015, Antigua and Barbuda recorded its first successful confiscation case under the Proceeds of Crime Act. As part of a joint operation with the ABDF Coast Guard, the AONDCP first arrested two persons aboard a sailing vessel from Tortola in 2011 with over 160 kilograms of cocaine. The court ordered the defendant to pay \$30,000 to the State. From the evidence provided, the court determined the defendant possessed assets which could be used to settle the confiscation order.

In 2015, the AONDCP successfully defended a constitutional motion before the Eastern Caribbean High Court by securing a ruling determining the provisions for civil forfeiture under the Money Laundering (Prevention) Act do not contravene the Constitution. Ahmed Williams was convicted of possession with intent to supply and possession with intent to sell after he was arrested while conducting a drug transaction. AONDCP and Police officers found him in possession of 3.3 kilograms of cocaine, US\$16,446 and EC\$41,965. Following the criminal case, two parcels of land owned by Williams were frozen by the Supervisory Authority and ultimately forfeited to the government. This case has created a legal precedent for civil forfeiture proceedings in the region, and the court's decision reinforces the principle that the provisions for civil forfeiture do not contravene the Antigua and Barbuda Constitution.

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

Institutionalized corruption, drug trafficking, high levels of informal and contraband trade, and an active informal exchange market present significant challenges for Argentina's AML/CFT regime. Contraband is smuggled into Argentina through the tri-border area (Argentina, Paraguay, and Brazil), and a very porous northern border shared with Bolivia and Paraguay, and through changes to shipping manifests designed to disguise the importer and the type of merchandise. The previous administration's use of currency controls to avoid balance of payments issues fostered a thriving black market for U.S. currency. During the first ten months of 2015, the unofficial exchange rate valued the dollar about 60 percent higher than the official government rate. Argentina controlled access to foreign currency to try to maintain its falling central bank reserves. President Macri, inaugurated December 20, 2015, quickly adopted economic policies to address a host of economic problems, including high inflation and disputes with foreign creditors.

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 devaluation. Even during periods of more liberal currency exchange, Argentina has a long history of capital flight and tax evasion. 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, but not taxed.

The general vulnerabilities in the financial system also 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:* 25,589 in 2014

*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:* Not available

*Convictions:* Not available

**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 of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/Argentina\\_3ra\\_Ronda\\_2010.pdf](http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/Argentina_3ra_Ronda_2010.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

While the Government of Argentina has established the legal authorities and structures necessary for an AML regime, implementation of that regime remains a challenge. Ongoing receipt of suspicious transaction reporting, including through online submission, demonstrates that the function has become institutionalized. The total number of suspicious transaction reports (STRs) dropped 29 percent in 2015, in part because the Financial Information Unit (UIF), the Argentine financial intelligence unit (FIU), raised the reporting threshold for savings and loan organizations. The thresholds had been low and had not been adjusted previously to account for inflation. The changes resulted in a 94 percent drop in reporting by the savings and loan sector. The UIF continues to face challenges in analyzing suspicious reporting information and converting analysis into actionable intelligence. To address these gaps, the UIF has developed a risk matrix and modernized reporting systems, including incorporating an online reporting capability. In addition, the Financial Crimes Enforcement Network (FinCEN), the U.S. financial intelligence unit, suspended information sharing with the UIF in June 2015. This is the second suspension of information sharing between FinCEN and the UIF due to Argentina's unauthorized disclosure of intelligence that FinCEN had shared with the UIF. The first suspension took place in July 2009, and lasted three and a half years. This is a serious offense and FinCEN is evaluating next steps.



Program effectiveness, as measured by convictions and asset forfeiture, has been negligible. Since 1999, Argentina has successfully prosecuted only seven cases of money laundering. In general, money laundering cases are pursued by a chief prosecutor, working as part of a prosecutorial unit focused on six operating areas. Systematic deficiencies in Argentina's criminal justice system persist, including widespread delays in the judicial process and a lack of judicial independence.

In an effort to support judicial action, the UIF and the Economic and Money Laundering Prosecutor's Office (PROCELAC) have enhanced cooperation with judges and prosecutors throughout the country. In 2015, PROCELAC reported opening 101 preliminary investigations and responding to 140 requests for case collaboration. However, reporting suggests the majority of these actions have focused on investigating foreign currency outflows and tax evasion.

In 2014, the UIF responded to 213 requests for information or testimony from judges and prosecutors and issued eight administrative orders to freeze the assets of 18 entities believed to be involved in terrorist financing. As a result of this intervention, 11 state terrorists were captured, bringing the total to 21 terrorists captured since 2013 using CFT instruments. To date, the offenders have largely been former members of the military junta, and the majority has been charged with domestic terrorism related to crimes committed during military rule in Argentina (1976-1983). Argentina has not used its CFT regime to pursue international terrorism cases.

With its AML/CFT regime established through legal and regulatory structures, suspicious transaction reporting institutionalized, and information flowing more freely between branches of government, Argentina's challenge now is enforcement. Critical components of this effort will be demonstrating the country's commitment to the principles of transparency and good governance; fostering a universal culture of AML/CFT compliance; improving the ability to coordinate, investigate, and prosecute complex financial crimes efficiently; and increasing convictions.

## Australia

Australia's well-functioning financial markets include major products, such as money, debt, equities, foreign exchange, and derivatives. While not large compared to equivalent markets in economies such as the United States or Japan, trading activity in many Australian financial market sectors is higher than the size of the economy might indicate. For example, Australia's largest market sector is the foreign exchange market and the Australian dollar is the seventh most actively traded currency worldwide. 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 annually contribute some A\$130 billion (approximately \$92 billion) to the Gross Domestic Product, accounting for 9.3 percent of total value added. Australia has one of the largest pools of consolidated assets under management globally, valued at A\$2.6 trillion (approximately \$1.85 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 approximately A\$15 billion each year (\$10.67 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) and the national anti-money laundering/countering the financing of terrorism (AML/CFT) regulator – identifies key features of money laundering in Australia in its Annual Report: 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 terrorists and 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. 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:*** 81,074: July 2014 - June 2015

***Number of CTRs received and time frame:*** 4,694,287: July 2014 - June 2015

***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 and 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. A statutory review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CFT Act), conducted by the Attorney-General's Department with assistance from AUSTRAC, is underway to 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 is being conducted in the context of the government's deregulation agenda, and minimizing the compliance burden on industry is a priority. The report of the statutory review will be submitted to Government in the first half of the 2015-16 financial year.

Following amendments to the AML/CFT Act, customer due diligence (CDD) requirements became effective June 2014, which protect Australia's revenue base through enhanced collection and verification of customer information, and safeguard national security from organized criminals and money launderers misusing the complex business structures to conceal their ownership and controlling interest. 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 2015, the ENTF resulted in 32 disruptions to criminal entities and identified 112 criminal targets previously unknown to law enforcement. The ENTF-initiated investigations resulted in seizures of more than A\$365.5 million (approximately \$262 million) in cash and drugs, 39 referrals to partner agencies, 40 financial intelligence reports to the Eligo Taskforce, and nine data mining information reports. As well as disrupting organized crime activities, the ENTF increases professionalism within the remittance sector to make it

more resistant to organized crime. U.S. law enforcement agencies continue to collaborate with the ENTF.

AUSTRAC also works 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 seven new financial intelligence exchange agreements in 2015, 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, the government announced that the AUSTRAC Supervisory Levy would be replaced with the AUSTRAC Industry Contribution. From the 2014-15 financial year onwards, reporting entities will pay a levy that allows AUSTRAC to recover the costs of its regulatory and financial intelligence. In June 2015, AUSTRAC started preparations for the 2015-16 industry contribution which will commence early in the 2015-16 financial year.

For the third year in a row, Australia observed 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. The increase reflects 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. While AUSTRAC is not currently preparing an updated version of its 2014 report, AUSTRAC disclosed that terrorism-related "suspicious matter reports" had increased threefold from 118 in 2013-14 to 367 in 2014-15.

In May 2015, the Government of Australia announced the establishment of a Serious Financial Crimes Taskforce (SFCT) to replace Project Wickenby, the cross-agency task force that played a key role in the fight against tax evasion, avoidance, and crime from 2006 until its termination on June 30, 2015. With a broader remit, and operational from July 1, the SFCT is also a multi-agency taskforce that forms part of the Australian Federal Police-led Fraud and Anti-Corruption Center. Drawing together the Australian Taxation Office, Australian Crime Commission, Australian Federal Police, Attorney-General's Department, Australian Transaction Reports and Analysis Centre, Australian Securities and Investments Commission, Commonwealth Director of Public Prosecutions, and Australian Customs and Border Protection Services, SFCT's primary role is to focus on operational activities, collect and share intelligence, identify reform measures

with the aim of removing wealth from criminal activity, prosecute facilitators and promoters of serious financial crime, and deploy deterrent and preventative enforcement strategies.

Australia should require real estate agents, solicitors, and accountants to report suspicious transactions.

## Austria

Austria is a major regional financial center. 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 a frequent offshore destination for illicit funds and has no free trade zones.

Casinos and gambling are legal in Austria, but in some provinces slot machines are prohibited, and there are efforts underway to limit certain aspects of sport betting. 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:** 1,673 in 2014

**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:** 426 in 2014

**Convictions:** 46 in 2014

**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:**

Austria has in place comprehensive AML/CFT legislation. In recent years, the government reformed the financial intelligence unit operational procedures and supervisory framework; developed and published regulations and guidelines; and organized a series of outreach events and training 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. 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. In 2014, Austria accepted a long-delayed EU law to curtail bank secrecy and tax evasion. The law requires the EU member states to automatically exchange information on accounts held by their citizens abroad. Austria said it needed more time to comply with the agreement and create a new reporting system. Austria was given until 2018 to comply.

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 when doing business with designated countries. In 2014 the regulation stipulated increased

scrutiny for foreign “politically exposed persons (PEPs),” such as government members, politicians, and prominent public officials.

After a decline in the previous year, the number of filed suspicious transaction reports (STRs), and particularly prosecutions and convictions, rose significantly in 2014. Austrian authorities maintain that the improved legal framework and training contributed to this development. The number of AML convictions in relation to the amount of prosecutions remains quite low.

## Bahamas

The Commonwealth of the Bahamas is a regional and offshore financial center. The country’s economy is heavily reliant upon tourism, tourism-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, gambling, and human smuggling. There is a 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.

According to a 2013 report by the International Monetary Fund (IMF), the Bahamian financial system is “exceptionally large,” reflecting the country’s role as a “major offshore financial center.” The report noted the financial system had total gross assets equivalent to 96 times GDP with total assets of the offshore banking sector equivalent to 75 times GDP. The offshore sector consists mostly of branches or subsidiaries of global financial institutions and pursues a variety of business models.

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). The Freeport Harbor Company includes the Freeport Container Port and Grand Bahama International Airport as well as private boat, ferry, and cruise ship facilities and roll-on/roll-off facilities for containerized cargo and car transshipments. Freeport Harbor has the closest offshore port to the United States.

Casino 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 on New Providence Island, which has been in development since 2011, did not open as scheduled in 2015. If opened, it would be the largest casino in the Caribbean. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos. However, gaming operations based on U.S.-based lottery results and hosted on the internet,

locally known as “web shops,” flourish in the Bahamas. 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. Implementation is ongoing. Regulations require web shop operators to apply for a license, pay taxes on revenue and property, and comply with internal control 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 *civily:* 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:*** Not available  
***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:*** Not available  
***Convictions:*** Not available

***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:***



The Government of the Commonwealth of the Bahamas has the requisite institutional and legal framework to combat money laundering. In order to better gauge the effectiveness of the government's AML programs, authorities should release information on the numbers of suspicious transaction reports (STRs), prosecutions, and convictions.

The IMF report noted that, while oversight of the financial system has improved, the Bahamas is still recognized as a significant tax haven. For example, the Bahamas does not disclose in a public registry information about trusts and foundations; the Bahamas does not maintain official records of company beneficial ownership or place them in a public registry; there are no requirements that company accounts be placed on public record; nor does the Bahamas require resident paying agents to tell the domestic tax authorities about payments to non-residents.

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.

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 continue to provide STR training. The Financial Intelligence Unit, 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; 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.

## **Belize**

Belize is not a major regional financial center; however, it has a substantial offshore financial sector. Belize is a transshipment point for marijuana and cocaine, and human trafficking is a concern. 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. The Government of Belize continues to encourage offshore financial activities that are vulnerable to money laundering and terrorist financing, 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.

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. In June 2015, the CFATF noted that Belize has made substantial progress and removed it from the Public Statement.

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 is 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.

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:*** 216: January 1 - November 15, 2015

***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:*** 1 in 2015

***Convictions:*** 1 in 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

***With other governments/jurisdictions: YES***

Belize is a member of the CFATF, a FATF-style regional body. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafig.org/index.php?option=com\\_docman&task=cat\\_view&gid=352&Itemid=418&lang=en](https://www.cfatf-gafig.org/index.php?option=com_docman&task=cat_view&gid=352&Itemid=418&lang=en)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Over the last three years, Belize made a turnaround in strengthening its legal infrastructure for oversight of the financial industry. Political will and involvement of different levels of government and public sector agencies as well as the private sector continue to be key elements in the reform process.

In addition to 2014 amendments to several acts, regulations were also promulgated or strengthened to include: Designated Non-Financial Business or Profession (DNFBP) Regulation; International Financial Services Commission; National Anti-Money Laundering regulations; Gaming – administrative penalty regulations; and the Misuse of Drugs Order. Belize’s financial intelligence unit (FIU) worked with international donors to draft the new Proceeds of Crime Legislation. Despite the new laws and regulations, some international experts have said experienced staff and political will to use the new tools to actually implement an assertive program of investigation and prosecution are still necessary. There was reportedly one money laundering prosecution and conviction in 2015.

The FIU continues to have ongoing organizational issues, and there is currently only one less-experienced attorney to prosecute cases. 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, governmental departments, and regulatory bodies. The FIU is improving awareness of AML/CFT programs and has conducted training events for many businesses, including those in the CFZs. The FIU is reportedly in discussions with the Belize Police Department, special police units, and the Comptroller of Customs to develop a memorandum of understanding to support intelligence sharing and more integrated operations.

In 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. 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 local case has floundered.

While the Government of Belize is commended for its recent legislative and regulatory work, it should also demonstrate its commitment by providing additional resources, training, and political will to effectively enforce the country’s enhanced AML/CFT regime. Its loosely monitored offshore financial sector continues to be a concern. Furthermore, the historically low prosecution and conviction figures reflect the lack of robust enforcement efforts. The government should ensure its investigative, prosecutorial, and judicial personnel have the

capacity and resources to successfully fulfill their responsibilities. 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. According to World Bank estimates, between 60 and 70 percent of the Bolivian population works in the informal economy, composed of thousands of micro-enterprises offering numerous opportunities for money laundering activities. According to the Bolivian Center for Multidisciplinary Studies (CEBEN), a local economic think-tank, the informal sector offers ample opportunity to avoid detection. In the informal sector, large amounts of money are split into smaller quantities to avoid detection and review by the financial regulatory agencies. This laundered money then enters the formal market through the financial system.

Informal currency exchange businesses and non-registered currency exchanges are illegal. There is no indication that 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 20 percent of deposits and 10 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:** 486: January 1 - October 31, 2015

**Number of CTRs received and time frame:** 1,985,064: January 1 - October 31, 2015

**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: YES

**With other governments/jurisdictions:** YES

Bolivia is a member the Financial Action Task Force of 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](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 May 2014, Bolivia transferred control of Bolivia's Financial Investigative Unit (UIF) from the Financial System Supervision Authority, 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 is working to rectify this issue in order to ensure statistics related to its AML/CFT regime are available to the public.

While the UIF reports to the Ministry of Economy and Public Finance, the unit has its own annual budget and significant independence. In less than two years under its new leadership, UIF has developed a program pivoting toward objectives drawn from international standards. Many of the international standards Bolivia is using as benchmarks were copied from Colombia and Mexico, two countries in the region with significant experience in the area. The UIF is

receiving guidance on money laundering issues from regional partners. UIF also is working to enhance its capacities in counter-terrorism finance.

In March 2015, General Hugo Nina Fernandez, former Director of the Bolivian Special Force to Fight Drug Trafficking and former Bolivian Police Commander, was arrested on charges of money laundering. Nina Fernandez and his legal team publicly implicated other high level Bolivian officials. There have been no reported developments since March.

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 2015, Brazil was the second-largest economy in the Americas and among the ten largest economies in the world, by nominal GDP. It is a major drug-transit country, as well as one of the world's largest consumer countries. São 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. Money 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 continue to be of 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:* 251,234: January 1 - October 31, 2015

*Number of CTRs received and time frame:* 860,802: January 1 - October 31, 2015

*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 of 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:**

On October 16, 2015, President Rousseff signed Law #13.170 which provides procedures for freezing assets relating to UNSCRs and for information provided bilaterally, closing a longstanding gap in Brazil’s ability to confront terrorist financing. Terrorism and terrorist financing are still not criminalized in a manner consistent with international standards; a bill has been pending before Congress for several months.

In March 2014, money laundering at a gas station tipped off Brazilian law enforcement to a connection with the parastatal oil company, Petrobras. Since then, “Operation Carwash” (*Lava Jato*) has uncovered a complicated web of corruption, money laundering, and tax evasion, leading to the arrests of money launderers, Petrobras directors, and major construction company

executives. Many Brazilian politicians are also under investigation. The landmark operation continues to uncover what many believe is already the biggest corruption scandal in Brazilian history.

Brazil does not maintain comprehensive statistics on money laundering prosecutions and convictions. This lack of data makes it difficult to evaluate the effectiveness of Brazil's AML/CFT regime.

The Government of Brazil continues to invest in border and law enforcement infrastructure. 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.

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 should pass legislation to fix the gap in its legal framework regarding the criminalization of terrorist financing. The government also should maintain and release statistical data regarding the volume of money laundering prosecutions and convictions.

## **British Virgin Islands**

The British Virgin Islands (BVI) is a UK overseas territory. The economy is dependent on tourism and the offshore financial sector. BVI is a well-established, sophisticated financial center offering accounting, banking, and legal services; captive insurance; company incorporation; mutual funds administration; trust formation; and shipping registration. The BVI is advertised as the world's leading offshore center with more offshore companies than any other country. 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 September 2015 and notes there are 475,309 active companies. Of these companies, 123 are licensed fiduciary companies authorized to conduct company management and trust services. There are six commercially licensed banks, one private bank, and 2,037 registered mutual funds, which include public, private, professional, incubator, and approved funds. As of September 2015, the banking sector has assets valued at \$2.4 billion.



The BVI has zero-rated corporation tax, with no wealth, capital gains, or estate tax for offshore entities. 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. 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 help 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 and fiduciary services; money service businesses; insurance agencies; investment businesses; insolvency practitioners; trust and company service providers; charities and nonprofit associations; dealers in autos and yachts; dealers in precious metals, stones, and other high-value goods; real estate agents, notaries, lawyers, other independent legal advisers, and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 234: January 1 – November 11, 2015  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** Banks and fiduciary services; money service businesses; insurance agencies; investment businesses; insolvency practitioners; trust and company service providers; charities and nonprofit associations; dealers in autos and yachts; dealers in precious metals, stones, and other high-value goods; real estate agents, notaries, lawyers, other independent legal advisers, and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2014

*Convictions:* 2 in 2015

**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](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:**

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 234 reports encompass all types of suspicious activities, including those of a financial nature.

From January through September 2015, the BVI Enforcement Committee reviewed 51 enforcement cases, resulting in seven administrative penalties, five license revocations, and four warning letters.

There is collaboration between BVI law enforcement and regional as well as U.S. law enforcement agencies, resulting in several successful operations targeting drug smuggling and drug dealing. There have been 25 money laundering related prosecutions and 15 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 UN 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 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. The BVI has implemented a register which would allow BVI competent authorities direct and immediate ownership information; however, this registry is not 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, as is its financial sector, and most currency is still held outside the formal banking system, although bank

deposits have increased over the past several years. The lack of financial transparency, the low risk of enforcement and prosecution, and the large illicit economy 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. Global Witness estimates the amount of jade extracted and exported to China through porous borders are annually in the tens of billions of dollars. Yet annual tax receipts from jade stand at approximately \$374 million - representing not even 2 percent of production. Both the smuggling and customs fraud involved are predicate offenses for trade-based money laundering. Most of the companies involved are either directly owned by the army, or operated by cronies with close ties to military and government officials.

Many Burmese, particularly emigrants remitting money from Thailand or Malaysia to family in Burma, have relied on informal money transfer mechanisms, such as hundi, a type of alternative remittance system that has been abused by criminal networks. Many business deals and real estate transactions are done in cash. Less than 15 percent of adults have a bank account. As a result of the cash-based economy and informal money transfer systems, it is very difficult for authorities to follow the money trail.

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 2015 joint Burma-UN Office of Drugs and Crime illicit crop survey reported that opium poppy cultivation decreased this year after having risen for eight consecutive years. 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. Although recent economic reforms have significantly increased competition and transparency, State-owned enterprises and military holding companies retain 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 a significant risk of narcotics proceeds being laundered through commercial ventures.

There have been at least five operating casinos, including one in the Kokang special region near China (an area the Burmese government does not control), that primarily have targeted 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.

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.

In November 2003, the United States identified Burma as a jurisdiction of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act, and issued a proposed rulemaking generally prohibiting U.S. financial institutions from establishing or maintaining correspondent accounts with Burmese financial institutions. This proposed rule was finalized on April 12, 2004. The U.S. took this action against Burma because of major deficiencies in its AML system.

Since 2011, Burma has been on the FATF Public Statement, the most recent of which is dated October 23, 2015, although the FATF no longer calls for countermeasures against Burma. To be removed from the blacklist, Burma must first complete all of the items in its action plan, agreed with the FATF in 2010. The FATF notes that Burma has made progress in implementing its action plan, including issuing new AML and CFT rules in 2015 and strengthening customer due diligence (CDD) requirements for the financial sector. Nevertheless, Burma still needs to address certain strategic AML/CFT deficiencies, including adequately criminalizing terrorist financing and implementing asset freezes pursuant to UNSCRs 1267 and 1373.

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:** Not available

**Number of CTRs received and time frame:** Not available

**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 2014 AML law criminalizes money laundering and defines predicate offenses. It also includes CDD requirements for all reporting entities. Regulations to implement the AML law were issued in September 2015. At the same time, regulations were issued to implement the counterterrorism law, also enacted in 2014. These regulations include provisions addressing the freezing of terrorist assets.

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. In 2014, the government awarded limited banking licenses to nine foreign banks. They have subsequently opened branches but are restricted to providing loans in foreign currency and are 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.

In 2013, Burma enacted a law that grants the Central Bank both independence and exclusive jurisdiction over monetary policy. However, the Central Bank will require substantial assistance

and additional resources to develop its capacity to adequately regulate and supervise the financial sector, which remains very limited.

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 focus on implementation of its requirements on KYC and CDD. The FIU should become an agency that functions without interference from other government offices on its core mission to receive and conduct analysis of suspicious financial information, and Burma should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. Burma should end all policies that facilitate corrupt practices and money laundering, and strengthen regulatory oversight of the formal financial sector, including by strengthening the independence of the Central Bank.

## **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 AML regime; its cash-based, dollarized economy; its outsized and inadequately-supervised banking and financial industries sector; its porous borders; and its unregulated or under-regulated non-financial sectors including, most significantly, the gaming and real property 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 avenues to convert ill-gotten cash. Bulk cash smuggling is recognized as a growing problem as is trade-based money laundering (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:*** 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:*** Not available  
***Number of CTRs received and time frame:*** Not available  
***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 in 2015  
***Convictions:*** 0 in 2015

***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=6>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism is a permanent and senior-level AML/CFT coordination and policy-setting body. In the last year, it has continued to be active in putting forward legal and policy reforms to tackle the country’s AML deficiencies. In December 2014, the Government of Cambodia revised Strategy 5 in the National Strategies on AML/CFT 2013-2017 by adding seven more actions to build the capacity of Cambodia’s Financial Intelligence Unit (CAFIU) and law enforcement agencies as well as to expand and strengthen cooperation among relevant domestic agencies in AML/CFT activities.

The law on AML/CFT excludes pawnshops 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.

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 2015, CAFIU was admitted to the Egmont Group. CAFIU received approximately 1,000 suspicious transaction reports (STRs) and approximately 2 million currency transaction reports (CTRs) in the first 10 months of 2015.

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. In addition, CAFIU oversight of financial institutions is weak. In response, the Government of Cambodia has established a Review Panel, led by the Counter-Terrorist Department of the General Commissariat of National Police, as part of the supplementary measures laid out in the National Strategies on AML/CFT 2013-2017. The Panel, which is comprised of CAFIU and relevant law enforcement agencies, serves as a mechanism to strengthen cooperation and improve information sharing among AML/CFT regulatory and law enforcement bodies.

Although gaming is illegal for Cambodian citizens, it is legal for foreigners in Cambodia. Cambodians often participate in illegal gaming. There are 57 legal casinos in the country. For example, the Cambodian town of Poipet, located along the Cambodia/Thailand border, has 10 casinos in operation. According to a UNODC report, more than 90 percent of the patrons in these casinos are Thai. No visa is required for Thai citizens, Thai baht is accepted, and daily return buses operate between Poipet and Bangkok and Pattaya, Thailand. As a result, large amounts of money flow through Poipet's casinos; it is estimated approximately \$12 million of cash destined for border casinos crosses the Poipet border every day. The casinos have weak to non-existent AML controls. Moreover, no casino located in Cambodia has ever submitted a cash or suspicious transaction report to CAFIU.

In 2015, Global Financial Integrity released a report analyzing data that shows, during the decade between 2004 and 2013, Cambodia lost at least \$15 billion to illicit financial outflows via TBML. Much of the wealth was shifted offshore. More than \$4 billion left the country in 2013 alone. TBML was also used to shift value into Cambodia. Most of the laundering was done via abusive trade mis-invoicing. TBML and customs fraud represent enormous income loss for the Government of Cambodia.

The Government of Cambodia should take further steps to implement adequate procedures for the confiscation of funds related to money laundering, ensure an effective CAFIU, and fully implement controls for cross-border cash movements. The government should continue its work to increase the volume and quality of reporting of STRs and CTRs from reporting entities of all types, but especially among those in high-risk sectors, such as casinos and participants in the real property industry. Given the high level of corruption and lack of public financial transparency,



the government also should require enhanced due diligence for domestic politically exposed persons (PEPs). Cambodia should work to strengthen control over its porous borders and crack down on customs fraud and TBML. The government should implement effective operational procedures both within and among affected agencies, and measure the effectiveness of these procedures on an ongoing basis. It should continue to undertake measures to increase the capacity of reporting entities, law enforcement and judicial agencies, and regulatory bodies. It also should 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, financial crimes, and fraud, notably capital markets fraud, commercial (trade) fraud, payment card fraud, and mass marketing fraud. The criminal proceeds laundered in Canada derive predominantly from domestic activity controlled by drug trafficking organizations and organized crime. Foreign-generated proceeds of crime also are laundered in Canada.

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, digital currency, and new payment methods; use of nominees; use of foreign bank accounts; and the use of professional services such as lawyers and accountants. The use of professional services is a key money laundering threat.

Canada does not have a significant black market for illicit goods. Cigarettes and counterfeit goods and software are the most commonly smuggled goods 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 engage in money laundering. Bulk cash smuggling is widespread.

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 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:** 92,531: April 1, 2014 - March 31, 2015

**Number of CTRs received and time frame:** 8,445,431: April 1, 2014 - March 31, 2015

**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:** 228: 2013-14

**Convictions:** 40: 2013-14

**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/countries/#Canada>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In July 2015, Canada published its national inherent risk assessment on ML/TF. The purpose of this report is to better identify, assess, and understand inherent money laundering and terrorist financing risks in Canada.

On July 4, 2015, the Government of Canada pre-published for public consultation amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations to strengthen its AML/CFT regime and improve its compliance with international standards. The proposed regulations introduce a number of regulatory amendments that are needed to enact some legislative amendments made in June 2014, as well as other standalone regulatory measures. The package of amendments would: expand the concept of politically exposed persons (PEPs) to include domestic PEPs and heads of international organizations; clarify the type of customer information reporting entities must obtain and keep as part of the customer due diligence process; clarify obligations to assess and document the risks associated with new technologies used by reporting entities; and expand the designated information that the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's financial intelligence unit, can disclose. Final publication for these amendments, scheduled for mid-2016, is required before the PEP provisions come into force. A new Security of Canada Information Sharing Act was

adopted in 2015 to facilitate the sharing of information between Canadian government agencies with regards to any activity that undermines the security of Canada, including terrorism.

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but additional enhancements to its enforcement and conviction capability would be beneficial. FINTRAC made 1,260 disclosures to law enforcement and other government agencies from April 1, 2014 to March 31, 2015. Of these, 923 disclosures were money laundering related, 228 were terrorism financing or security threat related, and 109 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, terrorist financing, and security threat investigations.

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. The government should further enhance its enforcement and conviction capability.

## **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 foreign criminal activity and involves fraud, tax evasion, and drug trafficking, largely cocaine. The offshore sector is used to layer or place funds into the Cayman Islands financial system. 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 30, 2015, the banking sector had \$1.398 trillion in international assets. As of September 2015, there are 193 banks, 151 trust company licenses, 118 company managers and corporate service providers, 740 captive insurance companies, six money service businesses, and almost 100,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, as of September 2015 there are approximately 11,215 mutual funds, of which 7,889 are registered, 2,830 are master funds, 395 are administered, and 101 are licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares are generally issued by exempt companies and must be immobilized.

Gambling is illegal. The Cayman Islands does not permit the registration of offshore gaming entities. The authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock in the jurisdiction. Cayman Enterprise City, as a Special Economic Zone

(SEZ), was established in November 2011 for knowledge-based industries, primarily Internet & Technology, Media & Marketing, Commodities & Derivatives, and Biotechnology. A potential area of vulnerability is in the commodities and derivatives sphere.

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, securities and investment businesses, 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:* 568: July 1, 2014 – June 30, 2015  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Banks, trust companies, investment funds, fund administrators, securities and investment businesses, 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:* 2: January 1 – October 31, 2015  
*Convictions:* 2: January 1 – October 31, 2015

***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 2015, the Cayman Islands released a draft money laundering self-risk assessment. The findings included outdated AML/CFT laws and regulations, weak supervision of nonprofits and non-financial organizations, and insufficient international cooperation.

The Cayman Islands Legislative Assembly passed the Proceeds of Crime (Amendment) Law 2015 on April 17, 2015. This amendment repeals section 5(1)(b) of the Proceeds of Crime Law (2014 Revision), replacing the Financial Secretary with the Chief Officer in the Ministry responsible for Financial Services, or the Chief Officer's designate, as a member of the Anti-money Laundering Steering Group.

The Department of Commerce and Investment now supervises real estate agents and precious metal dealers. The Government of the Cayman Islands reports that AML/CFT supervision will be enhanced for designated non-financial businesses and professions (DNFBPs) that trade or store precious metals and stones and financial derivatives and when trades occur within the SEZ. A Special Economic Zone (Amendment) Bill is expected to be presented to the Legislative Assembly in early 2016. The bill will allow for stronger due diligence and will authorize the Special Economic Zone Authority to request beneficial ownership information.

In 2015, the Financial Reporting Authority (FRA), the financial intelligence unit, cooperated with the United States on two cases regarding ongoing corruption investigations involving FIFA officials, which include several million dollars of fraud and money laundering schemes by entities with overseas connections. This has resulted in assets of the entities being reported frozen in various jurisdictions.

The Cayman Islands continues to develop its network of tax information exchange mechanisms and has a network of 36 signed information exchange agreements, with 29 in force. Pursuant to legislation and intergovernmental agreements, the Cayman Islands exchanged tax information with the United States in 2015, and will exchange information with the United Kingdom in 2016.

As a UK 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 UN 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.

The Cayman Islands reportedly is considering changes to its AML/CFT regime, including incorporating a risk-based approach in money laundering regulations; implementing a supervisory framework for DNFBPs and non-profit organizations, imposing administrative penalties for financial and DNFBP supervisors; incorporating tax crimes as a money laundering offense under the Proceeds of Crime Law; and increasing human resources for the FRA and the Financial Crimes Unit of the Royal Cayman Islands Police Service. The government should take

steps to adopt and implement these items. The Government of the Cayman Islands decided to continue its current non-transparent method when it comes to disclosing beneficial ownership information. The government should set up a public central register to bring together this information to facilitate access by law enforcement.

## **China, People's Republic of**

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 (TBML); manipulating invoices for services and the shipment of goods; purchasing valuable assets, such as real estate, art, and gold; investing illicit funds in lawful sectors; gaming; and exploiting 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. According to Global Financial Integrity (GFI), China leads the world in illicit capital flows as measured by trade mis-invoicing – a form of TBML. GFI estimates that approximately \$260 billion left the country in 2013.

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 private equity 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 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 2013 and Tianjin, Guangdong, and Fujian in 2015.

Chinese foreign exchange rules cap the maximum amount of yuan individuals are allowed to convert into other currencies at approximately \$50,000 each year and restrict them from transferring yuan abroad directly without prior approval from the State Administration of Foreign Exchange. A variety of money laundering techniques are used to circumvent the restrictions, including structuring, using networks of family and friends, transferring value with the help of loved ones emigrating abroad, overseas cash withdrawals using credit cards, TBML, underground remittance systems such as *fei-qian* or "flying money," and organized gaming junkets to Macau and elsewhere. Chinese organized crime is also involved. In addition to capital flight, a substantial amount of money is laundered through the purchase of overseas properties in places such as Vancouver, Sydney, London, San Diego, and New York.

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 *civily:* 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 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 2013, the People’s Bank of China published new guidance requiring Chinese banks to rate clients’ risks based on a variety of factors, conduct internal risk assessments by the end of 2015, and commence implementation of new internal control rules by January 1, 2015. To improve monitoring and reporting on suspicious transactions through bank cards, China issued a Notice on Further Strengthening AML Work on Bank Card Business. In 2015, Chinese authorities

issued guidelines for internet finance that include strengthened AML/CFT controls for internet finance operators.

In October 2015, the State Administration of Foreign Exchange (SAFE) published new rules to limit overseas cash withdrawals from credit cards, for the first time putting an annual cap on such overseas cash withdrawals through credit cards. In November, Chinese authorities arrested suspects for illegal foreign-exchange transactions totaling \$64 billion and announced a crackdown on underground banks that assist in the evasion of capital controls and the transfer of funds offshore.

In domestic cases, once an investigation is opened, all law enforcement entities and 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. Information about the implementation of the 2013 Criminal Procedure Law remains scarce.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. 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 the People's Republic of China should expand cooperation with foreign counterparts and pursue international AML/CFT linkages more aggressively. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used, in a transparent fashion, to support the investigation and prosecution of a wide range of criminal activity. China also should 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. China should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. The government should ensure all courts are aware of and uniformly implement mandatory confiscation laws.

## **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). In 2015 there was a reported uptick in the use of dirty money to influence local and national elections.

The postal money order and securities markets; the smuggling of bulk cash, gasoline, liquor, and household appliances; wire transfers; remittances; casinos, 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 used 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 Ecuador, 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 some 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 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 continuing its studies to better understand the incidents of suspicious transactions in "Chance" games, but it is a small organization with limited personnel and resources.

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.: 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:** 7,642: January – November 2015

**Number of CTRs received and time frame:** Not available

**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:** 73: January - October 2015

**Convictions:** 29: January - October 2015

#### **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 of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/Colombia\\_3era\\_Ronda\\_2008.pdf](http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/Colombia_3era_Ronda_2008.pdf)

#### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Key impediments to developing an effective AML/CFT regime are underdeveloped institutional capacity, limited interagency cooperation, 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. Despite the positive institutional step of a 2014 reorganization of the Colombian Attorney General's Office (AGO) to, among other moves, create a specialized investigative body with the technical, financial, and investigative expertise to successfully detect and investigate money laundering/terrorist financing cases, 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. There is also a limited pool of trained prosecutors, police, and investigators outside of Bogota who have the ability to successfully investigate and prosecute ML/TF cases. Additional training is required.

COLJUEGOS continues to make limited gains by 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 had stated its intention to address the “Chance” game issues, as well as other regulatory weaknesses, through stronger legislation, but new laws have yet to be passed.

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 AGO only. Although Colombia improved case coordination among the UIAF, prosecutors, and the Colombian National Police’s specialized judicial police units, the legal requirement that prosecutors conduct investigations means that many cases already investigated by UIAF must be re-examined by the AGO. This increases case processing time and adds unnecessarily to prosecutor caseloads.

Colombia’s 2014 Asset Forfeiture Reform Law, Law 1708, was designed to streamline the asset forfeiture process and was expected to reduce forfeiture case processing time. 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. Moreover, a recent decision by the Supreme Court introduces an additional step to the proceedings, requiring prosecutors to first appear before an arraignment judge before the case can continue to the higher courts. This is likely to cause further delays in the process. In 2014, the Colombian government also reorganized the body in charge of managing seized assets obtained under the new asset forfeiture law, which was intended to increase the speed by which these assets could be discharged and the funds disbursed to the appropriate government entities. However, the AGO still retains the right to seize certain assets. A lack of coordination between the two entities, as well as a lack of sound practices and standards in the seizure and management of assets by both organizations continues to be an impediment.

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 better convert the vast amount of available data into actionable information. The UIAF, in addition to regulatory agencies, should develop a mechanism for including prosecutors in its investigations from the start to ensure greater prosecutor participation and prosecutorial utility of the information gathered. Colombia should ensure appropriate training is provided to all officials involved in supervising, investigating, and prosecuting money laundering and terrorism financing. The government should increase the number of judges trained in money laundering and asset forfeiture, both in Bogota and in the regions where many of these cases occur.

## **Costa Rica**

Transnational criminal organizations increasingly favor Costa Rica as a base to commit financial crimes, including money laundering, as a result of its geographic location and other factors,

including limited enforcement capability. This trend raises serious concerns about the Costa Rican government's ability to prevent these organizations from further infiltrating the economy. As Costa Rica has shifted from a transit point to an operations base for regional narcotics trafficking organizations, the laundering of proceeds from illicit activities has increased. Proceeds from international narcotics trafficking represent the largest source of assets laundered in Costa Rica, although human trafficking, financial fraud, corruption, and contraband smuggling also generate illicit revenue. In 2015, the head of Costa Rica's intelligence agency, known as the DIS for its Spanish acronym, said that approximately \$4.2 billion annually is laundered in Costa Rica.

Much of the money laundering in Costa Rica is channeled through the country's nascent construction industry. Other sectors have been identified as vulnerable to exploitation by criminal organizations seeking to launder illicit proceeds, including both state and private financial institutions. Money/value transfer services, including money remitters, the casino industry, and the real estate sector, are also particularly susceptible. Various Costa Rica-based online gaming operations launder millions of dollars in illicit proceeds through the country and offshore centers annually. Authorities also have detected, however with less frequency, trade-based money laundering schemes. There have been no prosecutions related to terrorist financing, and measures to detect, investigate, and prosecute such financing are limited. Moreover, narcotics and arms trafficking linked to the Revolutionary Armed Forces of Colombia (FARC) and bulk cash smuggling by nationals from countries at higher risk for terrorist financing have been detected in recent years.

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:** 214: January – November, 2015

**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:** Not available

**Convictions:** 21 in 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. Its most recent mutual evaluation can be found at:

[http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/IEM%204ta%20Ronda/MER\\_Costa\\_Rica\\_Final\\_Eng%20\(1\).pdf](http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/IEM%204ta%20Ronda/MER_Costa_Rica_Final_Eng%20(1).pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Costa Rica has made progress in enhancing its AML/CFT legal and regulatory frameworks. In addition, the Attorney General's Office established a Money Laundering and Asset Forfeiture Bureau and collaborates well with U.S. law enforcement agencies investigating financial crimes related to narcotics and other crimes. However, Costa Rica remains deficient in a number of areas, including with respect to the financing of terrorism and implementing appropriate risk-based policies to mitigate the money laundering risks identified in its 2014 risk assessment.

The Attorney General's Office still has not successfully prosecuted any complex money laundering schemes, although 21 persons were convicted on related money laundering charges in 2014. Moreover, regulators have only sanctioned a few entities for non-compliance of AML/CFT obligations. The scarcity of convictions and sanctions raises concerns regarding Costa Rica's capacity to effectively detect, prevent, investigate, and prosecute money laundering crimes; and combat the sophisticated criminal enterprises operating in the country.

A number of successful investigations concluded in the United States in 2015 have ties to Costa Rica, including the conviction in North Carolina of an individual for conspiracy to commit money laundering and six counts of international money laundering concealment. The subject was involved in a telemarketing scheme in which his co-conspirators contacted U.S. residents from call centers in Costa Rica, falsely claiming they had won substantial cash prizes in "sweepstakes." To claim the cash prizes, the victims were instructed to send a purported

“refundable insurance fee.” The subject was identified as a person who facilitated the laundering of hundreds of thousands of dollars received from the victims and sent to co-conspirators in Costa Rica.

Costa Rica does not have an adequate legal framework for non-conviction-based asset forfeiture. Recent legislative proposals would remedy this deficiency and enhance Costa Rica’s ability to dismantle criminal organizations.

In 2015, Costa Rican officials presented a National Strategy to Counter Money Laundering and Terrorism Financing. The strategy is designed to address noted deficiencies and challenges, including the lack of regulatory oversight of designated non-financial businesses and professions (DNFBPs); the lack of transparency regarding beneficial ownership of legal entities; an inadequate sanction regime for noncompliance; and insufficient resources, including personnel, allocated to primary AML/CFT stakeholders. The Government of Costa Rica should implement the strategy. However, significant obstacles, including a divided legislature and a national budget crisis, could impede the devotion of the resources necessary to progress on the plan.

## **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. Curacao is considered a regional financial center and, due to its location, it is 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 illegal proceeds. Money laundering occurs through real estate purchases and international tax shelters. Laundering activity also occurs through wire transfers and cash transport among Curacao, the Netherlands, and other Dutch Caribbean islands and illegal underground banking. Bulk cash smuggling is a continuing problem due to Curacao’s close proximity to South America.

Economic activity in the free zones continues to decline. Curacao’s active “e-zone” provides e-commerce investors a variety of tax saving opportunities and could be attractive 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.

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:*** 510: January 1 – November 1, 2015  
***Number of CTRs received and time frame:*** 7,852: January 1 – November 1, 2015  
***STR covered entities:*** Banks, saving banks and building societies, money remitters and exchangers, financial leasing companies, credit associations, credit card companies, credit unions, life insurance companies, insurance brokers, securities broker/dealers, trust and company service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, auditors, jewelers and dealers in luxury goods, pawn shops, car dealers, real estate agents, administration offices, the Central Bank of Curacao and Sint Maarten, financial advisors, lotteries, online betting lotteries, dealers in precious stones and metals, construction material dealers, superannuation/pension funds, and administrators of investment institutions and self-administered investment institutions and investors

***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](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:***

Dutch Kingdom government agencies continue to work together to combat organized crime in the Caribbean region. In 2014, local law enforcement authorities, together with their counterparts in the Netherlands, launched a three-year program intended to fight economic and financial crimes. This program has resulted in various seizures and arrests.

In March and November 2015, Curacao passed new legislation that addresses money laundering vulnerabilities in the money remittance and currency exchange sector. Also, the prescriptive list of indicators was removed and replaced by one category of subjective indicators that is flexible enough to allow reporting entities to submit what could be considered a suspicious or unusual transaction. This indicator is: transactions where there is a cause to presume they may be related to money laundering or terrorist financing.

The investigation into money laundering allegations against a now former member of the board of the Curacao Lottery Foundation, who also is a major lottery operator, is ongoing. 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. Curacao's gambling industry is allegedly intertwined with the mafia. A former prime minister and a current member of parliament are also on trial 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) with 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 17,169 UTRs filed in 2015, as of November 1. From January 1 - November 1, 2015, there were 667 disseminated referrals to law enforcement agencies. On May 1, 2015, a new head of the FIU was appointed.

A few years ago, Curacao achieved a major result by confiscating funds from a Venezuelan drug trafficker who laundered criminal proceeds via Puerto Rico. As a result, in August 2015, U.S. authorities shared \$873,127.57 with Curacao, based on an asset sharing treaty. To amplify this success Curacao launched the "Confiscation and Asset Recovery Team Curacao."

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, investigate the underground banking phenomenon, and pursue 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 also should continue to 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 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 its financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. Cyprus’ preferential tax regime; double tax treaties with 55 countries, including the United States, several European countries, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a sophisticated telecommunications infrastructure; and EU membership all contributed to Cyprus’ rise as a regional business hub. As of October 31, 2015, there were 252,890 companies registered in Cyprus, many of which belong to nonresidents, particularly Russians. Many of these nonresidents moved their money from banks to investment companies. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the greatest money laundering vulnerability in Cyprus is primarily due to 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.

The Republic of Cyprus government is on track to successfully complete a three-year economic bail-out program with the “Troika” (IMF, European Commission, and the European Central Bank) by the end of March 2016. The Troika program has helped the government address fiscal imbalances, although restructuring of the banking sector remains a work in progress. Capital controls were fully lifted in April 2015, two years after their introduction, and confidence is

returning in the local banking sector. After almost four years of recession, the Cypriot economy started growing again in 2015, recording growth that could reach 1.5 percent, although unemployment remains high at approximately 15 percent.

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 *civily:* 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:*** 813: January 1 – November 16, 2015  
***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:*** 15: January 1 – November 11, 2015  
***Convictions:*** 24: January 1 – November 11, 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:*      *MLAT:* YES      *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Cyprus is a member of the Council of Europe 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](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. In 2015, despite the government-wide hiring freeze and caps on government spending, the Unit for Combating Money Laundering (MOKAS), the Republic of Cyprus's financial intelligence unit (FIU), hired two new staff members and continued to improve its analytical capacity. 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 2015, 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.

Cyprus has no provisions allowing non-conviction-based forfeiture of assets, except in the case of dead or absconded persons. 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.

Post financial crisis, Cypriot authorities and the public are paying increased attention to the need for transparency and avoiding questionable business practices. Cyprus should focus on enforcement and education, and maintain best business practices, particularly in light of plans to deregulate and establish a gaming industry.

**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 seven banks regulated by the "central bank" and 332 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 2015, 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; and 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:*** 664: January 1 – November 13, 2015  
***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:*** 9: January 1 – November 13, 2015  
***Convictions:*** 3: January 1 – November 13, 2015

***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 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.” 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.

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 still pending approval.

Banks and other designated entities are required to submit suspicious transaction reports (STRs) to the “FIU.” 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.”

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 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 weak financial controls 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 real estate and construction companies contribute to money laundering activities in the DR.

Financial institutions in the DR 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. The smuggling of bulk cash by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the Dominican Republic. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

Casinos are legal in the DR, and unsupervised gaming activity represents a significant money laundering risk. While the country has passed a law creating an international free trade 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:*** 8,043: January 1 - October 31, 2015

***Number of CTRs received and time frame:*** 644,787: January 1 – October 31, 2015

***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:*** 12 in 2015

***Convictions:*** 5 in 2015

***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 it was only in 2014 that the necessary legislative changes were made to eliminate a second FIU-like organization that may bring the legislative framework into compliance with Egmont Group rules. The Dominican Republic officially requested readmission to the Egmont Group in 2015.

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 United States and the DR do not have a bilateral mutual legal assistance agreement (MLAT) but do in fact use the MLAT process via multilateral law enforcement conventions to exchange data for judicial proceedings. The process is only used on a case by case basis.

The DR's weak asset forfeiture regime is improving, but does not cover confiscation of instrumentalities intended for use in the commission of money laundering offenses; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR Congress is currently reviewing legislation that would institute non-conviction based asset forfeiture and align the asset forfeiture regime with international standards.

The government should take steps to rectify continuing weaknesses regarding politically exposed persons (PEPs), 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.

## France

Due to its sizeable economy, political stability, sophisticated financial system and commercial relations, especially with Francophone countries, France is a venue for money laundering. Public corruption, narcotics and human trafficking, smuggling, and other crimes associated with organized crime are sources of 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 an informal economic sector, and underground remittance and 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:* 38,419 in 2014

*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:*** 464 in 2014

***Convictions:*** 424 in 2013

***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:***

Two months after the January 2015 attacks in Paris against the *Charlie Hebdo* weekly newspaper and a kosher supermarket, the government announced a counter-terror plan that includes eight principal CFT measures divided into three pillars that promote additional AML/CFT countermeasures.

The first pillar focuses on “identification” and aims at reducing anonymity in the economy in order to facilitate the tracking of suspicious transactions. In a decree published in June 2015 (effective September 1, 2015), France lowered the limit on cash transactions to €1,000 (approximately \$1,100) from €3,000 (approximately \$3,300). For non-residents, the limit on cash payments will be lowered from €15,000 (approximately \$16,500) to €10,000 (approximately \$11,000). Acquiring, reloading, and using prepaid cards also will become subject to new reporting requirements. In the first quarter of 2016, an identity document (ID) will be required to buy, use, or reload a prepaid card when the transaction exceeds €250 (approximately \$275). In France, identity cards are not currently verified for non-rechargeable cards of less than €250 (approximately \$275) or for rechargeable cards of up to €2,500 (approximately \$2,750).

The “surveillance” pillar is designed to increase the exercise of due diligence by the financial community. As part of this pillar “Nickel” accounts, low-cost financial accounts that can be opened at tobacco shops, will have to be registered in the centralized national bank account register as of January 1, 2016. There are approximately 80,000 Nickel accounts in France. Additionally, currently it is possible to exchange up to €8,000 (approximately \$8,800) in currency anonymously, but as of January 1, 2016, ID will be required for foreign exchange transactions exceeding €1,000 (approximately \$1,100). Furthermore, financial institutions will have to increase vigilance over “transactions of unusually high sums” by checking the origin of the funds, the recipient’s identity, and the grounds for the transaction. In November 2015, the French banking regulator, the Prudential Control Authority (ACPR) and TracFin, the French financial intelligence unit (FIU), issued new joint guidelines about vigilance and suspicious transaction reporting (STR) obligations. A decree will be enacted on January 1, 2016, requiring

banks to automatically notify TracFin of deposits and/or withdrawals of more than €10,000 (approximately \$11,200) in a month. The current obligation to inform French Customs of the physical transfer of funds to and/or from another EU country by natural persons when the amount exceeds €10,000 (approximately \$11,200) will be extended to apply to freight and express freight in the first quarter of 2016. A pending bill on “Freedom of Creation and Cultural Heritage” would combat illegal trade in cultural products, like antiquities.

The “action” pillar reinforces capacities created to freeze terrorist assets. This pillar expands the government’s ability to freeze the assets of entities or individuals deemed to be engaged in or planning terrorist acts. On November 23, 2015, the Finance Minister said TracFin would be authorized to track suspects’ financial activity in real time. He confirmed that asset freezes will apply to movable and immovable assets, and to social/welfare benefits. The financial market authority will see expanded capacities to sanction inside trading.

COSI, the Systematic Communication of Funds Transfer Information, is a system created to improve financial information available to TracFin from designated professionals and institutions. Effective in January 2016, COSI reporting will apply to transfers of more than €10,000 (approximately \$11,200) in 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 institutions from their obligations to submit STRs.

In February 2015, the ACPR updated its guidelines specific to the insurance sector. TracFin continues to examine ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. TracFin also continues its focus on tax and social benefits fraud.

The Government of France applies the 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. 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.

## 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. Germany allows the use of shell companies, trusts, holdings, and foundations that can help obscure the source of assets and cash.

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. Informal value transfer systems, such as hawala, are reportedly used by immigrant populations accustomed to

such systems in their home countries and among refugees paying for their travel to Europe/Germany. There is little official data on the scale of this activity.

Trends in money laundering include a decrease in cases involving financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions. Digital and cybercrime continue to challenge law enforcement. There are increasing cases of tax evasion, transnational collusive agreements and manipulations, and corruption and money laundering involving global financial institutions and corporations. 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 transactions 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:*** Combination  
***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 and company service providers; real estate agents; casinos; and persons trading in goods

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 24,054 in 2014

***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 and company service providers; real estate agents; casinos; and persons trading in goods

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 992 in 2013

***Convictions:*** 882 in 2013

***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:***

On June 20, 2015, amendments to the German Criminal Code entered into force to implement UNSCR 2178. The changes supplement prior legislation from 2009 outlawing certain “preparatory terrorist actions” such as attending training camps abroad, categorizing travel and attempted travel as such preparatory actions. They specifically criminalize all forms of terrorism finance, including financing of terrorist travel.

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 \$109,500) 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 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. Such assets generally may be held for one year, but extensions are possible.

In 2015, German bank Commerzbank agreed to pay a \$1.45 billion fine for failing to comply with U.S. sanctions laws and AML regulations. According to the investigation, between April 2006 - January 2010 Commerzbank employees purposely tried to mislead regulators about the identity of Iranian and Sudanese entities related to more than \$253 billion in dollar clearing transactions. In addition, bank employees sought to alter the bank’s transaction monitoring system so it would create fewer ‘red flag’ alerts about potential misconduct.

The government should consider strengthening the provisions on tipping off and the regulations on domestic politically exposed persons (PEPs).

## **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 – especially tax related – have increased in recent years. Criminal organizations, some with links to terrorist groups, are trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds 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 imposition of capital controls in June 2015 has limited, but not halted, the widespread use of cash, which facilitates a gray economy as well as tax evasion, although the government is trying to crack down on both trends. The government is working to establish additional legal authorities to combat tax evasion. 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.

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; credit companies, electronic money institutions, financial leasing and factoring companies; money exchanges and postal companies acting as intermediaries for funds transfers; stock brokers, investment services firms (including portfolio investment and venture capital), and collective and mutual funds; life insurance companies and insurance intermediaries; chartered accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos and

gambling enterprises (including internet casinos); 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:* 5,198: January 1 – November 11, 2015

*Number of CTRs received and time frame:* Not applicable

*STR covered entities:* Banks; credit companies, electronic money institutions, financial leasing and factoring companies; money exchanges and postal companies acting as intermediaries for funds transfers; stock brokers, investment services firms (including portfolio investment and venture capital), and collective and mutual funds; life insurance companies and insurance intermediaries; chartered accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos and gambling enterprises (including internet casinos); auctioneers, dealers in high-value goods and pawnbrokers; notaries, lawyers, and trust and company service providers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 328: January 1 – November 11, 2015

*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:**

Austerity measures in the budget have affected all government agencies, including the financial intelligence unit (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. The agency is currently in the process of upgrading its IT software and hardware. Once Greece transposes into law the EU's new AML directive, the government will be required to take several implementation steps on politically exposed persons (PEPs), the registry of beneficial owners, and the preparation of a National Risk Assessment. It is unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece has obtained opinions from legal experts who deem it is not possible to implement corporate criminal liability in Greece because it is contrary to fundamental principles of the Greek civil law legal system. Greece has determined this opinion is sufficient and will not take any further action. However, many civil law countries have introduced corporate criminal liability.

Capital controls have not affected the quality of suspicious transactions reports (STRs) banks submit to the FIU. However, capital controls have increased procedural requirements for bank

compliance officers. Greece has not adopted a system for reporting large currency transactions. Greece requires transactions above €1,500 (approximately \$1,650) be executed with credit cards, checks, or cashier's checks, and all business-to-business transactions in excess of €1,500 (approximately \$1,650) 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 \$110,040) 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. The government should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. Greece should make legal persons subject to criminal sanctions for money laundering. The government should ensure domestic PEPs are also subject to enhanced due diligence, ensure 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. While the AML/CFT law contains provisions allowing for civil asset forfeiture and the Greek authorities make use of the relevant legislation, Greece should take steps to ensure a more effective confiscation regime. Greece also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

## **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. However, beginning in April 2015 numerous corruption cases at the highest levels have shed a new light on money laundering, launched new criminal investigations, and forced a sitting president, vice president, and other leading lawmakers to resign and await criminal trials from prison. The scandal known as "La Linea" involved trade-based money laundering and customs fraud; importers paid millions of dollars in bribes to avoid huge customs tax payments.

With the "La Linea" corruption scandal acting as a catalyst, the UN-backed anti-impunity body, the International Commission against Impunity in Guatemala (CICIG), and the Public Ministry turned their attention toward pursuing more regional politicians who have long enjoyed impunity, despite multiple accusations of malfeasance. In a 2015 report, the CICIG asserts that Guatemala's political parties derive half of their financing from corruption or from criminal groups. Politicians create corrupt networks sourcing illicit funds from kickbacks, bogus public works contracts, and occasional alliances with local drug traffickers. Over the last few decades, organized crime groups – particularly those involved with narcotics trafficking – have infiltrated politics through money and violence. Meanwhile, wealthy elites and businesses have privately

financed candidates and political parties to gain access to public resources and pursue special interests. Money collectors the CICIG calls “recaudadores” are responsible for handling dirty money within these networks, in order to influence both local and national politics.

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. Money laundering occurs in the real estate sector, ranching, and concert business. Law enforcement agencies report money laundering occurs via 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.

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 among 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, trafficked persons, and illicit proceeds of crime. As a result of this agreement, Guatemalan customs officials are not requiring travelers crossing their land border to report cash in amounts greater than \$10,000, as required by law.

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 six “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 17 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. A significant number of remittances are transferred through money service businesses and may be linked to the trafficking of persons.

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; real estate agents, lawyers, notaries, and other independent legal professionals; and churches that receive funds from the Government of Guatemala

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 1,013: January 1 - October 31, 2015  
*Number of CTRs received and time frame:* 8,194,138: January 1 - September 30, 2015  
*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, brokers, and independent 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:* 41: January 1 – November 13, 2015  
*Convictions:* 41: January 1 – November 13, 2015

***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 of 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](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:***

As a result of the “La Linea” corruption scandal, banks are increasingly facing pressure and fines for failing to complete suspicious transaction reports, in some cases allegedly directly linked to money laundering activities and customs fraud. However, fines for irregular bank activities are

small. Additionally, the Special Verification Agency (IVE), which is the Guatemalan financial intelligence unit, and banks themselves are taking a more careful look at bank transfers. The IVE is also looking into money wiring services for suspicious activities.

Recent multiple arrests for corruption and more aggressive law enforcement appear to be bringing down the levels of illicit cash moving through the international airport in Guatemala City. The recent appointment of a full-time prosecutor assigned to the airport has helped in these efforts. Additionally, there is a special police unit that works at the airport 24/7. There is no indication of terrorist financing activities.

A 2010 regulation establishes limits for cash deposits in foreign currency. According to law enforcement authorities, banks' purchases of foreign currency declined 6.8 percent in 2014 and 6.9 percent during the first nine months of 2015 in relation to the same period in the previous year. Structuring of transactions to avoid cash reporting requirements is not against the law in Guatemala.

Guatemala's AML law does not cover all designated non-financial businesses and professions (DNFBPs) included in 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. Tipping off is not criminalized.

Although staffing of the IVE has increased over the last several years, as has the number of filed Suspicious Transaction Reports (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 (AGO), staff may hamper these authorities from enforcing the law and successfully prosecuting more cases. Furthermore, the AGO has too many cases and no case management system, leading to a lack of prioritization and years-long backlog of cases and seized assets. Currently, \$15.1 million of seized cash sits in a vault at the Public Ministry, related to cases dating back to 2008.

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 consideration by Congress for the last few years. Guatemala should amend its AML/CFT legislation to criminalize structuring of transactions and tipping off, cover all applicable DNFBPs, and protect filers of STRs from liability. The Government of Guatemala should continue its efforts to shed light on entrenched corruption and investigate and prosecute organized criminal groups and others that attempt to exert control over politicians and political parties via tainted funds.

## **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. In terms of volume, most criminal proceeds arise from foreign predicate offenses; domestic criminal activity, such as drug trafficking, yields the highest overall number of money laundering cases. The principal area of concern or vulnerability remains the risk of abuse of the financial sector to launder the proceeds of overseas criminal activity, primarily financial 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 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:*** 3 in 2015  
***Convictions:*** 3 in 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** MLAT: NO ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

Through a resolution of the Council of Europe, Guernsey formally participates in the mutual evaluation procedures of the Council of Europe 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/Guernsey\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Guernsey_en.asp)

***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 and the small number of money laundering convictions raise questions concerning the effective application of money laundering provisions.

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances. A formal asset sharing agreement between Guernsey and the U.S. Department of Justice was signed in February 2015.

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; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to include Guernsey in 2014.

**Guinea-Bissau**

Guinea-Bissau entered its second year of constitutional democratic governance in 2015. After months of simmering political tensions between the president and prime minister, the president dismissed the prime minister in August. The country remained without a government until October, when the president approved a slate of ministers (the majority from the previous government) submitted by the new prime minister. The current Government of Guinea-Bissau has once again committed itself to continue a program of security, judicial, and financial reform and has sought and received assistance from international partners.

Despite these initial efforts on the part of the Bissau-Guinean government, the conditions that led to the labeling of Guinea-Bissau as a "narco-state" persist. The offshore location, lack of government presence, and inability to monitor shipping traffic of the 88 islands that make up the Bijagos Archipelago, combined with a military that is complicit in narcotics trafficking and is largely able to sidestep the authority of the civilian government with impunity, continue to make the country a favorite transshipment center for narcotics. 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.

The formal financial sector is undeveloped, poorly supervised, and dwarfed by the size of the unregulated 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. The government generally lacks effective financial management systems.

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 in April 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 José Américo 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 arrest of Na Tchuto and the outstanding arrest warrant issued from United States District Court, Southern District of New York against General Antonio Indjai, then Chief of The Guinea-Bissau Armed Forces, underscore the extent of complicity with drug trafficking at the highest levels of government. The September 2014 dismissal of Indjai by President Vaz was a positive indicator of increasing civilian authority over the military that, as noted above, has engaged in high-level drug trafficking activity with impunity. Camara continues as Air Force Chief of Staff and as a key advisor to President Vaz as member of the Council of State.

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:** Not available

**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, 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/Guinea-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, owing in part to the lack of resources, analytical staff, and technical equipment, among many other issues.

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 has established an inter-ministerial committee to review administrative freezing decisions. Guinea-Bissau has a legal framework for freezing terrorist assets pursuant to

UNSCRs 1267 and 1373, but there appear to be unnecessary delays in the notification and freezing process that should be eliminated.

Guinea-Bissau should domesticate and implement the Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU) which was adopted in July 2015. Further, Guinea-Bissau should continue 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 money laundering/terrorist financing 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 money laundering, criminalizing the provision of funds to an individual terrorist for any purpose, examining the feasibility and usefulness of a currency transaction disclosure system, implementing its regulations on the cross-border movement of cash and bearer negotiable instruments, 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, primarily via maritime routes. 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 held in financial institutions outside of Haiti or non-financial entities in Haiti, such as restaurants and other small businesses. A great majority of property confiscations to date have involved significant drug traffickers convicted in the United States. Illicit proceeds are also generated from corruption, embezzlement of government funds, smuggling, counterfeiting, kidnappings for ransom, illegal emigration and associated activities, and tax fraud.

Foreign currencies comprised 59.77 percent of Haiti's bank deposits in August 2015, according to the Haitian Central Bank, a 2.98 percent increase 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

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 0 in 2015  
*Convictions:* 0 in 2015

***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 FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gaifc.org/index.php/member-countries/d-m/haiti>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Haiti continues to take steps, such as training staff and coordinating with the nation’s banks, to implement a new AML/CFT regime based on legislation passed in 2013. Implementation of the law is in its early stages. Similarly, in May 2014, the Executive signed a long-delayed anti-corruption bill. After years of delay, the bill’s passage constitutes a positive step to try to address public corruption. Implementation issues remain. Frequent changes in leadership, fear of reprisal at the working level, rumored intervention from the Executive, and a lack of judicial follow-through (prosecutions) make implementation particularly difficult.

The country’s financial intelligence unit (FIU), the UCREF, has continued to build its internal capabilities and to do effective casework. The UCREF has fifteen open cases but has not forwarded any cases to the judiciary in 2015. Continued issues in the judicial sector mean the UCREF’s progress is not yet reflected in conviction rates. Once a case is received an investigating judge has two months from the arrest date 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.



The government remains hampered by ineffective and outdated criminal codes and criminal procedural codes, and by the inability or unwillingness of judges and courts to address cases referred for prosecution. Draft criminal and criminal procedural codes that would address these problems were recently completed by a presidential commission. The codes will be reviewed based on input from judicial authorities throughout Port-au-Prince. The codes must receive the commission's approval before they go to Parliament for approval.

Haiti should adopt the draft criminal and criminal procedural codes to address noted deficiencies. The government 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. Haiti also should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments. Casinos and other forms of gaming should be regulated and monitored. The Government of Haiti should take steps to combat pervasive corruption at all levels of Haitian government and commerce.

## 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 December 31, 2014, Hong Kong's stock market was the world's seventh largest, with \$3.9 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 the primary offshore renminbi (RMB) financing center, accumulating the equivalent of over \$158 billion in RMB-denominated deposits at authorized institutions as of September 2015. 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 and underground finance. 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:* 30,028: January 1 – September 30, 2015  
*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 - September 30, 2015  
*Convictions:* 99: January 1 - September 30, 2015

***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/publications/mutualevaluations/documents/mutualevaluationofhongkongchina.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

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.

In 2015, there was a U.S. indictment demonstrating how South America’s drug cartels use banks in Hong Kong and mainland China to launder the proceeds of their multibillion-dollar global narcotics trade. The laundering enterprise, led by Colombian nationals and based in Guangzhou, China, laundered more than \$5 billion through bank accounts in China, with some money flowing through Hong Kong, on behalf of drug trafficking organizations to fund purchases of counterfeit goods in China, which were then shipped to Colombia and elsewhere for resale.

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 with 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 that include fraud, cybercrime, identity theft, money laundering, and terrorism financing. India's porous borders and geographic 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 generates and conceals illicit proceeds. The most common money laundering methods include opening multiple bank accounts to hide funds, 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 problem, as criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of foreign and domestic terrorist groups. 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 hawala 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 March 2015, there were 202 SEZs in operation, and 413 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:* 76,149: July 2014 - April 2015

*Number of CTRs received and time frame:* 5,612,751: April 2014 - March 2015

*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:*** 174: July 2014 - May 2015

***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. While 2012 amendments to the Prevention of Money Laundering Act (PMLA) widen the definition of money laundering, the government has not changed its enforcement model. Observers and law enforcement professionals express concern about effective implementation and enforcement of the current laws, especially with regard to criminal prosecutions. Between July 2014 and April 2015, legal action against properties worth \$769 million were confirmed at the initial level of appellate review. 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. Reportedly, a predicate offense is usually needed in order for a money laundering investigation to be truly successful, particularly in terms of sentencing. Money laundering investigations without a predicate offense are rarely successfully prosecuted in the Indian judicial system and even if they are, the resulting punishment is often minimal. 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. A positive development is a significant increase in the reporting of suspicious transactions relating specifically to terrorist financing, especially with respect to transactions not involving sanctioned individuals and entities.

In October 2015, India began implementing its controversial Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act in an attempt to fulfill the government's electoral promise to repatriate to India previously undisclosed and non-taxed financial assets. Some tax analysts and members of the business community call the new law draconian, given its potential for 10-year jail terms, hefty financial penalties, and lack of immunity from prosecution. India's tax department has attempted to allay taxpayer fears of harassment and corruption by assigning enforcement responsibilities to senior officers and publicly clarifying the Act's guidelines before any action is taken.

According to Global Financial Integrity, over the last decade India is one of the top four countries worldwide regarding the level of illicit financial outflows primarily based on TBML and abusive trade mis-invoicing.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely at 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. In 2015, the U.S. Drug Enforcement Administration worked a joint money laundering investigation with Indian counterparts that resulted in a series of arrests of Indian nationals involved in the laundering of narcotic proceeds derived from international drug trafficking organizations. These individuals had substantial money laundering ties to the United States and are currently pending trial in the Indian judicial system.

Although India is showing increasing capacity with regard to extradition, U.S. requests for extradition continue to be hampered by long delays which make the process of obtaining a fugitive from India slow. As with extradition, India is demonstrating gradually increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges which limit their ability to provide assistance.

India should consider the regulation of traditional money or value transfer services and further facilitating the development and expansion of new payment products and services, including mobile banking. 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 should address noted shortcomings in the criminalization of both money laundering and terrorism financing, as well as its domestic framework for confiscation and provisional measures. The government should ensure all relevant designated non-financial businesses and professions comply with AML/CFT regulations. 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. The Government of India should seek to use data and analytics to systematically detect trade anomalies that could be indicative of customs fraud, TBML, and perhaps counter-valuation in hawala networks.

## **Indonesia**

Indonesia has a growing formal financial sector with approximately 120 commercial banks. While not a major regional financial center, 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, indigenous terrorist groups, which obtain financial support from both domestic and foreign sources, are present in the country. These include Jemaah Islamiyah (JI), and a loose network of JI spin-off groups, including Jemaah Anshorut Tauhid and others, such as the Eastern Indonesia Mujahedin.

Most money laundering in Indonesia is connected to drug trafficking and other criminal activity such as corruption, tax crimes, illegal logging, wildlife 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 progress in combating official corruption via its Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

Indonesia first appeared on the FATF Public Statement in February 2012. The FATF removed Indonesia from this statement in February 2015, based on Indonesia's passage of key legislation criminalizing the finance of terrorism, and its implementation of terrorist asset freezing pursuant to UNSCRs 1267 and 1373.

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:*** 52,228: October 1, 2014 - September 30, 2015

***Number of CTRs received and time frame:*** 1,899,334: October 1, 2014 - September 30, 2015

***STR covered entities:*** Banks and finance 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:*** 138: October 1, 2014 - September 30, 2015

***Convictions:*** 65: October 1, 2014 - September 30, 2015

***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/documents/search-results.aspx?keywords=Indonesia>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In comparison to 2014, in 2015 there was a sizeable increase in the number of suspicious transaction reports (STRs) filed, as well as prosecutions and convictions. In the last year, Indonesia has prosecuted 13 terrorist finance cases and achieved nine convictions.

Indonesia's financial intelligence unit (FIU), known as the PPATK, works closely with the Indonesian central bank to oversee and implement Indonesia's AML regime. Indonesia is in the process of finalizing its National Risk Assessment identifying key money laundering and terrorism finance risks in the country. Indonesia should focus on vulnerabilities in the non-profit sector, particularly monitoring of charitable giving. PPATK has also noted its intent to focus on informal money transfer systems and networks, such as hawala networks and remittances, and to continue its work on other AML/CFT risks it has identified, such as those related to land registry, capital markets, insurance, car dealerships, and beneficial ownership.

In 2015, Indonesia adopted an inter-ministerial joint regulation to further implement asset freezing as required under UNSCRs 1267 and 1373. While Indonesia continues to issue orders to freeze the assets of all UNSCR 1267/1989 sanctioned individuals and entities, it is working to implement an electronic delivery and signature system so that all needed parties can sign off on new UNSCR 1267 list changes within the three working days cited in the joint regulation, and ensure its freezing process is "without delay." In February 2015 the Government of Indonesia authorized the freezing of terrorist-linked bank accounts. PPATK, Bank Indonesia (the central bank), and OJK (the financial services agency) should better define roles and responsibilities in order to better address compliance and asset freezing.

Indonesia should strengthen its cross-border currency reporting requirements by enacting laws to counter money laundering schemes whereby individuals divide large amounts of currency or monetary instruments, with each person or package carrying an amount under the declaration threshold to circumvent reporting requirements. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions. Indonesia should continue to develop investigative resources and intelligence to better combat international organizations engaging in



money laundering and terrorism finance while it struggles to identify and seize proceeds of crime domestically or outside its borders.

## Iran

Iran is not a financial hub, but the imminent lifting of sanctions, including financial sector sanctions, pursuant to the Joint Comprehensive Plan of Action (JCPOA), could expand Iran's regional financial significance, as investors and companies explore opportunities for new deals in Iran. 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 also 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. Iran's Minister of Interior estimated in February 2015 that the combined value of narcotics trafficking and sales in Iran is worth \$6 billion annually. 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. Around 400,000 Iranians reside in Dubai, with an estimated 50,000 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 Iran's 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. 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 Asad 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.

Following the lifting of sanctions pursuant to JCPOA, Iranian financial institutions are expected to have access to financial messaging services. In recent years, international sanctions had curtailed Iran's ability to send and receive international wires. While nuclear sanctions will be lifted following JCPOA implementation, the United States will continue to enforce sanctions targeting Iran's support for terrorism, destabilizing regional activities, and ballistic missile 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.:*** 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 (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 that include legislation and more than a dozen Executive Orders (E.O.s). Noteworthy actions taken against Iran under E.O.s include designating one state-owned Iranian bank (Bank Saderat and its foreign operations), which were

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).

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 2015, 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 2015 Public Statement, said it remains concerned about Iran's failure to address the risk of terrorist financing, and the threat this poses to the integrity of the international financial system. 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.

## 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 hawaladars. 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. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Iraqi law enforcement and bank supervisors do carry out financial investigations and levy regulatory fines, but have poor capabilities to detect and halt illicit financial transactions.

Since June 2014, 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 the central government's control. The Central Bank of Iraq (CBI) has taken a number of steps to cut off financial connectivity to ISIL, including by issuing a national directive to prohibit financial transactions with banks and financial companies located in ISIL-controlled areas and publishing a list of companies prohibited from accessing the U.S. currency auction and have revoked the licenses of others. However, the CBI lacks adequate personnel and technical capacity to fully monitor financial entities operating in Iraq and routinely encounters difficulty engaging other parts of the Government of Iraq during its investigations. To overcome these challenges, the CBI has requested technical assistance from international donors.

Smuggling is endemic, often involving consumer goods, including cigarettes, counterfeit prescription drugs, antiquities, and petroleum products. ISIL has been able to take advantage of insufficient law enforcement capacity to smuggle and illicitly trade 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 it, along with increasing kidnappings for ransom, continues to be a growing concern to Iraqi authorities. Extortion is rampant in ISIL-controlled areas. Corruption is pervasive at 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 and is linked to underground financial systems such as hawala.

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, and investment advisers; and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 18 in 2015  
***Number of CTRs received and time frame:*** 11,863 in 2015  
***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, and investment advisers; and dealers in 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:*** 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](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 endemic corruption, 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.

In January 2014, the Government of Iraq started to implement the first phase of a 2010 tariff law that will eventually replace the across-the-board 5 percent tariff rate enacted more than a decade ago, with a much broader scale of some lower, and mostly higher tariff rates. Implementation thus far has been inconsistent and variable. In August 2015, the Prime Minister's Office halted the implementation of phase two after popular protests in Al Basrah Province.

In October 2015, Iraq passed a new AML/CFT law. The new law, while an improvement on the 2004 law, will require extensive implementing regulations to ensure it is compliant with international standards. The CBI is working with international donors to draft the necessary regulations. The new law makes a number of improvements to Iraq's AML/CFT regime. It establishes an AML/CFT Council that will be chaired by the CBI Governor and will include representatives from a number of Iraqi executive bodies. Broadly, its duties will focus on proposing new laws and developing needed AML/CFT regulations; monitoring and reporting on AML/CFT developments in Iraq; and facilitating the exchange of information across regulatory bodies.

A new AML/CFT Office will act as Iraq's financial intelligence unit (FIU), replacing the current Money Laundering Reporting Office (MLRO) at the CBI. The AML/CFT Office will analyze and compile information related to illicit financial flows and will be empowered to suspend transactions for up to one week to help ensure timely action against suspicious activity. Currently, in practice, very few suspicious transaction reports (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 filing reports.

A CBI deputy governor will chair a new committee empowered to freeze the funds and assets of individuals designated by UN sanctions. The new law also allows for the seizure of illicit funds. It permits the judiciary to seize ML/FT-related assets at the request of the public prosecutor, the CBI Governor, or the AML/CFT Office. Furthermore, the law sets penalty standards and dictates the scope of punishment for violating AML/CFT provisions. Money laundering will be punishable by up to 15 years in prison and a fine of up to five times the amount of the illicit transaction; terrorism finance will be punishable by up to life in prison.

The 2015 law strengthens supervisory authorities. A number of ministries including the Ministry of Trade and the CBI will be granted powers to develop inspection procedures and standards and to issue guidelines to assist financial institutions with complying with the new regulations. It also increases the obligations of financial institutions. Banks and financial companies will be required to report regularly to the AML/CFT Office and to establish compliance programs to reduce the potential for illicit financial flows. Financial institutions must also follow customer due diligence (CDD) and KYC procedures for opening new accounts. The implementation of the new AML/CFT law should help to increase the regulation and supervision of the financial sector, but the capacity of the regulatory authorities is limited, and enforcement is subject to political constraints. The CBI lacks adequate personnel and technical capacity to fully monitor financial entities operating in Iraq and routinely encounters difficulty engaging other parts of the government during its investigations. Informal money and value transfer systems such as hawala operate outside the scope of CBI control. In practice, despite 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.

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. The new law will likely help empower prosecutions.

Greater overall coordination between the Government of Iraq and the Kurdistan Regional Government is needed to regulate financial transactions, crack down on smuggling networks, and cooperate on AML/CFT efforts. Kurdistan officials report they are abiding by Iraq's AML law, and there are initial efforts underway by the Central Bank of Iraq to increase supervision of the exchange house sector in Kirkuk. Moreover, Kurdish customs requirements are less stringent than Iraq's, which risks enabling the smuggling of illicit and counterfeit goods into Iraq. The Government of Iraq should put in place the necessary regulations to fully implement and enforce its new AML/CFT law. 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.

## **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 responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government has actively encouraged the diversification of its economy, offering incentives to high-technology companies and financial institutions that locate on the island. Consequently, it now hosts a wide range of sectors including aviation and maritime services, clean-tech and bio-tech, creative industries, e-business and e-gaming, high-tech manufacturing and tourism.

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. Predicate offenses to charge money laundering are minimal within the jurisdiction; however, there is concern over value-added tax crimes and the growing risk of cybercrime in its various forms, including identity theft and internet abuse.

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; portfolio, and asset managers; estate agents; auditors, accountants, tax advisors, lawyers, and notaries; insurance companies and intermediaries; payroll agents; casinos and bookmakers; high-value goods dealers and auctioneers; safe custody facilities for cash or liquid securities

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,321 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:*** 3 in 2014

**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), a FATF-style regional body. MONEYVAL has not yet evaluated the IOM.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2015, the IOM carried out its first AML/CFT national risk assessment with the assistance of an international donor. Isle of Man legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct and to obtain information about that person's financial affairs. There are statutory powers to restrain and recover criminal assets in response to domestic and external requests.

In 2015, the Government of the Isle of Man amended the Proceeds of Crime Act 2008 so it covers bitcoin companies, such as exchanges, operating from the island. The Terrorism and Other Crime (Financial Restrictions) Act 2015 came into effect on January 1, 2015; this Act consolidates, updates, and strengthens previous IOM legislation. The Anti-Money Laundering and Countering the Financing of Terrorism Code 2015, which updates and replaces the 2013 Code, came into effect on April 1, 2015. The Designated Businesses (Registration and Oversight) Act 2015 came into effect on October 26, 2015; the Act provides for designated non-financial businesses and professions to be registered with the IOM's financial services regulator and for there to be appropriate oversight of these bodies for AML/CFT purposes. The IOM's financial services regulator is now the Isle of Man Financial Services Authority following the merger of the Financial Supervision Commission and the Insurance and Pensions Authority on November 1, 2015.

There is limited evidence from suspicious transaction reports (STRs) of suspicion that money from domestic public corruption is being passed through accounts on the IOM. Five of the 1,321 STRs filed in 2014 related to bribery and corruption. The financial intelligence unit believes there are few indications that trade-based money laundering occurs in the IOM.

Recognizing that the nature of tax cooperation has evolved and automatic exchange of information is becoming the global standard, the IOM is making commitments to international co-operation for tax purposes. It has had a Tax Information Exchange Agreement with the United States since 2004 and has a strong working relationship with the Internal Revenue Service. The IOM has a similar intergovernmental agreement with the UK.



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 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 being more a market destination for narcotics than a transit country. 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, the Postal Bank, money service businesses (MSBs), dealers in precious stones, lawyers and accountants, and trading floors (foreign exchange dealers)

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 48,116: January 1 – October 25, 2015

**Number of CTRs received and time frame:** 1,271,180: January 1 – October 25, 2015

**STR covered entities:** Banking corporations, credit card companies, trust companies, members of the stock exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, MSBs, the Postal Bank, dealers in precious stones, and trading floors

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 121: January 1 – October 31, 2015

**Convictions:** 27: January 1 - October 31, 2015

**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](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

MSBs became required to implement customer due diligence (CDD) requirements as of March 30, 2015. As of September 15, 2015, dealers in precious stones became subject to CDD and as of September 15, 2016 will become subject to suspicious transaction reporting (STR) requirements. Lawyers and accountants became subject to CDD requirements as of September 2, 2015. Additionally, on November 4, 2015, the AML/CFT regime was applied to trading floors. While there is no legislative requirement for enhanced due diligence for domestic politically exposed persons (PEPs), banking corporations and the Postal Bank apply such procedures.

On July 27, 2015, the Knesset (parliament) approved in its first reading a bill for the reduction of the use of cash. On August 26, 2015, a governmental draft bill for the supervision of “financial service businesses” was published, establishing a new regulator that will supervise the different financial services provided by MSBs, including non-bank loans.

On October 10, 2015, the Knesset approved in its first reading a bill which lists serious tax crimes as predicate offenses for money laundering. This also will enable dissemination of information from the Israel Money Laundering Prohibition Authority (IMPA), under the Ministry of Justice, to the Israel Tax Authority.

On October 20, 2015, the Minister of Justice authorized for publication a draft bill to amend the Prohibition on Money Laundering Law that includes changes to money laundering offenses regarding property and instrumentalities involved in money laundering and related penalties. The bill also extends the definition of beneficial owners to cover legal persons and to clarify the definition of a controlling person.

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.

The Financial Intelligence Unit, under the IMPA, 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 the eighth-largest in the world and the third-largest in the Eurozone. Its financial and industrial sectors are diversified. The proceeds of domestic organized crime groups, especially the Camorra, the 'Ndrangheta, and the Cosa Nostra, compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

In 2015, the Bank of Italy (BOI) said that suspicious bank transactions increased 10 percent to a record high as the pervasive problems of organized crime, corruption, and tax evasion were exacerbated by a three-year economic slump. The financial downturn has given cash-rich mafia groups the opportunity to tighten their grip on the economy. As banks reduce lending, the criminal networks simultaneously boost their investments into various economic sectors.

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 evasion and value-added tax fraud, smuggling and sale of counterfeit goods, extortion, corruption, illegal gambling, and loan sharking. Based on limited evidence, the major sources of money for financing terrorism seem to be narcotics trafficking, petty crime, document counterfeiting, and smuggling and sale of legal and contraband goods. According to the most recent official estimate (2014), the total size of Italy's black market is estimated to be 12.4 percent of GDP (approximately €210 billion or \$229 billion). The actual share may be larger. A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest use of the black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore.

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; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies and intermediaries; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; 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:*** 71,758 in 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 and intermediaries; agencies providing tax collection services; educational institutions of all levels; companies and state administrations in autonomous regions, provinces, municipalities, mountain communities and their associations; companies and institutions of the national public health system; the metropolitan city administrations; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; 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:*** Not available  
***Convictions:*** Not available

***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.

The Ministry of Economy and Finance is host to the Financial Security Directorate which establishes policy regarding financial transactions and AML efforts. The directorate published Italy's National Terrorist Financing Risk Assessment in July 2014.

Law no. 186, criminalizing self-money laundering, was added to the Italian Penal Code and became effective on January 1, 2015. This new law defines self-money laundering as an operation aimed to conceal the illegal origin of the money, carried out by the same person who committed or participated in the predicate offense, and applies to "any person who having committed or participated in committing an intentional crime, employs, replaces, moves, within economic, financial, business or speculative assets, the money or others profits deriving from the commission of such crimes(s), in a way such to concretely hinder the identification of the criminal origin."

The BOI continues to issue guidance on customer due diligence (CDD) measures, in order to support banks and financial intermediaries in the definition of their CDD policies in accordance with the risk-based approach. As of January 2014, regulations require the application of enhanced CDD measures for domestic politically exposed persons (PEPs), however, the obligation to identify domestic PEPs only applies to the financial sector.

The UIF, the financial intelligence unit, has worked to increase the number of suspicious transaction reports (STRs) filed by designated non-financial businesses and professions (DNFBPs), especially the public administration sector. These entities' reports continue to make up only a small portion of submitted STRs, filing only around 1,000 in 2014. Italy has seen some progress in DNFBP participation, particularly from professionals, especially notaries. This is likely a direct result of action by the National Council of Notaries which, in cooperation with the UIF, published a set of STR guidelines for its members in 2015. Italy plans to continue to implement measures that will significantly increase the number of STRs from DNFBPs, particularly in the field of public administration.

In September 2014 the National Anticorruption Authority (ANAC) published a Memorandum of Understanding signed with the Guardia di Finanza (financial police) to increase transparency in public administration reporting. ANAC will send written requests to the Guardia di Finanza indicating the transactions that merit specific attention. The MOU also provides for additional review by the Society for Information and Communication Technology (SOGEI) under the Ministry of Economy and Finance. SOGEI reports to ANAC and Guardia di Finanza with its evaluations. All three parties agree to publish the results of this initiative through press releases or placement on their own, publically accessible, websites. On September 25, 2015 the Ministry of Interior released a decree clarifying the reporting responsibilities of the public administration

sector to block money laundering and terrorist financing activities. It lays out the specific indicators of suspicious activity and the methods for filing a STR.

After a multi-year investigation, in 2015 Italian prosecutors announced they are seeking prosecution of hundreds of Chinese migrants, as well as the Bank of China's Milan branch, in connection with a €4.5 billion (approximately \$4.9 billion) money laundering investigation. The massive amount of money was transferred from Italy to China via smuggling, bank transfers, and money remitting services. The money was reportedly earned through the counterfeiting of goods, prostitution, tax evasion, and labor exploitation. A judge is scheduled to rule on the indictment in March 2016.

In 2015, the Italian Polizia di Stato (national police), a civilian police force responsible for investigating crimes under the jurisdiction of the Ministry of Interior, including narcotics trafficking and money laundering, and the Guardia di Finanza (financial police), 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. Italy has one terrorism case involving five individuals convicted for terrorism, where one of the individual was also convicted for terrorist financing.

## 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 Japanese organized crime groups (the Yakuza), Mexican drug trafficking organizations, and other domestic and international criminal elements. 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. 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. 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; accountants; certified public tax accountants; and trust companies

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 377,513 in 2014  
*Number of CTRs received and time frame:* 1,001 in 2014  
*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:* Not available  
*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:**

On November 20, 2014, the Government of Japan enacted three pieces of AML/CFT legislation to address recognized deficiencies in its compliance regime. The legislation – two bills that amend Japan’s Terrorism Financing Act and its Law on the Prevention of the Transfer of Criminal Proceeds, and one that establishes a new Law to Freeze Terrorist Assets – criminalize the provision of direct or indirect financing, including the provision of any goods and real estate, to terrorists; enable the freezing of terrorist assets without delay, including non-financial holdings; and require financial and non-financial sectors to implement processes and procedures to perform enhanced customer due diligence. The amendment to the Terrorism Financing Act entered into force in December 2014. Japan promulgated Cabinet orders and Ministerial ordinances pertaining to the remaining legislation during 2015; the Law to Freeze Terrorist Assets came into effect on October 5, 2015 and the amendment to the Law on the Prevention of the Transfer of Criminal Proceeds will become effective on October 1, 2016. The passage of this

legislation greatly improved Japan's AML/CFT regime, which had previously been notably deficient.

Japan's numbers of investigations, prosecutions, and convictions for money laundering are not available; in relation to the number of drug and other predicate offenses, they are typically low. These numbers are some of the most telling measures of effectiveness of a country's AML/CFT regime. The NPA provides limited cooperation to other domestic agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters. The number of currency transaction reports (CTRs) filed is very low in comparison to the number of suspicious transaction reports (STRs).

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 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.

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 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. A large proportion of suspicious activity reporting is tax-related. In January 2015, Jersey published a typologies report outlining laundering methods and techniques of concern including tax evasion, corruption, laundering the proceeds of corruption with the involvement of politically exposed persons (PEPs), the use of money service businesses, and the use of pre-paid cards. 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. Jersey requires beneficial ownership information to be obtained and held by its regulated trust and company service providers and by its company registrar in a central registry, which can be accessed by law enforcement and tax authorities.

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; life insurance companies; collective investment schemes and operators; trust and company service providers; 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; 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:*** 1,979: January 1 - November 13, 2015

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks; life insurance companies; collective investment schemes and operators; trust and company service providers; 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; 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:*** 3 in 2015

***Convictions:*** 1 in 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Through a resolution of the Council of Europe, Jersey 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), a FATF-style regional body. 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:***

Jersey is a customary law jurisdiction. Accordingly, the jurisdiction does not have a criminal/penal code.

According to the Proceeds of Crime (Jersey) Law 1999 and the Terrorism (Jersey) Law 2002, (both as amended in 2014), it is necessary to have a conviction in order to obtain a confiscation order for the proceeds of crime, but it is not necessary that a person be convicted of the predicate offense upon which the criminal charge of money laundering is brought. Predicate offenses are all crimes with a punishment of imprisonment of one year or more.

Jersey does not enter into bilateral mutual legal assistance treaties. The Investigation of Fraud (Jersey) Law 1991 provides powers for the Attorney General (AG) to investigate a suspected offense of serious or complex fraud, wherever it is committed. The Criminal Justice (International Co-operation) Law 2001 provides a mechanism for jurisdictions to request assistance from the AG to obtain evidence for use in an overseas court in criminal proceedings. The Government of Jersey reports the AG frequently assists other jurisdictions in this regard. In 2015, the guidelines, which stipulated a minimum threshold requirement of £2 million (approximately \$2.8 million) in relation to mutual legal assistance, were abolished in order to encourage foreign jurisdictions to make assistance requests. An asset sharing agreement between the United States and Jersey regarding the sharing of confiscated or forfeited assets or their equivalent funds came into force in April 2015.

A number of changes in policy, law, and implementation of regulations have come into force in 2015. The definitions of “property” in the Proceeds of Crime Law and Terrorism Law have been extended to adhere to international standards; provisions of the Terrorist Asset-Freezing (Jersey) Law 2011 now automatically extend to natural or legal persons, groups, or entities pursuant to UNSCRs 1267 and 1988; and the definition of funds subject to freezing now explicitly covers assets “jointly” or “indirectly” owned, held, or controlled by designated persons. The effect of these changes is to give immediate legal effect in Jersey to UN designations.

The Proceeds of Crime (Financial Intelligence) (Jersey) Regulations 2015 formally establishes in the Proceeds of Crime Law the Joint Financial Crimes Unit of the States of Jersey Police (JFCU) as Jersey’s financial intelligence unit. The JFCU has existed for some time but this legislation formalizes its existence and powers in legislation. The JFCU now also has the power to gather additional information from financial institutions and designated non-financial businesses and professions (DNFBPs) in circumstances where the JFCU has reasonable knowledge or belief that they hold information relevant to the analysis of intelligence it holds. Jersey’s authorities are consulting on a change to customer due diligence (CDD) requirements that would strengthen due diligence obligations for foundations.

The Money Laundering (Jersey) Order 2008 has been amended to further clarify the application of identification measures to trusts and to require policies and procedures to be maintained for determining whether a business relationship or transaction is with persons connected to an organization subject to sanctions or persons who are themselves subject to sanctions.

Jersey's authorities announced plans to regulate and supervise the activity of virtual currency exchanges beginning in 2016. The proposals will cover those persons who exchange fiat currency into a virtual currency (and vice versa) by way of business.

In 2015, the Jersey Financial Services Commission substantially revised AML/CFT handbooks for financial institutions and DNFBPs, the accounting and legal sectors, real estate agents, and high-value dealers. In particular, guidance provided on identification of beneficial owners and controllers is addressed. Also in 2015 the Commission was given authority to impose financial penalties on regulated businesses of up to £4 million (approximately \$4.3 million) for significant and material breaches of the Codes of Practice, including contraventions of the AML/CFT Handbook for financial institutions and DNFBPs.

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. Jersey is seeking to obtain an Entrustment from the UK Government to enter into any MLAT that may be necessary. 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 extended its ratification of the UN Convention against Transnational Organized Crime to include Jersey on December 17, 2014. On January 28, 2015, the United States and the Bailiwick of Jersey entered into an Agreement Regarding the Sharing of Confiscated or Forfeited Assets or Their Equivalent Funds, which went into effect on April 24, 2015.

There is no requirement to automatically apply enhanced CDD measures to a domestic politically exposed person (PEP). Instead, a covered entity must take the status of an individual who has been entrusted with a prominent public function in Jersey (or who is an immediate family member or close associate of such an individual) into account in its risk assessment of such individuals. Jersey should ensure identified domestic PEPs are subject to enhanced due diligence requirements in accordance with international recommendations.

## **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. Furthermore, Kenya is at the forefront of mobile banking. Money laundering and terrorism financing occur in the formal and informal sectors and derive from both domestic and foreign criminal operations. Criminal 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; 12 deposit-taking microfinance institutions, with 99 branches; 85 licensed foreign exchange bureaus, with Nairobi hosting 69 bureaus and Mombasa nine; one mortgage finance company; and 15 licensed money remittance providers, all located in Nairobi. There are three licensed credit reference bureaus and seven representative offices of foreign banks in Kenya. In 2014, Kenya's \$58 billion in bank assets roughly equaled Kenya's nominal GDP and represented 61 percent of the total bank assets in East Africa.

Although banks, wire services, and mobile payment and banking systems are available to increasingly large numbers of Kenyans, there are also thriving unregulated networks of hawaladars and other unlicensed remittance systems that lack transparency and facilitate cash-based, unreported transfers that the Government of Kenya cannot track. Foreign nationals, including refugee populations, as well as ethnic Somali residents (both foreign nationals and Kenyan citizens) primarily use the hawala system to send and receive remittances internationally. Diaspora remittances to Kenya are growing annually, contributing significantly to the country's foreign exchange inflows. In 2014, remittances to Kenya totaled \$1.42 billion, and were at \$1.4 billion between January and September 2015, with North America providing between 45-50 percent of all of these remittances and Europe and the rest of the world accounting for approximately 25 percent each. The 12-month cumulative remittance inflow through September 2015 increased by 7.7 percent over the previous comparable period (up from \$1.4 billion to \$1.5 billion).

The Communications Authority of Kenya (CAK) reports that mobile phones have 74 percent total market penetration, with about 36 million mobile phone subscriptions in a population of approximately 45 million. Safaricom controls 67 percent of the mobile phone subscription market. The CAK also reports there are about 30 million internet users, which implies that 68 percent of the population has access to the internet. There are about 130,000 mobile-money agents in Kenya, most working through Safaricom's M-PESA system. There are over 10 million M-Shwari accounts, Safaricom's online banking service. One-third of all active M-PESA users are also active M-Shwari customers and 54 percent of M-Shwari accounts were held by customers without any other bank account.

Kenya is a transit point for international drug traffickers and trade-based money laundering continues to be a problem. 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 countries are not subject to Kenyan customs duties, but Kenyan authorities acknowledge that many such goods end up being sold in Kenya. Trade in goods is often used to provide counter-valuation in regional hawala networks.

Kenya's proximity to Somalia makes it an attractive location for the laundering of certain piracy-related proceeds and a financial facilitation hub for the Somalia-based al-Shabaab, a UN- and U.S.-designated foreign terrorist organization.

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 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:*** 534: January – October, 2015

***Number of CTRs received and time frame:*** 2,504: January – October, 2015

***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:*** 2 in 2015

***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](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. The Central Bank of Kenya (CBK) licenses money remittance providers. Kenya's National Payment System Act provides regulation over mobile money and is another important component of Kenya's move toward financial integrity and security.

Of the 876 suspicious transaction reports (STRs) submitted to the Financial Reporting Centre (FRC), Kenya's financial intelligence unit, since its inception in 2012, 254 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 and all mobile-money accounts must be registered, with proper identification. While mobile payment and banking systems are increasingly important, the tracking and investigation of suspicious transactions remains difficult. There is a risk that illicit actors could use mobile payment systems to engage in structuring, particularly by using illicit funds to purchase mobile credits below reporting thresholds. Nevertheless, data on these transactions have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash. The lack of rigorous enforcement in this sector, coupled with inadequate reporting from certain reporting entities, increases the risk of abuse.

In order 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, which allows account holders to sometimes be tipped off, providing an opportunity to move their assets or contest the orders.

Kenya is overhauling its criminal justice system. The small number of AML prosecutions and the absence of convictions are telling. The Office of the Director of Public Prosecutions (ODPP) has significantly expanded since 2013 and now has approximately 700 prosecutors, with plans to expand to 900. The Department of Economic International and Emerging Crimes (DEIEC), one of four departments within the ODPP, is responsible for the prosecution of corruption and economic crime, cybercrime, narcotics, organized crime, money laundering, terrorist financing, piracy, and other terrorism-related cases. The AML/CFT division, a thematic subdivision formed in July 2014, specifically deals 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. The ODPP has used ancillary provisions in the POCAMLA to apply for orders to restrain, preserve and seize proceeds of crime in Nairobi. In 2015, the ODPP filed a money laundering case and arrest warrants against the top

management of Dubai bank. For the first time, in 2015 the ODPP used the POCAMLA to freeze the assets of nine ivory trafficking suspects.

The 2013 Westgate Mall attack, which resulted in the first cases being filed under Kenya's Prevention of Terrorism Act, 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 2015, which includes amendments to the POCAMLA to expand the mandate of the FRC to combat the financing of terrorism.

In July 2015, the Government of the Republic of Kenya made commitments to promote good governance and anti-corruption efforts, including strengthening its AML/CFT regime. The Government of Kenya committed to work toward membership in the Egmont Group of Financial Intelligence Units. Additionally, Kenya agreed to work with international donors to conduct a full risk assessment for money laundering and terrorism finance and to work with development partners to facilitate the full implementation of its AML rules and regulations. Kenya also agreed to accelerate its work to strengthen the capacity of the FRC and CBK to track illicit financial flows and to increase bilateral information sharing and enforcement efforts.

The government, and especially the police, should allocate appropriate resources and build sufficient institutional capacity and investigative skill to conduct complex financial investigations independently. Kenya should also address the bureaucratic and other impediments preventing it from pursuing investigation and prosecution of these crimes. The Government of Kenya should fulfill its commitments on good governance, anti-corruption efforts, and improvements to its AML/CFT regime.

## **Latvia**

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Foreign depositors account for more than half of the 30 billion euros (approximately \$33 billion) in Latvia's banking system, which markets itself as a gateway to the European Union. Nonresident cash continues to flow across the border from neighboring Russia and other former Soviet states. The Financial and Capital Market Commission (FCMC) stated in May 2015 that the growth of nonresident deposits from Russia has remained steady despite international sanctions imposed in the spring of 2014. Nonresident deposits pose a substantial risk in that money obtained from corruption and other crimes committed outside of Latvia can be laundered inside the country. Latvia's geographic location, large untaxed shadow economy (estimated at about 25 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 identify the primary sources of money laundered in Latvia as 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, 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:* 6,923: January 1 - November 1, 2015

*Number of CTRs received and time frame:* 6,134: January 1 - November 1, 2015

*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, 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:*** 27: January 1 - November 1, 2015

***Convictions:*** 14: January 1 - November 1, 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Latvia is a member of the Council of Europe 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](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On June 30, 2015, several amendments were made to the Law on the Prevention of Money Laundering and Terrorism Financing. The amendments empower credit institutions to inform Latvia's Financial Intelligence Unit (FIU) of any suspicious transactions involving accounts closed by their clients, and more clearly define the institutions from which the FIU is permitted to request and receive information. The amendments also require these institutions to provide information on international passengers, airports, and aero-navigation service owners and related officials where money laundering, terrorism financing, or threats to national security are suspected.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not. The FCMC reports it is developing enhanced due diligence regulations as well as language for draft legislation that would ultimately extend existing PEP rules to cover domestic PEPs.

The 27 cases prosecuted in the first 11 months of 2015 involved 84 individuals. During 2015, Latvian authorities took additional actions against high-level government officials and appointees. In August, the Bureau to Prevent and Combat Corruption (KNAB) detained the CEO of state-owned Latvian Railways for two months for allegedly accepting a 500,000 euro (approximately \$546,000) bribe. The CEO posted bail and was freed, pending trial. In November, the Prosecutor's Office opened a criminal case against the Riga Freeport CEO and his deputy, who are suspected of using their official positions for private gain. The Riga Freeport Board declined to remove the two officials while proceedings are ongoing. Both cases are pending. In December 2015, the FCMC announced a 2.0 million euro (approximately \$2.2 million) fine – its largest ever – against the Latvian branch of Ukrainian-owned PrivatBank and ordered the bank to fire its board for its role in handling cash from an alleged multi-billion euro fraud in Moldova. Also that month, the Latvian State Police arrested and searched the offices of two Trasta Komercbanka employees suspected of criminal involvement in money laundering.

By late December, Latvian media had reported both a pre-trial investigation and an FCMC probe of the bank's internal control system were underway.

In October 2015, the Organization of Economic Cooperation and Development's Anti-Bribery Working Group released a report expressing concern about Latvian enforcement capacity and efforts to combat corruption and money laundering. It raises "serious concerns" about KNAB's effectiveness, ongoing conflicts among personnel, and insulation from potential political interference that have overshadowed KNAB's investigative efforts. The report further highlights the risks to Latvia's banking system of money laundering by non-resident clients, FCMC's failure to detect large-scale transfers subsequently reported in the media, and the low number of money laundering investigations and resulting convictions. The report recommends Latvia make further legislative amendments in the areas of foreign bribery, extradition, corporate liability, and external auditor reporting. It also urges FCMC to require banks that take nonresident deposits to adopt stronger AML measures, to inspect banks more frequently, and to punish banks that violate the law.

While Latvia has taken steps to implement anti-corruption and AML/CFT legislation, enforcement must be strengthened. Latvian banks continue to invest substantially in IT systems to develop programs for identifying high-risk clients. However, they should enforce a higher standard of due diligence and KYC best practices. The FCMC should inspect banks more regularly, investigate alleged malfeasance more aggressively, and impose penalties where appropriate, while continuing efforts to increase its human and financial resources, specifically for AML purposes. The government also should devote appropriate resources to its AML and anti-corruption programs and take steps to correct noted deficiencies.

## 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 money laundering and terrorism financing challenges. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, 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. Lebanon has a substantial influx of both formal and informal remittances from expatriate workers and family members, estimated by the World Bank at approximately \$7.5 billion annually over the last six years. Recent statistics demonstrate that embezzlement of private funds operations, which includes cybercrime money laundering, increased in 2015.

A number of exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Lebanese expatriates in Africa, the Gulf, and South America have established financial systems outside the formal financial sector, and some are reportedly involved in trade-based money laundering (TBML) schemes. International trade is also used to provide counter-valuation between Lebanese hawaladars.

The use of bitcoins is prohibited in Lebanon. 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.: 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:* Banks, financial and lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, high-value goods merchants, and money remitters

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 189: January 1 – October 31, 2015

*Number of CTRs received and time frame:* 55: January 1 – October 31, 2015

*STR covered entities:* Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, casinos, money remitters, auditors appointed at financial institutions, high-value goods merchants, public notaries, attorneys, and accounts

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 12: January - October, 2015

*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:***

On November 13, 2015, Parliament endorsed laws intended to strengthen Lebanon's AML/CFT regime. These include amendments to the existing AML law (Law 318/2001) to further widen categories of reporting entities to include public notaries, attorneys, and accountants. The list of predicate offenses to charge money laundering has also been increased. Legislation now allows confiscation of assets and sharing of confiscated assets with concerned countries. New Law 42/215, Declaring the Cross-Border Transportation of Money, imposes requirements to declare both inbound and outbound cash transportation of amounts exceeding \$15,000 or its equivalent in any other currency. This is applicable to any means of transporting the currency, whether on your person, in a suitcase, by post, or any means of shipment. There also is a new law on the exchange of tax information (Law 43/2015), which authorizes the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

The Special Investigation Commission (SIC), Lebanon's financial intelligence unit, publishes annual statistics on money laundering, breaking them down by type of offense. Lebanon's Internal Security Forces (ISF) Cybercrime and Intellectual Property Unit tracked 76 cases of hackers located in Lebanon and abroad who embezzled funds from local depositors and transferred the funds to bank accounts located outside Lebanon.

On June 30, 2015, the Banque du Liban, the Central Bank, issued Intermediate Circular No. 393, amending Basic Circular No. 69, strengthening AML/CFT controls on money remitters. The Banque du Liban also has issued regulations to regulate exchange houses.

The SIC has confirmed reports suggesting local commercial banks and financial institutions have implemented regulatory measures, including enhanced due diligence regarding high risk customers and/or closure of accounts that represent unacceptable risks. As a result there are no longer currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, currency derived from illegal drug sales in the U.S., or illegal drug sales that otherwise significantly affect the U.S.

Despite no requirement to file currency transaction reports (CTRs) with the SIC, 55 such reports were filed voluntarily between January and October 2015.

The SIC froze a number of accounts on suspicion of money laundering; however, the SIC does not publicly disclose figures of total amounts frozen. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has increased steadily over the years, convictions are still lacking. The U.S. Department of Justice has six pending legal assistance requests with the Government of Lebanon. Lebanon has been slow to react to the requests.

The Lebanese Customs Authority must inform the SIC of suspected TBML or terrorist financing; however, alleged high levels of corruption within Customs make this problematic. Lebanon is a participant country of the Kimberley Process, and trade in rough diamonds is governed by law

number 645. However, there have been persistent reports of smuggling and the mis-invoicing and mis-classification of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies.

In the first 10 months of 2015, the SIC sent 25 referrals to the Office of the Prosecutor General. The ISF also received 48 allegations of money laundering from Interpol and arrested three persons. The ISF sent five suspected money laundering cases to the SIC for investigation. Lebanese law enforcement entities often do not coordinate activities. The government has started training joint task forces including members of relevant agencies, such as Customs, the ISF, the SIC, and the judiciary. Cooperation between the SIC and local enforcement authorities, especially in terrorism financing cases, has increased; several training initiatives were undertaken in 2015 to enhance such cooperation. Lebanon could also benefit from increased cooperation among local and international law enforcement organizations to combat money laundering and terrorism financing.

Individuals in Lebanon are engaged in TBML by utilizing vehicles as the commodity to legitimize drug proceeds linked to Hizballah. U.S. law enforcement identified money wires coming into the United States from Jordanian and Lebanese entities to various domestic vehicle dealerships. These funds are used to purchase vehicles subsequently exported to Lebanon and Jordan. In some instances, there are weapons secreted within the exported vehicles. The transactions that occur in the United States appear to be legitimate, but the ultimate destination of the vehicles is unknown and the proceeds may be directed back to Hizballah in Lebanon.

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 its new cross-border currency reporting requirements, fully implement its new laws and directives, and take action to immobilize bearer shares. The government should continue its efforts to achieve better coordination and efficiency in the investigation of complex financial crimes by its various law enforcement and investigative agencies.

## Liechtenstein

The Principality of Liechtenstein is the richest country on earth on a GDP 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 bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract funds from abroad. Liechtenstein's financial services sector includes 16 banks, 117 fund/asset management companies, 381 trust companies/trustees and 44 insurance companies. 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. 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:*** 365 in 2014  
***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: 9 in 2014  
 Convictions: 2 in 2014

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

Liechtenstein is a member of the Council of Europe 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](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The 2014 reporting year saw an increase of suspicious transaction reports (STRs) of 11 percent when compared to 2013. Only 10 percent of the filed STRs enumerated money laundering as the reason for filing. In 2014, 56 percent of Liechtenstein's STRs were forwarded to the Office of the Public Prosecutor. A total of \$27 million of assets were frozen in 2014.

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 possibly 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 have been only three domestic money laundering convictions 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.

Hundreds of well-known multinationals have secured deals in Luxembourg that allow them to legally slash their taxes in their home countries. In some 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. While corporate tax avoidance is technically legal, in many jurisdictions tax evasion is illegal and a predicate offense for money laundering. The international standards include tax crimes as designated predicate crimes for money laundering.

The Luxembourg Freeport is a highly secure warehouse adjacent to Luxembourg Findel Airport. It offers a variety of tax advantages because the goods warehoused are technically in transit. The Freeport is often used to store art and other valuable items without having to pay customs or sales tax. The services and confidentiality make the Freeport similar to an offshore financial center. With the Law of 24 July 2015, the licensed operators of the Luxembourg Freeport are now subject to the same know-your-customer obligations as apply to all other covered entities under the Law of 12 November 2004. The Law of 24 July 2015 also provides that the licensed operators of the Luxembourg Freeport are supervised by the Luxembourg Administration for Indirect Taxation regarding their AML/CFT obligations.

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; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 10,423: January 1 - November 30, 2015

***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; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 486: January 1 - November 30, 2015

***Convictions:*** 257: January 1 - November 30, 2015

***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/publications/mutualevaluations/?hf=10&b=0&r=%2Bf%2Ffatf\\_country\\_en%2Fluxembourg&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&r=%2Bf%2Ffatf_country_en%2Fluxembourg&s=desc(fatf_releasedate))

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

During 2015, Luxembourg continued to strengthen its AML/CFT system with the adoption of new legislation and the implementation of its AML/CFT framework. The Law of 24 July 2015 extends the scope of the Law of 12 November 2004 on the fight against money laundering and terrorist financing to include the licensed operators of the Luxembourg Freeport. On December 16, 2015 Parliament adopted Bill of Law N°6761 to implement UNSCR 2178, extending the money laundering offense to include the financing of incitation, recruitment, and training for terrorist purposes.

In 2015, the Supervisory Authority of the Financial Sector, the CSSF conducted 29 onsite AML/CFT inspections. The Supervisory Authority of the Insurance Sector (CAA) performed 25 on-site visits involving AML/CFT compliance checks (16 of life insurance companies and nine of insurance brokers). The choice of inspection subjects was based on the professionals' risk profile or other relevant data from desk-based supervision. In 2015, the CAA issued circular letter 15/8 on the adoption of the Life Insurance Charter of Quality which sets common principles in terms of combating money laundering and terrorist financing. Insurance undertakings have to comply with this charter or provide explanations to the CAA as to why they refrain from subscribing. The CAA also met with professionals of the insurance sector to discuss the AML/CFT risk assessment of the sector.

In 2015, the Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not supervised by self-regulatory organizations also became the supervisory authority for all licensed operators of the Luxembourg Freeport. AIT teams conducted 40 AML/CFT onsite inspections of its supervised entities. In addition, the AIT organized in-house AML/CFT courses for all its agents during 2015 and AML/CFT outreach to the private sector through a dedicated committee.

The FIU continued to organize outreach to covered entities and to hold AML/CFT training jointly with other supervisory agencies and self-regulatory organizations. In 2015, the FIU also contributed to the completion of a project aiming to intensify the cross-border cooperation among European FIUs. The FIU was one of the leaders on this project.

## 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 of \$30 billion for 2015, Macau is still the world's largest gaming market by revenue, although monthly gaming revenue has fallen consecutively for the past 18 months. The gaming industry relies 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 because they are 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, encourages Chinese capital flight, and fosters underground financial systems such as fei-chien or "flying money."

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:* 1,807 in 2015

*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:* 1: January 1 - June 30, 2015

*Convictions:* 0: January 1 - June 30, 2015

**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/members-and-observers/members/member-documents.aspx?m=fded343f-c299-4409-9cfc-0a97d89b6485>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Macau's financial intelligence unit (FIU) is 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 foreign counterparts.

Important deficiencies remain. Legislation that would strengthen Macau's customer due diligence (CDD) requirements has been pending for over three years, as has legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

China only allows the equivalent of \$50,000 a year per person to be moved out of China. To circumvent the currency restrictions, junket operators in Macau sometimes are used. For example, Chinese gamblers can deposit money with junkets in the mainland and use that money in Macau, or they can borrow from junket agents. If they deposit the money, the gamblers can then use the funds in Macau. Once they are finished gaming, they can take their winnings in U.S. or Hong Kong dollars and invest it in property or offshore tax havens. Much of the money funneled through junkets originates from corruption, embezzlement, and other illicit activities. The junket operators help arrange for visas, travel, and accommodations. Organized crime, including triads, are active in the gaming services and are engaged in loan-sharking, prostitution services, etc.

In August 2015, the People's Bank of China (PBC) signed a memorandum of understanding with the Macau Monetary Authority on bilateral exchanges on AML regulations, information

exchange mechanisms, and on-site inspections, giving mainland China authorities better access to information. The agreement is designed to bolster efforts to crack down on graft, capital flight, and underground banking.

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).

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 and mandating due diligence for non-regulated gaming collaborators. The government should take action on its long-pending legislation regarding CDD and cross-border currency controls. Macau also should enhance its ability to support international AML/CFT investigations.

## Mexico

Mexico remains a major transit country for cocaine and heroin and source country for heroin, marijuana, and methamphetamine destined for the United States. Proceeds of 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, tax-evasion, influence peddling, 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 financial transfers to Mexico. The smuggling of bulk U.S. currency into Mexico and the repatriation of the funds into the United States via couriers or armored vehicles remain commonly employed money laundering techniques. Additionally, the proceeds of Mexican drug trafficking organizations are laundered using variations of trade-based methods, particularly after Mexico placed restrictions in 2010 on amounts of 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 in Mexico of a sophisticated financial sector and a large cash-based informal sector complicates money laundering countermeasures. According to Global Financial Integrity, Mexico had more than \$77 billion in illicit financial outflows in 2013 due primarily to abusive trade misinvoicing.

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, money exchangers, *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, prepaid card services, and traveler’s checks services

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 113,550: January 2015 - October 2015

*Number of CTRs received and time frame:* 5,200,000: January 2015 - October 2015

*STR covered entities:* Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, money exchangers, *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, prepaid card services, and traveler’s checks services

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* Not available

*Convictions:* 14: September 2014 - June 2015

***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 of 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:***

The Secretariat of Credit and Public Debt (SHCP), equivalent to the U.S. Department of Treasury, passed a new regulation in December 2014 allowing Mexican banks to share information with international banks, including U.S. banks. Prior to this rule, Mexican banks could not share any customer or related information with foreign banks because of strict provisions of Mexico's privacy laws. The new regulation will allow Mexican banks to answer questions from international banks regarding the nature, purpose, and origin of financial transactions. SHCP also changed the regulations governing *casas de cambio*, or foreign exchange houses, requiring individuals to present identification regardless of the amount of currency exchanged.

Also in 2014, in an effort to boost economic growth, the SHCP 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 United States out of the Mexican banking system. Modifications in 2014 loosen the restrictions on dollar deposits for border and tourist-area businesses that 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. Very few Mexican financial institutions have taken advantage of these new regulations. It is unclear whether this is due to the additional reporting requirements attached to the 2014 regulatory changes, or to a lack of interest in receiving larger U.S. dollar deposits. U.S. dollars are widely used to conduct day-to-day transactions on the Mexican side of the border area.

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 condensing 32 codes into one federal code. Implementation of the new code is a major task and will continue beyond 2016.

According to documents produced in Mexico's Attorney General's Office (PGR), during 2013 – 2014 the amount of laundered money seized in Mexico was only \$13 million. Considering that both Mexican and U.S. estimates for the amount of money laundered annually in Mexico is in the tens of billions of dollars, the low seizure rate is noteworthy.

The Government of Mexico should address the low money laundering seizure rate. Particular scrutiny should be placed on businesses involved in laundering drug money or other financial crimes and their relationship in financing political campaigns at the local, state and federal levels. Drug cartels have begun using front businesses to buy public debt in states with unusually high deficits, such as Coahuila and Chiapas, further exerting control over the political process. Corruption is an enabler of money laundering and its predicate offenses.

## Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. The Netherlands has a prosperous and open economy, which depends heavily on foreign trade. 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. Underground remittance systems such as hawala operate in the Netherlands.

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 and brokers in high-value goods, pawnshops, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers and surveyors, estate agents, civil law notaries, trusts and asset administration companies, and electronic money institutions

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 29,382 in 2014

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks, credit institutions, securities and investment institutions, providers of money and currency transaction services, life insurers and insurance brokers, credit card companies, casinos, traders and brokers in high-value goods, pawnshops, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administration companies, taxation offices, payment service providers and agents, and safe-rental companies

***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/publications/mutualevaluations/documents/mutualevaluationreportofthenetherlands.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. On January 1, 2015, new rules entered into force that raise the maximum prison sentence for money laundering and broaden the definition of corruption to include bribery of financial service providers. Furthermore, pawnshops and brokers in high-value goods are now categorized by law as KYC- and STR-covered entities. The new legislation introduces more stringent rules on audit and compliance for trusts and asset administration companies. On March 1, 2015, the National Prosecutor's Office issued new guidelines on prosecuting money laundering cases.

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 suspicious transaction report (STR). There were 277,532 UTRs filed in 2014. The Netherlands does not require all covered entities to report all transactions in currency above a fixed threshold. Instead, different thresholds apply to various specific transactions, products, and sectors.

The FIU is an independent, autonomous entity under the National Police Unit. It is expected that the ongoing National Police's reorganization, scheduled for completion in 2018, will enhance law enforcement flexibility and effectiveness in responding to money laundering cases. The police closely cooperate with the Tax Authority's investigative service. The Anti-Money Laundering Center, established in 2013, combines expertise from government agencies, such as the FIU, the National Police, and the Tax Authority; knowledge institutions; private sector partners; and international organizations. Seizing financial assets of criminals continues to be a priority for law enforcement.

In 2015, Dutch law enforcement authorities arrested a number of individuals offering a guaranteed anonymous exchange of large amounts of bitcoins in exchange for fiat currency



(euros). Because of the suspect nature of the origin of the bitcoins, the exchange service charged a higher commission rate. The investigation is ongoing.

The Government of the Kingdom of the Netherlands should make available the number of prosecutions and convictions so as to better evaluate the effectiveness of its AML/CFT regime.

## Nigeria

Nigeria is a major drug transshipment point and a significant center for criminal financial activity. Corrupt officials and businessmen, criminal and terrorist organizations, and internet fraudsters take advantage of the country's location, porous borders, weak laws, endemic 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. International 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.

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. Cybercriminals increasingly use more sophisticated techniques, such as e-mail hacking, intrusions, and the use of social media. There also have been a number of cases in which subjects located in Nigeria have owned and operated botnets through which they have conducted 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:** 1,468: January 1 – September 30, 2015

**Number of CTRs received and time frame:** 1,451,046: January 1 – September 30, 2015

**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:** 33: January 1 – September 30, 2015

**Convictions:** 2: January 1 – September 30, 2015

**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:**

The current administration, specifically the Economic and Financial Crimes Commission, (EFCC), has made progress in recent months in the fight against Nigeria's pervasive corruption. In 2015, Nigeria also made limited progress towards the passage of several pieces of legislation intended to address strategic deficiencies in the country's AML/CFT regime. The Nigerian Financial Intelligence Centre (NFIC) Bill, which would make the Nigerian Financial Intelligence Unit (NFIU) a stand-alone agency, and the Proceeds of Crime (POC) Bill have both passed the National Assembly (in 2014 and 2015, respectively) but have not yet been signed into law.

Meanwhile, there has been little movement on a draft mutual legal assistance bill, which has not yet passed the National Assembly.

Nigerian financial institutions appear generally conscientious in submitting currency transaction reports (CTRs) to the relevant authorities, although the 2015 volume of such reports declined approximately 60 percent over the same period in 2014. The 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.

Nigeria's oil industry, which generates up to 70 percent of government revenues, has long been mired in corruption and mismanagement under successive governments. In 2015, the National Resource Governance Institute (NRGI) investigation into Nigeria's oil industry noted opaque transactional practices and overall mismanagement. The former minister of petroleum was later arrested in London after an investigation into massive bribery and money laundering. Nigerian authorities recently created and instituted a Treasury Single Account that requires the Nigerian National Petroleum Corporation to remit all earnings and should dramatically improve transparency in the oil sector over time.

The State Security Service (SSS), also known as 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. 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 terrorism financing.

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. Additionally, Nigeria should work to thwart corruption at all levels of government and 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.

Nigeria should continue working to pass and implement effective legislation that ensures the operational autonomy of its FIU, promotes the efficient recovery of criminal proceeds, and provides for mutual legal assistance in accordance with international standards. Nigeria should work to ensure law enforcement agencies cooperate effectively when investigating suspected money laundering. Nigeria should review its safe harbor provisions to protect STR reporting entities and their employees to ensure they are in line with international standards. 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. Nigeria also should strengthen and support its Central Authority for international cooperation, which is a component of the Office of the Attorney General.

## 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 to 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 vehicle, since real estate transactions tend to be poorly documented and cash-based. Pakistan's national savings schemes appear vulnerable to money laundering, and laws providing certain immunities to foreign currency remittance accounts seem to provide an avenue for both money laundering and tax evasion.

Money laundering in Pakistan affects both the formal and informal financial systems. Pakistan does not have firm control of its borders, which facilitates the flow of illicit goods and monies into and out of Pakistan. From January through October 2015, the Pakistani diaspora remitted approximately \$16 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. 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. UN-designated groups continue to be able to solicit donations openly without apparent government reaction.

Additionally, the Altaf Khanani money laundering organization (Khanani MLO), a transnational organized crime group, is based in Pakistan. The group facilitates illicit money movement between, among others, Pakistan, the United Arab Emirates (UAE), United States, UK, Canada, and Australia, and is responsible for laundering billions of dollars in organized crime proceeds annually. The Khanani MLO offers money laundering services to a diverse clientele, including Chinese, Colombian, and Mexican organized crime groups and individuals associated with Hizballah and designated terrorist organizations. The Khanani MLO also has been involved in the movement of funds for the Taliban, and Altaf Khanani, the group's leader, is known to have had relationships with Lashkar-e-Tayyiba, Dawood Ibrahim, al-Qaeda, and Jaish-e-Mohammed.

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 in Islamic finance, 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:* 1,919: July 2014 - May 2015  
*Number of CTRs received and time frame:* 360,940: July 2014 - May 2015  
*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:* 2 in 2015  
*Convictions:* 0

***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:***

Following the December 16, 2014 attack against the Army Public School by Tehrik-i-Taliban Pakistan, in January 2015, Pakistan established its ‘National Action Plan’ (NAP), a National Apex Committee to implement the plan, the National Terrorists Financing Investigation Cell to curb terrorist financing, and an overarching commitment to “choke the finances” of terrorists and

terrorist organizations in the country. According to the National Counter Terrorism Authority, provisions of the NAP include obstructing financing for terrorists and terrorist organizations, ensuring against the re-emergence of proscribed organizations, and measures to stop the abuse of internet and social media for terrorism. The Government of Pakistan has taken a wide variety of steps under the auspices of the NAP, and implementation of the plan has yielded mixed results; often due to the lack of institutional capacity and capability, some aspects of the plan have seen minimal progress while others have garnered notable results.

Increasing awareness of, and training for, AML/CFT issues is critical to the judicial and law enforcement sectors. Lack of consistent and uniform implementation will continue to stymie Pakistan's AML/CFT regime. Pakistan does not fully implement UN sanctions obligations uniformly against all designated parties. Unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi; however, Pakistan has reportedly been pursuing illegal hawala/hundi/exchange houses under the NAP. The currency transaction reporting (CTR) threshold was brought down to Rs 2 million (approximately \$18,800) from Rs 2.5 million (approximately \$23,500) through a Gazette notification issued on January 21, 2015, under the AML Act, 2010.

Pakistani authorities should investigate and prosecute money laundering and terrorism financing in addition to the predicate offense creating the laundered proceeds. The Government of Pakistan should address all cases of terrorist financing; indiscriminately target terrorist and sectarian organizations; resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies; create an assertive and transparent sanctions regime; 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 financial intelligence unit and the annual number of money laundering prosecutions and convictions.

Pakistani law enforcement and customs authorities should address trade-based money laundering and value transfer, particularly as it forms the basis for account-settling 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, financial 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, lack of experience with money laundering investigations and prosecutions, 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, using commercial cover and 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:* 1,005 in 2014

*Number of CTRs received and time frame:* 554,879 in 2014

*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, construction companies, precious metals and mining companies, pawnshops, and FTZs

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 295 in 2015

*Convictions:* 251 in 2015

***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 of 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. In 2015, the government approved and passed legislation to criminalize money laundering, address countering the financing of terrorism (CFT), and cover designated non-financial businesses and professions (DNFBPs). A key factor contributing to Panama's vulnerability to money laundering was that not all financial and non-financial sectors were subjected to regulations and supervision, which has now been addressed in legislation. Government agencies responsible for AML issues are under-resourced and often lack the personnel and training to investigate and prosecute complex money laundering schemes.

In 2015, Panama strengthened its legal framework, amended its criminal code, and passed a new AML/CFT law and other legislation enhancing the framework for international cooperation. Panama is beginning to develop an adequate legal framework for freezing terrorist assets and effective measures for customer due diligence to improve transparency. Panama passed a series of laws, which brought its legal regime more in line with international standards. Law 10 and Law 34 amend the criminal code by adding predicate offenses that typify terrorist financing and money laundering. Law 11 addresses provision of international legal cooperation and assistance in criminal matters. Law 23 of 2015 includes many new reporting entities, in particular a broad array of DNFBPs as well as money service businesses. For the banking sector, the law sets out key customer due diligence requirements. The government also amended or adopted new regulations pertaining to the identification of suspicious activity by banks and other entities. Additionally, Panama's financial intelligence unit, the UAF, has significantly improved its analytical capacity under the leadership of its new director. Panama has started to implement the various AML/CFT laws; however, implementation efforts are in early stages.

Panama's Law 18, 2015, which came into effect in December 2015, provides for the custody of bearer shares. The law will severely restrict the use of bearer shares; companies still using these types of shares must appoint a custodian and maintain strict controls over their use. Bearer shares issued before the law was approved must be replaced with nominative shares or handed over to a custodian by December 2015. Until the law is fully implemented, financial institutions face a 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).

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak and judicial branch employees remain susceptible to corruption. Panamanian officials have given assurances they will complete the transition to a U.S.-style accusatory judicial system in all provinces, which began in September 2010, by 2016. All known money laundering convictions are tied to bulk cash cases with an obvious connection to a predicate crime. Panama does not adequately track criminal prosecutions and convictions specifically related to money laundering. The numbers of prosecutions and convictions shown in this report represent partial figures from the drug and anti-corruption prosecutors for 2015, because not all provinces reported figures.



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. 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 remains 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 remains easy to introduce into the country by declaring it is for use in the CFZ, but no official verification process exists 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 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. Under Law 18, 2015, the CFZ comes under the supervision of the Intendencia, the body within the Ministry of Finance that supervises DNFBPs.

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 to propose and approve projects to use the funds, and the Government has not finalized a process to disburse the funds. The U.S. and Panamanian governments jointly administer these shared funds to address AML issues.

Panama must continue to strengthen the prosecutor's office and the judicial system, increase transparency in financial and trade networks, and enforce the legal framework approved to freeze terrorist assets. The government should criminalize tipping off to ensure the integrity of STR reporting. Panama should also work diligently to fully implement its new laws and regulations and ensure all relevant agencies and departments have adequate resources to effectively fulfill their responsibilities. 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 disclosures, 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 accounts for over 10 percent of the world's contraband cigarette trade. There are estimates that up to 90 percent of cigarettes produced in Paraguay, approximately \$1 billion worth, is smuggled annually across borders, largely to Brazil, Argentina, and Uruguay. Cigarette smuggling is used for money laundering purposes and the cigarette supply chain enriches criminal organizations and corrupt officials. In the past, terrorist organizations have received some proceeds from these illicit activities.

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:* 2,238: January – November 2015

*Number of CTRs received and time frame:* 166: January – November 2015

*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:* 7 in 2015

*Convictions:* 3 in 2015

**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 of 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](http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Paraguay_3era_Ronda_2008.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Although the Government of Paraguay is making progress in improving its AML/CFT regime, concerns remain regarding the country's ability to identify, investigate, and prosecute money laundering and related crimes effectively. Concerns remain about the willingness of the banking sector to engage in combatting AML/CFT. The lack of data on prosecutions and convictions makes tracking government effectiveness difficult. Available information is inconsistent. Paraguayan authorities recognize the lack of data centralization as a persistent weakness. The Government of Paraguay, through long-term engagement of subject matter experts from international donors, is working to improve its AML/CFT regime. Understanding that illicit narcotics trade proceeds often finance further illicit trafficking, corruption, and terrorism, the National Anti-Narcotics Secretariat (SENAD) has sought assistance from the international law enforcement community to train and coordinate with SENAD AML investigators.

Pursuant to new legislation passed on September 7, 2015 (Resolution 345/15), Paraguayan banks, financial institutions, and insurance companies must abide by AML/CFT regulations to identify financial beneficiaries. The law requires clients of financial institutions to convert bearer shares into registered shares or, alternatively, to immobilize their bearer shares in a Paraguayan financial institution. Beginning in 2016, the Central Bank of Paraguay will keep a registry of immobilized bearer shares.

In 2015, the Inter-American Development Bank published the National Risk Assessment of Paraguay, which identifies the most relevant AML/CFT threats and vulnerabilities. Paraguayan

officials report they are updating their AML Strategic Plan and allocating resources more efficiently as a result.

The Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) - the financial intelligence unit (FIU) - is Paraguay's AML authority. SEPRELAD has Minister-level leadership that reports directly to the President. In 2015, the Attorney General's Office (AGO) also established a money laundering unit and appointed a specialized AML prosecutor, based in Asuncion, to handle all cases and centralize country-wide efforts. Plans are underway to increase staff and provide additional resources.

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 continues to improve but remains an impediment to effective enforcement, prosecution, and reporting efforts. Although the AGO's Economic Crimes Office is responsible for prosecuting money laundering cases, other offices often prosecute money laundering charges in cases involving other charges, such as narco-trafficking. Paraguay does not have a formal system for tracking money laundering cases, which makes collecting data on cases prosecuted by other offices or by local prosecutors outside of Asuncion difficult. Higher numbers of prosecutions and convictions in 2014 and 2015 indicate increased willingness and capability to address money laundering.

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.

Customs operations at 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.

Some Paraguayan businesses in perceived high-risk sectors (including gun dealers, jewelers, and casinos) encountered difficulties in sending money to and receiving money from banks in other countries. SEPRELAD reports it has not prohibited such transactions and has committed to working with individual banks as well as banking consortiums to clear up any misunderstanding or overly strict interpretation of AML regulations.

The Government of Paraguay should address the pervasive corruption in the country. Authorities should take additional steps to provide the training, resources, and will to effectively combat the laundering of illicit funds and value transfer.

## Philippines

The Republic of the Philippines is integrated into the international financial system but is not a regional financial center. The Philippines is increasingly becoming an important financial player in Asia, with an economy growing steadily at 6 percent annually. Money laundering is a serious concern due to the Philippines' international narcotics trade, high degree of corruption among government officials, trafficking in persons, and the high volume of remittances from Filipinos living abroad. The Philippines faces challenges from sophisticated transnational drug trafficking organizations (DTOs), such as the "Hong Kong triads," who use the Philippines as a drug transit country for cocaine and methamphetamine. These DTOs use the Philippine banking system, commercial enterprises, and particularly casinos, to transfer drug proceeds from the Philippines to offshore accounts. Other transnational criminal organizations, including groups based in Africa, are expanding their presence throughout East Asia and will likely continue to exploit the Philippine financial system to launder and transfer drug trafficking proceeds. Insurgent groups in the Philippines' south engage in money laundering through ties to organized crime, deriving funding from kidnapping for ransom and arms trafficking, and potentially narcotics.

The Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned entity, issues licenses to operators and regulates the rapidly expanding Philippine gaming industry. PAGCOR uniquely operates its own casinos in addition to serving as the industry's overseer. PAGCOR reported gross revenues equivalent to about \$920 million for calendar year 2014. Regionally, organized crime groups, such as Chinese triads, have infiltrated casino operations and have facilitated prostitution, narcotics trafficking, loan-sharking, and suspect junket and VIP gaming tours. International experts and observers note that the Philippine casino industry is a weak link in the country's AML/CFT regime.

The high volume of formal and informal remittances from overseas Filipinos provides a channel for money laundering. Cash remittances, from the more than 10 million Filipinos working and/or residing abroad, are equivalent to 8 to 9 percent of the gross domestic product (GDP) of the Philippines. Improvements in the financial services industry now enable banks and official money remitters to capture approximately 90 percent of the remittances sent by the diaspora.

The Philippines is a leader in the use of cell phone technology for funds transfers. The Government of the Philippines uses this technology for government-to-persons payments, such as its Conditional Cash Transfer Program, and supports its development for broader financial inclusion efforts. 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 326 economic zones throughout the country (216 of these are classified as "IT Parks and Centers" due to the Philippines' status as a haven for call centers). Local governmental units, the government-owned Bases Conversion Development Authority, and the Subic Bay Metropolitan Authority regulate a handful of other zones. The PEZA economic zones are well regulated; however, smuggling is a concern for the locally-regulated zones. In addition, the Philippine Central Bank exercises regulatory supervision over three offshore banking units and requires them to comply with reporting provisions and other banking rules and regulations.

According to Global Financial Integrity, the Philippines is ranked number eight in the world regarding the amount of illicit outflows primarily due to abusive trade mis-invoicing, a form of trade-based money laundering (TBML). Under-invoicing or undervaluation of imports is also a significant problem in the Philippines. Recently, there also have been instances of over-valuation of imports in the Philippines.

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:*** 133,046: January 1 - October 31, 2015  
***Number of CTRs received and time frame:*** 30,844,366: January 1 - October 31, 2015  
***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, 2015  
***Convictions:*** 0: January 1 - October 31, 2015

**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:**

The Anti-Money Laundering Council (AMLC), the Philippines' financial intelligence unit, continued its efforts throughout 2015 to secure passage of an amendment to include casinos in the Anti-Money Laundering Act (AMLA). Progress has been slow as national elections near and because of extensive lobbying from the casino industry. Considering unsuccessful attempts in the past, the inclusion of casinos under the Philippines' AML/CFT regime may not occur absent sustained international pressure.

The Philippine Congress did not approve the inclusion of real estate agents in the expanded list of covered institutions under 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 pursued efforts to collect additional information from dealers of precious stones and metals. However, despite inclusion as covered entities in the 2013 AMLA amendments, these dealers have not begun sending reports to AMLC. There is no single government authority regulating jewelry dealers. The industry's current status poses challenges for coordinating, monitoring, and enforcing their obligations under the AMLA. AMLC continues to consult with the industry association on operational and technical details/arrangements to implement reporting and other requirements.

As a form of customs fraud, TBML severely impacts revenue collection. TBML is also commonly used around the world in various forms of underground financial systems. According to a 2015 survey, the Philippines Bureau of Customs is believed to have major corruption issues. Corruption undoubtedly enables some fraudulent trading practices. The Philippines has a new Trade Transparency Unit (TTU) that uses data and analytics to spot anomalies in trade that could be used to trigger TBML investigations.

The Bureau of Customs remains a paper-driven organization. The Bureau of Customs' lack of automation for import transactions continues to foster an organization rife with corruption. The customs brokers operate within the seaport facility with impunity. Change within the Bureau of Customs has been slow as there are underlying forces, both internal and external, to prevent any substantive changes.

The non-profit sector remains without effective oversight as there is no single supervisory authority. Consequently, monitoring is weak due to insufficient coordination and limited resources of regulatory bodies.

Limited human and financial resources coupled with corruption and lack of will constrain enforcement. Only 49 AML cases have been filed since the AMLC began operating in 2001. Historically, the volume of prosecutions and convictions has been virtually nil, and once again in 2015, there were no prosecutions or convictions. Philippine agencies charged with AML/CFT authority continue to receive assistance to build institutional and technical capabilities for monitoring, investigation, prosecution, and enforcement. The Government of the Philippines should demonstrate its political will to advance its AML/CFT regime by enforcing its laws, including by taking steps to enforce reporting and other AML/CFT requirements for real estate agents, precious metals and stones dealers, and jewelers. The government should include casinos and other forms of gaming in its AMLA. The Philippines also should provide effective supervision of non-profit organizations. The Government of the Philippines should combat corruption within customs and provide the necessary resources and mandate to its TTU.

## **Russia**

While Russia continues to make significant progress in improving its 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 \$8.6 billion in 2014, and \$936 million in the first half of 2015 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, and is a major source of laundered funds, with proceeds frequently moved offshore. 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.

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), Russia’s financial intelligence unit, 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.



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.

Executive Order (E.O.) 13660, dated March 6, 2014, imposes a travel ban and freezes any assets held in the United States of persons or entities who acted to undermine the democratic processes and institutions in Ukraine and contributed to the misappropriation of its assets. E.O. 13661, dated March 16, 2014, expands the scope of E.O. 13660 to cover the Government of the Russian Federation and its officials, the Central Bank, any state-controlled entities, those who operate in the arms sector in Russia, and seven specified individuals who are senior Russian government officials. The EU took parallel action and imposed similar sanctions in March 17, 2014, followed by Council Regulation (EU) No 692/2014 of June 23, 2014, imposing restrictions on import/export activity and financial transactions.

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:*** Not available  
***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:* 164 in 2014

**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 Council of Europe 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:**

Russia continues to strengthen a number of regulatory and legal measures to combat financial crime and money laundering. During this period of economic difficulty, Russia has continued to make progress in reducing money laundering, partly as a way to lessen the amount of money that is being illegally siphoned out of the local economy. The improvement in financial legislation, while a major step forward for Russia, requires full and unbiased implementation to address Russia's reputation as a center for money laundering.

Several pieces of legislation tighten controls on the financial sector. Federal Law 110-FZ, enacted in May 2014, lowers the threshold of foreign currency transactions conducted by non-profit organizations, foreign states, and international and foreign organizations subject to mandatory controls to 100,000 rubles (approximately \$1,400). Federal Law 213-FZ, passed in July 2014, regulates the opening of banking accounts and letters of credit for defense and strategic industries. In December 2014, several additional laws were passed. Federal Law 461-FZ was amended to expand the list of entities covered under the AML/CFT law to include communications providers. Federal Law 484-FZ requires individuals trading in commodity or financial markets to provide information, upon request, to Rosfinmonitoring. Federal Law 484-FZ mandates the notification to Rosfinmonitoring of the opening, closing, or changing of details of any accounts or letters of credit by companies of strategic importance to the Russian Federation.

The CBR again stepped up enforcement within the banking sector, revoking 92 banking licenses in 2014 and 93 by November of 2015. The CBR claims dubious transactions were one of the main reasons behind the revocation of licenses. The CBR tightened the criteria for suspicious transactions by reducing the quarterly transaction volume threshold from RUB 5 billion (approximately \$68.3 million) to RUB 3 billion (approximately \$41 million) and the proportion of suspicious cash transactions from 5 percent to 4 percent of the debit turnover on customer accounts. The CBR also has tightened restrictions on cash payment terminals by forcing 95 percent of cash transactions to go directly to special accounts. The CBR Department of Financial Monitoring and Currency Control had estimated the aggregate value of illicit cash payments through terminals in 2015 was RUB 390 billion (approximately \$5.3 billion). Over 11 million suspicious transaction reports (STRs) were filed in 2014.

In November 2015, the President signed an executive order to establish an interagency commission on preventing the financing of terrorism. The Kremlin stated that this order will be used to block money and assets belonging to organizations or individuals believed to be involved in terrorist activity. The interagency commission will process requests received by Rosfinmonitoring from other countries' relevant agencies on organizations' or individuals' possible involvement in terrorist activity (including financing terrorism). The Prosecutor's Office, Central Bank, regional and local authorities, and other state agencies and organizations have been instructed to send materials in their possession on possible involvement in terrorist activity (including financing terrorism) of organizations and individuals to the Inter-Agency Commission for Preventing the Financing of Terrorism.

Rosfinmonitoring published a draft bill in October 2015 that would require administrative liability for laundering criminal proceeds for legal persons (e.g., companies). Current Russian legislation provides for criminal liability for laundering by natural persons and penalties of up to RUB 60 million (approximately \$819,500) for legal persons but only in cases of financing terrorist attacks and similar crimes, not for ordinary criminal operations.

In March 2015, Federal Law 140-FZ, also called the Capital Amnesty Law, was passed. It allows Russian citizens and legal entities to declare their offshore assets without fear of being held accountable for criminal, administrative, or tax indiscretions that may have occurred in connection with their assets prior to January 1, 2015. The amnesty was scheduled to end on December 31, 2015, but was extended until June 2016 by Presidential decree on December 29, 2015. The Capital Amnesty Law is intended to be an incentive to return capital to Russia in conjunction with the de-offshorization law, which entered into effect, after a delay, in June 2015. This legislation requires offshore entities that are at least 50 percent Russian-owned to pay tax on unallocated profits; the ownership 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.

In 2014, the Russian Federation undertook additional measures centered on its tax system. The plan develops a number of items of important AML legislation. Most of these steps were completed in 2014. In 2015, there was a steady improvement in efforts to reduce illicit transactions. The Federal Tax Service and Rosfinmonitoring created new interagency working groups and exchanged information databases to increase cooperation in the prevention, detection, and suppression of illegal financial transactions. Russian authorities are also using computer models to analyze trade and financial flows, as well as to model taxpayer behavior in the home appliance/electronics and precious metal markets.

In June 2014, Federal Law 173-FZ was passed to allow Russian financial institutions to improve information exchange with foreign tax authorities generally. According to this law, Russian financial institutions may transfer information to a foreign tax authority only with the consent of the non-resident customer. If no consent is provided, the financial institution may unilaterally terminate the contract with the client. In addition, on Dec. 12, 2015, the Russian government established Decree No. 1365 requiring Russian individuals to report annually to the government on transactions on their foreign bank accounts. Russia is unable to effectively enforce foreign forfeiture orders.

There were a number of criminal prosecutions for money laundering in 2014. The most prominent was the arrest of Sergei Magin for the creation of a criminal association. The charges claimed Magin established 14 shell companies that specialized in illegal encashment transactions. It was estimated this group illegally transferred RUB 200 billion (approximately \$2.7 billion) abroad. Other cases involved the misuse of state funds awarded under government contract in the amounts of RUB 5 billion (approximately \$68.3 million) and RUB 9 billion (approximately \$122.9 million). In 2014, there were over 1,200 criminal charges filed using Rosfinmonitoring materials, and 164 convictions on charges related to money laundering.

Qiwi, a large Russian digital payment system, has announced plans to issue a Russian cryptocurrency, called the BitRuble in 2016. Qiwi is currently testing and finalizing the various platforms to ensure they comply with Russian law. While bitcoin is currently illegal in Russia, if BitRuble is able to launch, it would present challenges to law enforcement to prevent money laundering in Russia.

Although the U.S. and Russia are parties to a bilateral Mutual Legal Assistance Treaty (MLAT), cooperation under the MLAT is often not effective. Additionally, U.S. authorities have been unable to work with Russian counterparts to pursue criminal forfeiture under Russian law of millions of dollars in drug-trafficking proceeds that an international drug dealer, convicted in the U.S., admits went to purchase warehouses for the storage of drugs.

## Singapore

Singapore's openness as an international financial, investment, and transport hub exposes it to money laundering and terrorist financing risks. The country's position as the most stable and prominent financial center in South East Asia, coupled with a regional history of transnational organized crime, large-scale corruption in neighboring states, and a range of other predicate offenses in those states increase the risk that Singapore will be viewed as an attractive destination for criminals to launder their criminal proceeds. Limited large currency reporting requirements and the size and growth of Singapore's private banking and asset management sectors also pose inherent risks. Among the types of illicit activity noted in the region are fund flows associated with illegal activity in Australia that transit Singapore financial service providers for other parts of Asia.

As of November 17, 2015, 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 SGD 2.4 trillion (approximately \$1.89 trillion) in 2014. As of the end of 2014, Singapore had at least SGD 1.94 trillion (approximately \$1.53 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 \$4.83 billion in 2014. 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.

Singapore exempted the processing of gold and other precious metals from its Goods and Services Tax to 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 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:* 29,082 in 2014

*Number of CTRs received and time frame:* 385,496 in 2014

*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:* 111 in 2014

*Convictions:* 89 in 2014

***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:**

Currency transaction reporting (CTRs) only pertains to casinos and to gem and precious metals dealers. There currently is no comprehensive requirement for mandatory reporting of 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.

In 2015, the Monetary Authority of Singapore announced that, between April 2013 and March 2014, it conducted 83 AML/CFT inspections, issued nine supervisory warnings and reprimands, restricted the operations of six financial institutions, and revoked the licenses of two remittance agents. It also fined five financial institutions for breaches of AML/CFT requirements.

The extradition treaty between the United States and Singapore is an old style “list” treaty that enumerates the specific offenses for which the parties have agreed to extradite. The major deficiency with the treaty is that the list of offenses is woefully out of date and does not cover money laundering. Singapore has denied multiple extraditions to the United States for prosecution on money laundering offenses due to the lack of treaty coverage and Singapore has shown no interest in engaging in discussions to modernize the extradition treaty.

All mutual legal assistance granted by Singapore is based upon Singapore’s domestic legal assistance statute, entitled the Mutual Assistance in Criminal Matters Act (MACMA). Singapore strictly applies the provisions of this domestic law, regardless of whether a foreign request for assistance is made pursuant to a bilateral treaty or a multilateral convention. Mutual legal assistance treaties (and extradition treaties) are not self-executing in Singapore, and therefore have no effect under Singapore law, other than to the extent the treaties are implemented by specific domestic laws. Singapore authorities interpret the MACMA very strictly, complicating the provision of assistance. Despite the stringent requirements and procedures, Singapore does provide mutual legal assistance, including in money laundering cases.

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. Given that some of Singapore’s more vulnerable sectors include those that are cash-intensive, Singapore also should consider the adoption of CTR reporting for all types of financial institutions and DNFBPs.

## **Sint Maarten**

Sint Maarten is an autonomous entity within the Kingdom of the Netherlands. Sint 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. 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. Sint Maarten does not have an offshore banking industry. Many hotels operate casinos on the island, and online gaming is legal and subject to supervision.

Sint Maarten's favorable investment climate and rapid economic growth over the last few decades have drawn wealthy investors to the island. Many invested money in large scale real estate developments, including hotels and casinos. In Sint Maarten, money laundering of criminal profits occurs through business investments, purchases of real estate, and international tax shelters. Its weak government sector continues to be 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:*** 4,267: January – July, 2015  
***Number of CTRs received and time frame:*** Not available  
***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:*** 2 in 2015  
***Convictions:*** 4 in 2015

***RECORDS EXCHANGE MECHANISM:***

*With U.S.: MLAT: YES Other mechanism: YES*  
*With other governments/jurisdictions: YES*

Sint 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:***

Sint Maarten's new Penal Code, which went into effect on June 1, better regulates crimes such as terrorism financing and money laundering, with the requisite penalties.

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, an independent auditor, commissioned by the Governor of Sint Maarten, released a report on the integrity architecture of the government. According to the report, Sint 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.

In July, Sint Maarten's FIU reported that hundreds of unusual financial transactions investigations are backlogged at the Sint Maarten Public Prosecutor's Office. Approximately 1,138 reports totaling \$243 million have not been investigated.

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 Sint Maarten. Customs and law enforcement authorities should be alert for regional smuggling and trade-based money laundering and value transfer schemes.

In March, 2015 a judge of the Court of First Instance convicted a brothel owner who is a former member of Parliament, the club's manager, and a companion on charges of money laundering, tax evasion, bribery, and trafficking in persons.

Sint Maarten has a tax information sharing network with 88 jurisdictions. In 2015, Sint Maarten made some improvements to its legal framework, which now ensures the availability, access, and exchange of information. However, there is a noted lack of oversight and enforcement of this legal framework. In practice, there is also limited use of compulsory powers.



The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands and the United States extends to Sint Maarten. As part of the Kingdom of the Netherlands, Sint 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 Sint Maarten. The 1988 Drug Convention was extended to Sint Maarten in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to Sint Maarten, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Sint Maarten. The UN Convention against Corruption has not yet been extended to Sint Maarten.

## **Somalia**

In 2013, Somalia and the international community endorsed a New Deal Compact that outlines peace and state-building goals aimed at helping Somalia become more accountable to the people of Somalia in instituting political, financial, health, and security reforms. In 2015, the Federal Government of Somalia committed itself to a slate of reforms, including improving fiscal transparency and budgeting processes. To improve fiscal transparency and build a nascent banking sector, the Central Bank of Somalia implemented reforms, including granting interim licenses to six banks and nine money transfer organizations, installing a Treasury Single Account, and developing internal procedures for banking supervision, including on and off site inspections.

Somalia's financial system is informal, operating mostly outside of government oversight, either via the black market or unsupervised money remittance firms (hawaladars). An estimated \$1.3 billion in remittances is sent to Somalia every year, primarily by the Somali diaspora that fled the country during two decades of conflict. That amount is roughly one quarter of Somalia's gross domestic product, eclipsing all international aid to the country (projected at about \$1 billion in 2015). Most remittances are routed through financial centers in the Gulf. The World Bank estimates 40 percent of all Somalis depend on remittances for their basic needs.

With its long land borders and extensive coastline, the smuggling of currency and goods into and out of Somalia remains common, due mainly to customs and border security officials' lack of capacity to control points of entry. The UN Security Council reports piracy has declined significantly, with no large commercial vessels hijacked or held for ransom by Somali pirates in the last two years, resulting in a decrease of ransom payments.

Corruption is endemic, providing opportunities for rampant money laundering. For example, media and advocacy groups have reported that some government officials in Somalia's Jubbaland benefited from illegal charcoal exports and possibly helped to transfer profits to foreign destinations.

The African Union Mission in Somalia (AMISOM) and the Somali National Army (SNA) made progress clearing al-Shabaab from areas of south central Somalia. However, al-Shabaab continues to threaten Somalia and the region and raises funds through multiple sources, including public taxation and extortion of local businesses and private citizens in areas controlled by al-Shabaab; donations from Somali and non-Somali sympathizers, both inside Somalia and abroad;

kidnapping for ransom; and sharing in the illicit charcoal and sugar trade in southern Somalia. Al-Shabaab also taxes charcoal production before the bags reach ports for export, and it has a stake in the market value of the cargo when it reaches its destinations in the Middle East. Al-Shabaab's revenues from the charcoal trade are declining, according to a UN report, increasing the group's focus on other revenue-generating activities. Despite the existing UN ban on the export of charcoal from Somalia, in its 2014 report, the UN Somalia and Eritrea Monitoring Group estimates al-Shabaab received an estimated \$7.5 – 15 million in revenue from checkpoints on illegal charcoal exports. Al-Shabaab moves some funds via cash couriers, but a significant portion reportedly passes through hawala networks 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:* Not applicable

***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 a FATF-style regional body (FSRB).

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While Somalia continues to stabilize politically, government institutions are weak and state capacity is severely constrained.

In December 2015, Somalia's parliament passed key AML/CFT legislation, an important step in establishing a functioning, regulated, and supervised financial system in Somalia. As of yearend 2015, this legislation is not yet signed into law. Somalia maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia's penal code, based on the 1930 Italian penal code, does not include any provisions or penalties addressing money laundering or terrorist financing. This deficiency should be rectified once the new legislation becomes law. The key obstacles to implementing Somalia's new AML/CFT law include the federal government's limited control over parts of southern and central Somalia beyond Mogadishu; a lack of legal and financial expertise among Somalia's central bankers and Finance Ministry technocrats; pressing security threats to the government, including from al-Shabaab; a lack of capacity at all levels of government; and insufficient enforcement, policing, and investigative capacity. The Central Bank of Somalia is receiving technical assistance on the risk-based approach to supervision.

Somalia lacks a formal financial sector, with the exception of interim commercial banks. Somalia has no fully 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. 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 commercial software which flags possible name matches between customers and the individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list. Merchant's Bank in California, one of the largest banks to service Somali money transmitters in the United States, discontinued service in 2015.

Since the collapse of the state in 1991, Somalis have relied primarily on customary and sharia legal systems to adjudicate disputes. A legal system with both civilian and military courts nominally 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.

In theory, the police reportedly are 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 interim 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.

During 2015, the government made public commitments and took limited steps to improve transparency in its public financial management to reduce endemic corruption. The government increased cooperation with the Financial Governance Committee, a body mandated to review concession and public procurement contracts at or above a value of \$5 million. The Ministry of

Finance has increased its cooperation with the international donor community to implement public financial management reforms.

Somalia has observer status to the Middle East and North Africa Financial Action Task Force, a FSRB. Although Somalia is not a party to either the UN Convention against Transnational Organized Crime or the UN Convention against Corruption, 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. Somalia does not have a bilateral treaty with the United States concerning extradition.

Somalia should combat corruption, enhance its ability to cooperate with international partners, 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 and sign into law the AML/CFT law passed by the Parliament. 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 resources necessary to effectively improve government capacity and will continue to rely heavily on donors.

## Spain

Spain is proactive in identifying, assessing, and understanding its money laundering risks and works to mitigate these risks. 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 fraud, 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 continue to 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:*** 4,637 in 2014

***Number of CTRs received and time frame:*** 1,503,662 in 2014

***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 2014

***Convictions:*** 186 in 2014

***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 often act as money service businesses (MSBs), offering wire transfer services and moving money in and out of Spain by making small international transfers for members of immigrant groups. 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 passport rules remain.

All offenses punishable by more than three months imprisonment are predicate offenses for ML. A stand-alone terrorist financing offense was added to Spain’s Penal Code in 2010 which enables terrorist financing activity to be pursued separate from any other collaboration, involvement or membership in a terrorist organization. As of 2014, no convictions have been obtained under this offense, but prosecutions are underway. The level of sanctions is standard with international norms, but in practice, prison sentences being levied against terrorist financiers are low.

In 2015, Spanish police, working with Europol, dismantled a large organized Chinese money laundering network which laundered approximately \$337 million in the past six years, mostly in countries in southern Europe. The Chinese group imported counterfeit products into the EU using fake documents and sold the goods without declaring excise taxes. The group also owned several garment factories in the Madrid area where Chinese workers were allegedly exploited. The Chinese money laundering networks reportedly offered to assist other organized criminal groups launder their illicit proceeds in exchange for a percentage of the funds.

The authorities and financial institutions consider the use of large cash sums a significant risk indicator of money laundering, notably related to tax avoidance. In 2014, 39 million euros (approximately \$47.1 million) were seized in 783 interventions, and 30 million euros (approximately \$33 million) in penalties were imposed. Spanish law does not allow civil forfeiture, but it has recognized and enforced foreign non-conviction based confiscation judgments presented by other countries.

Spain continues to work toward 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 financial intelligence unit, 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.

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. Spain should take steps to identify and license all MSBs and ensure they are adequately supervised for AML/CFT.

## 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; increasing presence in precious metals refinement; and long tradition of banking secrecy all contribute to Switzerland's success, while also making Switzerland a prime target for money laundering abuse.

Reports indicate 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, and terrorism financing. Switzerland has been a favored venue for kleptocrats to stash ill-gotten funds. 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. According to a 2015 national assessment of the money laundering and terrorist financing risks in Switzerland drawn up by an interdepartmental working group, the main threats for the Swiss financial sector are "fraud, embezzlement, corruption, and participation in a criminal organization."

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. 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:** 1,753 in 2014

**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:** 687 in 2014

**Convictions:** 57 in 2014

#### **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/#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, dealers of works of art and antiquities, and commodities like oil, gas, and gold.

As of December 31, 2015, a new legal framework will be in force in Switzerland and target companies issuing bearer shares. The new framework requires such companies to identify beneficial owners owning at least 25 percent of the company's shares and/or voting power and to freeze suspicious assets without informing the owners. In the wake of the arrests of several members of the Federation International Football Association (FIFA) in May, the Swiss Parliament changed domestic anti-corruption laws to cover international sports associations. The law will allow the authorities to criminally investigate sports officials, identify them as politically exposed persons (PEPs), and apply KYC rules to them. Corruption against private persons will be considered an official crime and therefore not require a plaintiff to be investigated by Swiss authorities.

On November 18, 2015, the Swiss Federal Council also introduced a stricter regime for the country's approximately 250 freeports storing goods estimated at \$100 billion. The new rules will require freeport operators to identify the beneficial owner of diamonds, precious metals, watches, and pieces of art. Under the new regulations, there is now a six-month time limit on the storage of goods intended for export. The deadline can be extended if proper grounds are



determined. A 2013 report by the Swiss Federal Audit Office determined that the long-term storage of goods with great value in freeports was indicative of illegal storage for the purpose of tax optimization or to circumvent trade regulations on cultural goods or weaponry.

Persons physically transferring money worth more than \$10,600 into or out of Switzerland must specify its origins, its future destination, and its owner, but only if asked by the Swiss authorities.

Switzerland's role as a global commodities trading hub is increasing. Switzerland is the world's largest trading hub for crude oil and iron ore and is a premiere location for gold refining. Swiss customs and law enforcement authorities should examine the link between commodities and trade-based money laundering. Swiss authorities should take steps to regulate all designated non-financial businesses and professions in accordance with international standards.

## Taiwan

Taiwan's modern financial sector, strategic location within the Asia-Pacific international shipping lanes, expertise in high-technology production, 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.

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 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; 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:* 6,890: January - October 2015

*Number of CTRs received and time frame:* 4,107,745: January - October 2015

*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:* 68: January - October 2015

*Convictions:* 7: January - October 2015

#### **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 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. The Money Laundering Control Act (MLCA) does not specifically provide for the civil coverage of legal persons. Furthermore, 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.

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 authorities are not keeping statistics on jewelry store-related money laundering cases.

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. There is no extradition treaty in force between Taiwan and 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. 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. Proposed legislative amendments to Taiwan's MLCA address a number of these deficiencies, but remain only in draft form.

## Thailand

Thailand is a centrally located Southeast Asian country with extremely porous borders. Thailand is vulnerable to money laundering within its own economy, as well as to many categories of cross-border crime, including illicit narcotics, wildlife trafficking, 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, official 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, hawaladars 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:* Commercial 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

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 11,384: October 1, 2014 – August 31, 2015

*Number of CTRs received and time frame:* 1,114,032: October 1, 2014 – August 31, 2015

*STR covered entities:* Commercial 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:* 15: October 1, 2014 - November 5, 2015

*Convictions:* 0: October 1, 2014 - November 5, 2015

**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:**

On October 9, 2015, Anti-Money Laundering Act (AMLA) No. 5 went into effect. In addition to adding offenses related to human trafficking and online gambling to the list of predicate offenses, this act calls for the Anti-Money Laundering Office (AMLO), which serves as Thailand’s financial intelligence unit, to now report directly to the Prime Minister. AMLO’s responsibilities and scope are expanded to include the authority to formulate joint action plans in

collaboration with other relevant agencies; the authority to promote public engagement; the authority to change the composition and duties of the Anti-Money Laundering Board so as to be more effective in decision making; the authority to empower the transaction committee to issues guidelines for more effective implementation; and an expanded scope of examination and supervision duties for AMLO, to include money laundering/financial transactions national risk assessments, as well as the ability to share risk assessment results with supervisory and other relevant agencies. The AMLA No. 5 also strengthens the reporting regime and KYC and customer due diligence measures and applies them to all designated non-financial businesses and professions, such as real estate agents and precious metal and stone dealers; adds persons who provide legal remittance and currency exchange as reporting entities; expands the money laundering offense to cover persons who obtain, possess, or use assets, knowing at the time that they are connected with the commission of a predicate offense; and establishes measures allowing for the return, or repayment of the value of, assets connected with commission of an offense to the damaged person, as well as witness protection. AMLA No. 5 also allows international asset sharing and recovery.

AMLO is further expected to name tax evasion as a predicate offense and to address cross-border bulk cash movement. AMLO is in the process of formulating the amendment. Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as well as criminal enforcement.

On September 9, 2015, Counter Terrorism Act No. 2 B.E. 2558 (CTA No. 2) went into effect, replacing the original Counter Terrorism Act. CTA No. 2 includes amended Rules and Procedures for Notifications of Designations in accordance with UNSCR standards. Specifically, the law was amended to streamline the process for adopting the UNSCR list; empower AMLO to keep monitoring UNSC designation notifications; require AMLO to order designation of persons and entities without delay when AMLO deems such notification does not go against the Thai constitution or law; removing the stipulation that a person or entity's terrorist involvement up to the day of the court's decision must be proven in order for the civil court to order designation of that person or entity on the Thai domestic list; require AMLO to continue to publish both UN and domestic designations but to only serve notice of the designation to those on the domestic list; and make holders of assets of a designated person or entity, agents of the designated person or entity, or undertakings controlled by the designated person or entity subject to sanctions if they fail to follow asset freezing orders.

## Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. With the exception of last three years, Turkey's economy has grown rapidly, and its GDP has quadrupled in size since 2001. This rapid growth, combined with Turkey's commercial relationships and geographical proximity to unstable, conflict ridden areas like Iraq, Syria, and Crimea 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. In addition to narcotics trafficking other significant sources of laundered funds 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. Recent conflicts at the southern border of Turkey have increased the risks for additional sources of terrorism financing and money laundering attached to human trafficking and oil and antiquities smuggling from the region to Europe.

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.

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:* 61,372: January 1 - November 21, 2015

*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:**

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.

The Coordination Board for Combating Financial Crimes assigned the Financial Crimes Investigation Board (MASAK), Turkey's financial intelligence unit, to coordinate the national risk assessment in Turkey. To this end, MASAK determined contact points from relevant institutions, organized a study visit to Spain in 2014, and continues interagency consultations and studies in order to draft an assessment document.

With the entry into force, on March 30, 2015, of the Regulation on Principles and Procedures for MASAK's Electronic Notification to Obligated Parties, MASAK will be able to communicate with covered entities in a timely manner and implementation of the mechanism for freezing assets without delay will be accelerated. Moreover, in February 2015, MASAK introduced a guidance circular, Guidance on Suspicious Transaction Reporting for Factoring and Leasing Companies, that improved its capacity for oversight. MASAK has improved its capacity to collect and analyze financial information by further investing in IT infrastructure and human capital. MASAK continues to increase education efforts for financial institutions. A new Efficiency in Anti-Money Laundering and Combating Financing of Terrorism project officially started in March 2015, with donor assistance.

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. No data was available for 2014. In 2015, MASAK referred to public prosecutors 387 individuals based upon a suspicion of money laundering and 61 individuals based upon a suspicion of terrorism. Turkey has no civil asset forfeiture procedures and its criminal procedures and practices are primitive.

Turkey should provide the necessary resources and capacity to adequately supervise its non-profit sector. The government 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, to prevent terrorist groups in Iraq and Syria from benefiting from trade in oil, antiquities, and hostages, and from receiving donations under UNSCR 2199.

## **Ukraine**

Although Ukraine is not a regional banking or financial center, and despite several international banks pulling out of the country, it does have close ties with European banking networks. Illicit



proceeds are primarily generated through corruption; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; cybercrime; and tax evasion. Money launderers use various methodologies, including real estate, insurance, bulk cash smuggling, financial institutions, and shell companies. Few Ukrainian businesses are owned transparently. The British Virgin Islands, Cyprus, and other offshore tax havens are often used to obscure ownership, evade taxes, or mask illicit profits.

Ukraine's large shadow economy represents a significant money laundering vulnerability. Conducted in cash with little records or oversight, transactions in the grey economy make it relatively easy to launder money in Ukraine and deprive the government of tax revenue. The use of the informal economy is linked to evasion of taxes and customs duties. Many Ukrainians work abroad and send remittances back to Ukraine via transfers or international payment systems; these remittances amounted to approximately \$2.2 billion in the first six months of 2015. Of this total, \$311 million arrived via informal channels. Additionally, there is a significant market for smuggled goods in Ukraine.

Endemic corruption in Ukraine is an additional factor that worsens the problem of money laundering. Furthermore, transnational organized crime syndicates utilize Ukraine as a transit country to launder their illicit profits to a third country. In the course of investigations conducted between March 2014 and September 2015, the State Financial Monitoring Service (FMS), Ukraine's financial intelligence unit, froze the equivalent of \$1.52 billion of funds reportedly related to large-scale corruption activities of the former government.

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](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2015, the Government of Ukraine took positive measures to reduce corruption. The country recently created the National Anti-Corruption Bureau and the Inspector General's Office and is working to reform the judiciary. Amendments to the Law on Banking enacted in February 2015 allow expedited liquidation of banks involved in money laundering and terrorist financing. The National Bank of Ukraine has shuttered seven banks since then under these measures.

Ukraine combines currency transaction reports (CTRs) and suspicious transaction reports (STRs) for statistical purposes. From January to September 2015, 2,873,485 reports were received, representing more than a three-fold increase over the same period last year. The reporting upsurge is attributed to increased focus on destabilizing threats in eastern of Ukraine.

While Ukraine has signed and ratified international treaties, implementation is often weak. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance, and asset forfeiture. The Rada voted on a draft law in November 2015 to establish a National Agency on Detection of Corruption Proceeds. The Rada still needs to give final approval to the draft and the President must then sign it. The Agency, when established, will be entrusted with drafting and signing international asset sharing agreements.

Cybercrime is an on-going problem in Ukraine. In 2015, a European joint investigative team working with Ukrainian counterparts uncovered a major cybercriminal group operating in the country. The enforcement action targeted high-level cybercriminals and their accomplices who are suspected of developing, exploiting, and distributing banking Trojan malware as well as channeling and cashing-out the proceeds of their crimes. The cybercriminals used malware to attack online banking systems in Europe and beyond, adapting their sophisticated banking

Trojans over time to defeat the security measures implemented by the banks. On digital underground forums, they actively traded stolen credentials, compromised bank account information, and malware, and sold their hacking ‘services.’ Tens of thousands of users’ computers were infected with banking Trojans with total damages estimated at over \$2 million.

Ukraine must address the rise of cybercrime and related transnational organized crime activities by better examining the significant amounts of money flowing into its banking system. Ukraine needs to 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. Ukraine should enact its draft bill on international law enforcement cooperation in order to fully implement its treaty obligations.

## **United Arab Emirates**

The United Arab Emirates (UAE) is a regional hub for transportation, trade, and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted an influx of people, goods, and capital, which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Money laundering risks in recent years have increased commensurate with the growth of large numbers of exchange houses, hawaladars, and trading companies in the UAE. Furthermore, remittances are transferred through these establishments from non-nationals in the UAE, who comprise more than 80 percent of the population and often are unable to access the formal financial sector in their home countries. There are some indications 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, Iran, Iraq, Syria, Yemen, 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 reported to be attracted to the UAE’s financial and trade centers. 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, with 37 free trade zones (FTZs) and two financial free zones. 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. Activity in the Dubai International Financial Center, supervised by the Dubai Financial Services Authority, is largely from major international banks/institutions.

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, exchange houses, and securities traders

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 3,484: January 1 - December 11, 2014  
*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 has demonstrated its willingness and capability to take action against illicit financial actors. In November 2015, the Central Bank of the UAE (CBUAE), with assistance from the Dubai Police General Headquarters' Anti-Money Laundering Unit and the U.S. Drug Enforcement Administration, took action against a Treasury-designated money exchange that was supporting a money laundering racket.

The Securities and Commodities Authority (SCA) in September 2015 announced that it ordered all UAE-based securities and commodities brokerage companies to electronically connect with the CBUAE's Anti-Money Laundering and Suspicious Cases Unit (AMLSCU), the UAE financial intelligence unit (FIU). The procedure marks the first phase of SCA's plan to connect all SCA-licensed companies with the AMLSCU.

The Government of the UAE in 2014 amended its Anti-Money Laundering Law, expanding the list of ML predicate offenses to all serious crimes, among other improvements. The AML Law explicitly states that money laundering offenses are stand-alone offenses and that the punishment of the offender for committing the predicate crime shall not preclude also punishing the offender for money laundering. Further, the new AML Law states that a conviction for the predicate offence is not required for evidencing the unlawful source of the proceeds being laundered.

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 AMLSCU and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information collection and sharing capability to support cooperative efforts with counterpart FIUs. The AMLSCU should also develop its analytical capacity. 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 money laundering 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 should take action to establish appropriate policies and procedures regarding all aspects of asset forfeiture, including asset sharing. The UAE should release annual numbers of AML/CFT prosecutions and convictions so as to better gauge the effectiveness of its regime.

## **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. 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; inbound and outbound cash smugglers; and gatekeepers, such as 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. There are significant intelligence gaps, in

particular in relation to ‘high-end’ money laundering. This type of laundering is particularly relevant to major frauds and serious foreign corruption, where the proceeds are often held in bank accounts, real estate, or other investments rather than in cash. 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/u->

[z/unitedkingdom/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html](https://www.amlregulation.com/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The UK has a comprehensive AML/CFT regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK agreed to the EU's Fourth Anti-Money Laundering Directive in June 2015; it will be transposed into UK law by June 2017.

In 2015, the UK government published its first national risk assessment (NRA) with the aim of identifying, understanding, and assessing the ML/TF risks. The NRA confirmed that the UK's law enforcement agencies' primary expertise is cash-based ML, particularly cash collection networks, international controllers, and money service businesses, although some gaps in knowledge remain. This is a result of the resources law enforcement agencies have invested over a number of years in tackling cash-based ML and narcotics trafficking, which have long been recognized as posing high ML risks.

In 2015, the Government of the United Kingdom committed to an action plan to follow up on the NRA's findings. The action plan sets out how the government will increase collaboration among law enforcement agencies, supervisors, and the private sector; fill intelligence gaps and strengthen the law enforcement response; remove inconsistencies in the supervisory regime; and increase the international reach to tackle money laundering.

The UK supervises both financial institutions and designated non-financial businesses or professions (DNFBPs) for AML/CFT compliance. There are currently 27 AML/CFT supervisors in the UK. The supervisors include large global professional bodies, smaller professional bodies, and a number of public sector statutory organizations. Her Majesty's Treasury has developed a voluntary reporting process for supervisors in the UK. The Annual Report on AML/CFT supervision is intended to improve the transparency and accountability of supervision and enforcement in the UK and encourage good practice.

In 2015, the UK launched a pilot Joint Money Laundering Intelligence Task Force, which brings together 10 banks and key UK law enforcement agencies to collaborate on the detection and disruption of money launderers. In the pilot phase, seven people have been arrested, £7.8 million (approximately \$8.4 million) of criminal money has been frozen, and over 350 suspicious accounts have been identified.

The Financial Conduct Authority (FCA) is in charge of consumer protection and the integrity of the UK's financial system. The FCA has changed its approach to AML supervision, which is now more risk based. The FCA is now more proactive, working closely with regulatory and industry stakeholders to identify current and emerging financial crime risks and ensure that banks are aware of their implications and how to mitigate them. Since 2012, the FCA has taken formal enforcement action against eight firms and individuals in response to AML failings, with fines totaling approximately £24 million (approximately \$37 million). It currently has seven AML cases under investigation.

In March 2015, the UK passed legislation to establish a central public register of company beneficial ownership information. The register will be a freely accessible, searchable, single online source of information about the ultimate owners and controllers of UK companies. Law enforcement agencies can use the information as an accessible source of intelligence and evidence in their investigations. The central public register also will enable citizens and businesses both in the UK and other countries to identify who owns and controls the companies they are doing business with. The public sector will be able to use the information to support inquiries into corruption, money laundering, and other criminal activities. The register also may be used by covered entities as part of their customer due diligence (CDD) checks, but it cannot be relied upon, nor does it replace the obligation to perform CDD. UK companies will be required to obtain and hold their beneficial ownership information beginning in April 2016. They will be required to file that information with the central public register with the UK registrar of companies from June 2016. There will be sanctions and penalties for failing to comply with the register requirements, such as imprisonment of up to two years.

In June 2014, the Crown Prosecution Service Proceeds of Crime team was established to prioritize and streamline confiscation work, although responsibility for asset recovery is divided among different UK agencies. The UK is enhancing its international reach in asset recovery and provides technical assistance to other jurisdictions.

The UK should consider changing its rules to ensure domestic politically exposed persons (PEPs) are identified and, if appropriate, subject to enhanced due diligence requirements in accordance with international recommendations.

## Uruguay

Although the Government of Uruguay continued to take affirmative steps in 2015 to counter money laundering and terrorism financing activities and made 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. Since 2013, there have been at least five high-profile money laundering cases, including one related to FIFA and several linked to alleged laundering of funds from Peru, Argentina, and Spain.

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 and offshore). 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. The three offshore banks operating in Uruguay cannot initiate new operations since they are in the process of being liquidated. Offshore trusts are not allowed. There are twenty representatives of offshore financial entities. Bearer shares may not be used in banks and institutions under the authority of the Central Bank of Uruguay, and any share transactions must be authorized by the central bank. Uruguay's offshore financial services cater primarily to Latin American clients, especially to middle class Argentinians.

There are 12 free trade zones (FTZs) located throughout the country. Three FTZs 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:* 290: January – October 2015

*Number of CTRs received and time frame:* 7,607,016: January – October 2015

*STR covered entities:* Banks; financial services firms (which can offer credits and diverse financial services but not deposits); financial houses (which can loan to residents but only receive deposits from non-residents); offshore financial institutions; financial cooperatives; private loan consortia; credit providers; exchange houses; representatives of offshore financial firms; wire companies; companies providing administration, accounting and data

processing services; pension funds; insurance companies; stock exchanges; stock brokers; investment advisors; issuers of initial public offers; investment fund managers; financial trusts; professional trust managers; private companies with government's participation; casinos; real estate brokers, intermediaries, and developers; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators and direct users; business dealers; and other persons or companies who carry out financial transactions or administer corporations on behalf of third parties

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 51: January – October 2015

***Convictions:*** 7: January – July 2015

***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 of 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](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 2015 include the inclusion of three articles in the quinquennial budget bill that task the Anti-Money Laundering Secretariat (AMLS) with the supervision of designated non-financial businesses and professions (DNFBPs). Law 19,355, enacted in December 2015, substantially enhances the supervisory and enforcement powers of the AMLS and should have the effect of increasing STR reporting by these entities, which have traditionally submitted few suspicious transaction reports (STRs). Staffing will almost triple to enable the AMLS to implement effective supervision over 20,000 new obligated entities.

Several programs continued in 2015 with the assistance of the international donors. One program seeks to upgrade Uruguay's money laundering risk assessment and its compliance with international standards. Other programs seek to enhance the effectiveness of Uruguay's AML investigations, improve the country's technological platform and statistical system, and provide better tools to the inter-institutional working groups. One donor is assisting the central bank to create a strategic analysis division within UIAF, the financial intelligence unit, and is also helping the UIAF to strengthen its capabilities to assess the risk of individual financial institutions. A risk-based matrix that was tested in ten institutions in 2015 will be implemented throughout the entire financial system in 2016. Following a 2014 decree, the UIAF started supervising providers of securities transportation and safety deposit boxes in 2015.

In 2015, Uruguay continued its strategy of increased transparency by eliminating approximately 85,000 bearer share corporations that failed to register the owners of their shares at the UIAF (about 30,000 corporations registered). Uruguay also began adhering to the automatic exchange of tax information with some jurisdictions and announced that, starting in 2017, it will begin an

automatic exchange of tax information with countries with which it has bilateral agreements. However, foreign authorities seeking information on their residents' undeclared bank accounts cannot easily discover evidence of malfeasance; they may only seek "confirmation" from Uruguay after a specific taxpayer and a related bank account have already been identified. Implementation of the new policy will require a major relaxation of Uruguay's longstanding bank secrecy policy.

In 2014, the Uruguayan Customs Authority created a working group on AML, and in 2015 Uruguay passed legislation that authorizes customs officials to impose significantly tighter controls over the FTZs. A financial inclusion law 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. Following the new financial inclusion regulations, the UIAF started receiving daily reports for simplified savings accounts in 2015.

The government worked in 2015 to develop an integrated strategy against terrorism, which will be submitted to the parliament for approval in 2016. In early December 2015, the government will submit a bill to Parliament that would strengthen its anti-terrorism stance and clarify several points that were subject to interpretation. Also in 2015, an inter-ministerial working group continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Uruguay has made progress in the collection and dissemination of statistics related to prosecutions, convictions, and the amount of seized assets related exclusively to AML/CFT cases. Money laundering prosecutions can take several years, and most end with a conviction. Uruguay is considering amending its legislation to allow for full non-conviction based forfeiture. At present, assets may be forfeited without the conviction of a person only in very narrow circumstances, including when the owner of the assets is missing or no owner can be found. Besides the convictions and prosecutions, in 2015 the UIAF froze assets on six occasions for a total of \$614,000, fined a real estate agent and a notary, and imposed sanctions on several financial institutions, one of which was closed.

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**

Conditions in Venezuela make for ample opportunities for financial abuses. Venezuela's proximity to drug source points and its status as a drug transit country, combined with weak AML enforcement and lack of political will, limited bilateral cooperation, and endemic corruption, make Venezuela vulnerable to money laundering and financial crimes. The porous border between Venezuela and Colombia has also created a burgeoning black market. Furthermore, Venezuela's highly distorted multi-tiered foreign exchange system and strict price controls open numerous opportunities for currency and goods arbitrage, including to facilitate money laundering. Although the Venezuela-Colombia border was closed in August 2015 under the auspices of the Venezuelan government's "state of exception," nevertheless a robust black

market continues to function in the border regions. Colombian law enforcement and customs officials reported that more than 90 percent of commerce in the border region was related to black market goods and services. Illicit trade and illegal financial activity are common in the border regions. Laundered funds primarily come from drug trafficking, but informal traders offering products ranging from shampoo to gasoline are also profiting through currency manipulation. A series of recent U.S. legal actions against Venezuelan citizens have exposed questionable financial activities related to money laundering and terrorism finance.

Money laundering is widespread in Venezuela, and can be seen in a number of areas, including government currency exchanges, commercial banks, gambling, real estate, agriculture, livestock, securities, metals, the petroleum industry, and minerals. Trade-based money laundering remains a common and profitable method. One such trade-based scheme is the black market peso exchange, through which money launderers provide narcotics-generated dollars from the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos. In turn, those Colombian pesos are exchanged for Venezuelan bolivars at the parallel exchange rate and then used to repurchase dollars through the Venezuelan currency control regime at a much stronger official exchange rate. Sources report some black market traders ship their goods through Margarita Island's free trade zone (FTZ). Increased Venezuelan money laundering activity has also been reported in the FTZs of Panama and Ecuador. A more recent black market trade in bolivar currency notes has become increasingly profitable in the border states of Tachira and Zulia and neighboring states of Merida and Barinas.

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, 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; notaries, public registration offices, and Venezuela's tax revenue office, Servicio Nacional Integrado de Administración Aduanera y Tributaria (SENIAT)

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 862: January 1 – June 30, 2015

**Number of CTRs received and time frame:** 1,704,647,526: January 1 – June 30, 2015  
**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; notaries and public registration offices

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 274 in 2014

**Convictions:** 8 in 2014

**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 FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafig.org/index.php/member-countries/s-v/venezuela>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Since 2003 the Venezuelan government has maintained a strict regime of currency controls. 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 foreign 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.

Venezuela's official exchange rate remains 6.3 bolivars per U.S. dollar, but the parallel exchange rate has increased to 873 bolivars per U.S. dollar. The huge margin achievable by defrauding the currency commission has reduced the incentive to traffic goods through duty exempt zones such as Margarita Island because the money saved by avoiding import taxes is insignificant when compared to the profit margins gained by trade-based schemes. According to banking compliance experts, trade-based schemes make it extremely difficult for banks to differentiate between licit and illicit proceeds. More recently, a sharp rise in the demand for 50 and 100 bolivar notes along the Colombian border has created a currency black market where these notes can earn up to 150 percent of their face value and provide a profitable way to launder proceeds. Venezuelan authorities have not revised Venezuela's CTR regulations to keep pace with Venezuela's high inflation. A 10,000 bolivar (approximately \$1,580 at the official exchange rate) withdrawal is now an ordinary transaction. The 10,000 bolivar threshold has been in effect since 2010.

Legal experts say 2014 revisions to the 2012 Organic Law Against Organized Crime and Financing of Terrorism are a step in the right direction, but they caution that the law lacks the

same mechanisms to combat domestic criminal organizations. The revision also provides government an enormous range of options to prosecute under an “organized crime” umbrella. The revision includes roughly 900 types of offenses that can be prosecuted as “organized crime.” One legal expert noted such a broad mandate gives the government too much power.

In November 2014, the Venezuelan government revised the Anti-Corruption Law and created a new law enforcement organization to combat corruption. The reform also creates a criminal penalty for bribes between two private companies. However, the law differentiates between private and public companies and includes exemptions for public companies and government employees.

In March 2015, the U.S. Department of Treasury’s Financial Crimes Enforcement Network (FinCEN) released a Notice of Finding (NOF) that identifies Banca Privada d’Andorra (BPA) in Andorra as a foreign financial institution of primary money laundering concern by Venezuelan officials. FinCEN reports BPA helped launder over \$4 billion from Venezuela, of which \$2 billion was “siphoned” from Petróleos de Venezuela S.A.

In April 2015, an investigation conducted by *El Universo*, a newspaper in Ecuador, and the Miami-based *El Nuevo Herald*, exposed dozens of companies that made transfers to Ecuador in exchange for fake exports to Venezuela. The payments were deposited in banks in the United States and Panama before the merchandise arrived, and the shipments were never delivered. Panamanian officials report exporters had invoiced \$1.4 billion in shipments to Venezuela, of which \$937 million was for goods that never materialized.

In September 2015, judges in the Southern District of Florida unsealed indictments against Pedro Luís Martín, a former head of financial intelligence for Venezuela’s secret police, also known as Servicio Bolivariano de Inteligencia Nacional (SEBIN), and Jesús Alfredo Itriago, a former antinarcotics official with Venezuela’s investigative police, also known as Cuerpo de Investigaciones Científicas Penales y Criminalísticas (CICPC). U.S. officials believe Itriago is a key connection between drug traffickers and members of Venezuela’s military, security services, and government, as well as a primary financial manager responsible for laundering drug trafficking proceeds for top Venezuelan officials.

Venezuelan government entities responsible for combating money laundering, terrorist financing, and corruption are inefficient and lack political will. The National Office against Organized Crime and Terrorist Finance has limited operational capabilities. Venezuela’s financial intelligence unit, La Unidad Nacional de Inteligencia Financiera (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. An increasingly politicized judicial system further compromises the legal system’s effectiveness and impartiality and although the Venezuelan government has organizations to combat financial crimes, their technical capacity and willingness to address this type of crime remains inadequate. The Financial Crimes Enforcement Network (FinCEN), the U.S. financial intelligence unit, suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of information that FinCEN had shared with the UNIF. The suspension remains in effect until FinCEN can have assurances that its information will be protected. 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) is divided into three West Bank administrative areas, A, B and C, plus the Gaza Strip. The 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,” 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.

The Palestine Monetary Authority (PMA) is an independent agency of the PA and has oversight over Palestinian banks in the West Bank and Gaza. There are 16 banks operating in Palestine, seven local and nine foreign, working through a network of 274 branches and offices in both the West Bank and Gaza. There are also 306 money changers in both the West Bank and Gaza, and nine specialized lending institutions. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes.

The Palestinian economy is primarily cash-based. 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. The PA, however, has 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, Palestinian authorities believe trade-based money laundering and customs fraud are among the largest money laundering threats to the PA but are difficult to quantify. A lack of cooperation between PA and Israeli authorities at a variety of stages from banking reserves to customs tracking complicates assessment and enforcement.

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:* 108 in 2015

*Number of CTRs received and time frame:* 393,276 in 2015

*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:* 98 in 2015

*Convictions:* 0 in 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* MLAT: NO *Other mechanism:* YES

*With other governments/jurisdictions:* YES

The PA is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It has not yet undergone a mutual evaluation.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The PA became a full member of the MENAFATF in 2015. While it has a very complex patchwork of laws and mechanisms derived from its unique situation, it has some effective laws and regulations to address money laundering, notably the 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. Over the past year the PA National Committee for Anti-Money Laundering approved a proposal from the PA's financial intelligence unit, the Financial Fraud Unit (FFU), to amend the AML Law to address these deficiencies, and the draft amendment is currently awaiting approval at the Office of the President. On December 29, 2015, the President signed the new decree.

The PA currently has no laws to specifically address terrorism, terrorist acts, or terrorism financing. Currently, cases considered terrorism are investigated and prosecuted under a specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

The PA has an effective supervision and regulatory compliance function for banks. The PMA is responsible for supervision and regulatory compliance of banks, microfinance entities, and money service businesses (MSBs). Recently, the PMA implemented controls over licensed MSBs. The Capital Markets Authority (CMA) supervises the stock market and its members, insurance companies, mortgage companies and leasing firms. These entities reportedly are subject to AML/CFT controls. All other designated non-financial businesses and professions (DNFBPs), such as real estate agents, vehicle dealers, jewelers, etc. active in the West Bank are nominally supervised by the Ministry of Economy, but there are no evident AML/CFT supervisory or compliance programs in place.

The banks file both suspicious transaction reports (STRs) and currency transaction reports (CTRs) through a secure electronic system, which also links to a sophisticated database for use by the FFU's trained analysts. The number of filed STRs more than doubled, from 51 in 2014 to 108 in 2015. CTRs also increased. The FFU also has developed an Unusual Transaction Report (UTR), covering transactions that have not been articulated as suspicious but may bear closer scrutiny or recording. Although the FFU has adequate staffing, authority, and equipment, its full operational effectiveness has not been realized due, in part, to restrictions in the law. Article 31 of AML Law #9 of 2007 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office (AGO). The restrictions on information sharing have minimized the FFU's function and ability to support law enforcement, although there have been potential avenues opened by secondments among law enforcement, the AGO, and the FFU.

Prosecutors within the AGO are the chief investigators in the PA, with all the powers of an investigative judge. The prosecutors' lack of manpower and financial investigations experience has slowed the successful prosecution of AML cases. The PA has formed a multi-agency task force to address this problem, 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. However, the FFU is technically an administrative, not an investigative, FIU, and while law enforcement authorities profess to work complementarily to one another, the degree of financial investigative expertise varies greatly among agencies. Although the task force is intended to increase information sharing between law enforcement agencies and the FFU, only one task force meeting was held during 2015. The situation is even more concerning regarding trade-based money laundering, as customs authorities are unable to get customs or border trade information from their primary counterparts, and therefore reduced to inspections of

goods for expiration dates and quality control, instead of conducting investigations. The PA continues to struggle to conclude AML cases primarily due to the limited capacity of police to investigate and document financial crimes appropriately. In 2015, there were 23 acquittals, 37 cases dismissed by the attorney general due to lack of evidence, 10 cases still under investigation, and 28 pending in court.

The PA acceded to the UN Convention Against Corruption in 2014. Although compliant with the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention, the PA is not a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing, or UN Resolutions 1267 or 1373.

The PA should take steps to supervise for AML/CFT purposes all entities covered under the AML Law, especially the DNFBPs.

## **Zimbabwe**

Zimbabwe is not a regional financial center, but it does face problems related to money laundering and corruption. Serious financial crime in Zimbabwe generally appears in the form of various violations of exchange control rules; underground banking; cross-border crime; organized syndicates, both domestic and international; non-transparency in diamond production receipts; and increased cooperation among criminal networks and links with legal business activity, resulting in 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, and an arms embargo. The EU reviews its restrictions annually. 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.

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](http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of Zimbabwe sometimes abuses AML legislation for political purposes. 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.

Due primarily to production in the Marange diamond fields, Zimbabwe is the world’s sixth largest producer of diamonds by volume. Yet Zimbabwe’s diamond revenue is non-transparent. There have been reports of collusion between some mining companies and members of the military and secret police. In a form of trade and service-based laundering, management of the mining companies also presented grossly inflated procurement receipts for mining equipment

and other materials and, according to government reports, pocketed the difference. 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 Minister of this department has promised to improve accountability within the diamond mining sector.

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 and capacity to effectively combat money laundering. Many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. During the period under review, Zimbabwe's Financial Intelligence Unit (FIU) noted improved cooperation between itself and the law enforcement agencies.

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.

Between January and October 2015, the FIU referred eight cases to relevant law enforcement agencies for further investigation. The outcomes of 2013, 2014, and 2015 investigations and prosecutions are still pending.

The Money Laundering and Proceeds of Crime Act (MLPCA) of 2013 brought amendments to the Bank Use Promotions and Suppressing of Money Laundering Act, Building Societies Act, Criminal Matters (Mutual Assistance) Act and the Asset Management Act.

The MLPCA widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance and appears to assist the investigation and prosecution of terrorist financing. However, this has not yet been demonstrated. While the MLPCA removes key legal impediments to mutual legal assistance, only effective implementation of the CMA will demonstrate its effectiveness. The MLPCA also bars citizens from dealing with shell banks.

Zimbabwe has made some progress in improving its AML/CFT regime. The FIU is fully operational and there have been political commitments to continue the development of anti-money laundering countermeasures. Zimbabwe should ensure that implementation of the MLPCA is underway, combat widespread corruption that permeates government and commerce, and take steps to investigate and prosecute money launderers.