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

International Narcotics Control Strategy Report

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	Southeast 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
UTC	Universal Treatment Curriculum for Substance Use Disorders
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 2020 International Narcotics Control Strategy Report (INCSR), published in March 2020, covers the period January 1 to December 31, 2019 and is published in two volumes, the second of which covers money laundering and financial crimes. The INCSR is one of a number of annual reports on foreign policy and foreign assistance issues that are mandated by the United States Congress. A number of legislative acts set forth reporting requirements for the INCSR. The broad reporting requirements are set forth in section 489 of the Foreign Assistance Act of 1961, as amended ("FAA," 22 U.S.C. § 2291) which requires, among other things, reporting on countries designated by the President as major illicit drug producing or drug transit countries and on countries that have received foreign assistance under Sec. 489. Sections 481(d)(2) and 484(c) of the FAA and section 804 of the Trade Act of 1974, as amended, set forth additional, more specific, matters to be addressed in the report on a wide range of specified narcotics control actions.

The Majors List: The INCSR also serves as one of the factual bases for the designations in the President's annual report to Congress of the major drug-transit or major illicit drug producing countries. This requirement of a "majors list" was 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"). It was made permanent by section 706 of the Foreign Relations Authorization Act, Fiscal Year 2003 (P.L. 107-228) (the "FRAA"). That section 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 report must also 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.

Precursor Chemicals: The INCSR was expanded in 2007 to include reporting on the five countries that export the largest amounts of methamphetamine precursor chemicals and the five countries importing the largest amounts of these chemicals. This requirement was set forth in 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. This expanded reporting also includes efforts to control methamphetamine precursor chemicals and estimates of legitimate demand for them, prepared by most parties to the 1988 UN Drug Convention and submitted to the International Narcotics Control Board. The CMEA 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 245-2.

FAA and UN Drug Convention: 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 ('Drug Convention')." Although the Drug Convention does not list specific 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 relevant statute (FAA sec. 489) specifies 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 Drug Convention, the Department has used the best information it has available. The 2020 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-related 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, comprehensive reports are provided. For some smaller countries or entities where only limited information is available, reports include whatever data the responsible U.S. embassy could provide.

The country chapters report upon actions taken – including plans, programs, and, where applicable, timetables – toward fulfillment of Drug Convention obligations. 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 Drug Convention; some do not have status in the United Nations and cannot become parties. We have nonetheless considered actions taken by these countries or entities in areas covered by the Convention as well as plans (if any) for becoming parties and for aligning their legislation with the Convention's requirements. Other countries have taken reservations, declarations, or understandings to the Convention or other relevant treaties; these 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 of 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 August 8, 2019, 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 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 that support the legitimate interim government of Venezuela is 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, Belize, Bolivia, Brazil, Burma, Canada, Chile, China, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, El Salvador, Germany, Guatemala, Honduras, Hong Kong, India, Indonesia, Japan, Mexico, the Netherlands, Nigeria, Pakistan, Peru, Poland, Republic of Korea, Russia, Singapore, South Africa, Switzerland, Taiwan, Thailand, the United Arab Emirates, and the United Kingdom.

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

Major Money Laundering Countries

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking" [FAA § 481(e)(7)]. More information on the methodology is set forth in Volume II of the INCSR in the section entitled "Legislative Basis and Methodology for the INCSR." The following countries/jurisdictions have been identified this year in this category:

Afghanistan, Albania, Algeria, Antigua and Barbuda, Argentina, Armenia, Aruba, Azerbaijan, Bahamas, Barbados, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Burma, Cabo Verde, Canada, Cayman Islands, China, Colombia, Costa Rica, Cuba, Curaçao, Cyprus, Dominica, Dominican Republic, Ecuador, El Salvador, Georgia, Ghana, Guatemala, Guyana, Haiti, Honduras, Hong Kong, India, Indonesia, Iran, Italy, Jamaica, Kazakhstan, Kenya, Kyrgyz Republic, Laos, Liberia, Macau, Malaysia, Mexico, Morocco, Mozambique, Netherlands, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Russia, Senegal, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sint Maarten Spain, Suriname, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Venezuela, and Vietnam.

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

August 8, 2019

Presidential Determination No. 2019-22

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Presidential Determination on Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2020

By the authority vested to me as President by the Constitution and the laws of the United States, including Section 706(1) of the Foreign Relations Authorization Act, Fiscal Year 2003 (P.L. 107-228) (FRAA), I hereby identify the following countries as major drug transit 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 Majors List is not necessarily 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 engaged in robust and diligent narcotics control law enforcement measures.

Pursuant to section 706(2) (A) of the FRAA, I hereby designate Bolivia and the illegitimate regime of Nicolas Maduro in Venezuela as having failed demonstrably during the previous 12 months to adhere to their obligations under international counternarcotics agreements, and to take the measures required by section 489(a) (1) of the FAA. Included with this determination are justifications for the designations of Bolivia and the Maduro regime, as required by section 706(2) (B) of the FRAA. I have also determined, in accordance with provisions of section 706(3) (A) of the FRAA, that United States programs that support the legitimate interim government in Venezuela are vital to the national interests of the United States.

My Administration has devoted unprecedented resources to combatting the scourge of illicit drugs in the United States, including by strengthening our country's borders and expanding programs to prevent illicit drug use and aid the recovery and treatment of those who need it. We are making steady progress to turn the tide of our country's drug epidemic, but more needs to be accomplished. This includes further efforts beyond our Nation's borders, by governments of countries where dangerous illegal drugs originate.

In Colombia, President Iván Duque has made early progress in rolling back the record-high coca cultivation and cocaine production levels inherited from his predecessor and in leading efforts to

restart a Colombia-led aerial eradication program. This progress needs to continue and expand, and my Administration will continue to work with our Colombian partners to reach our joint five-year goal to reduce coca cultivation and cocaine production by half by the end of 2023. We will also continue to coordinate closely with Colombia and other like-minded partners in our Hemisphere to restore democracy in Venezuela. With the end of the Maduro dictatorship rife with criminal elements, the United States will have a much better opportunity to work with Venezuela to stem the flow of drugs leaving South America.

Along our southern border, Mexico needs to do more to stop the flow of deadly drugs entering our country. We need the Mexican government to intensify its efforts to increase poppy eradication, illicit drug interdiction, prosecutions, and asset seizures, and to develop a comprehensive drug control strategy. In particular, Mexico's full cooperation is essential to reduce heroin production and confront illicit fentanyl production and every form of drug trafficking, including through United States ports of entry. Many Mexican military and law enforcement professionals, in cooperation with their U.S. counterparts, are bravely meeting this challenge and confronting the transnational criminal organizations that threaten both of our countries. We need to see a sustained commitment from Mexican government officials across military and civilian agencies and working with foreign partners. Without further progress over the coming year, I will consider determining that Mexico has failed demonstrably to uphold its international drug control commitments.

You are hereby authorized and directed to submit this designation, with its Bolivia and Venezuela memoranda of justification, under section 706 of the FRAA, to the Congress, and publish it in the *Federal Register*.

/S/

Donald J. Trump

MEMORANDUM OF JUSTIFICATION FOR MAJOR ILLICIT DRUG TRANSIT OR ILLICIT DRUG PRODUCING COUNTRIES FOR FISCAL YEAR 2020

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.

According to the most recent available data covering 2017, Bolivia remains the world's third largest source of coca and cocaine. In March 2017, President Evo Morales signed into law a bill increasing the licit area of coca production from 12,000 hectares (ha) to 22,000 ha. The United States government estimated 2017 cultivation amounts to be 31,000 ha (an eighteen percent decrease in coca cultivation from 2016 to 2017), and the United Nations (UN) Office on Drugs and Crime (UNODC) estimated Bolivia coca cultivation to be 24,500 ha (an increase of 1,400 ha from 2016 to 2017), both in excess of the limits established by the Government of Bolivia. European Union studies have estimated that domestic demand for the traditional, cultural, and religious use in Bolivia is less than 12,705 ha.

The Bolivian government has inadequate controls over its domestic coca cultivation. UNODC calculated an estimated 35-48 percent of the coca that was cultivated in 2017 did not go to the two authorized coca markets for sale. The United States government estimated cocaine production potential in Bolivia to be 249 metric tons (MT) in 2017.

Peruvian officials estimate 41 percent of all Peruvian cocaine departs to or through Bolivia via ground or aerial transshipment, commonly known as the "air bridge." Bolivia reportedly confiscated seven aircraft involved in drug trafficking in 2018, down from 17 reportedly seized in 2017 by the Special Counter-Narcotics Police Force (FELCN).

Bolivia did take limited steps in 2019 to increase information sharing with the United States, which resulted in some additional coca eradication and a drop in Bolivia's overall estimated coca cultivation level. The United States Embassy meets periodically with the Vice Minister for Social Defense and Controlled Substances and FELCN officials to discuss Bolivia's drug control efforts. Bolivia sent and partially self-funded participants to six courses at the United States-funded International Law Enforcement Academy in 2018. The participants represented two Bolivian institutions: FELCN and the Financial Investigative Unit. The United States does not have a counterdrug presence in Bolivia, but it consults with international organizations and third-country governments involved in supporting Bolivian drug control goals and efforts to strengthen the rule of law. Bolivia participated in the semi-annual Multilateral Maritime Counter Drug Summit held in May, which attracted over 180 maritime counterdrug professionals from nearly 21 countries and over 65 international agencies spanning North, Central and South America, and Europe. In conjunction with the Multilateral Maritime Counter Drug Summit, the Vice Minister

of Social Defense visited the Department of State and requested continued cooperation and exchange of information of eradication imagery and data.

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 and discuss potential export opportunities for coca products. These actions undermine Bolivia's commitments to its international drug control obligations.

In accordance 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 counternarcotic measures set forth in the FAA results in the withholding of certain kinds of U.S. assistance, though humanitarian and counternarcotics assistance is allowed to continue. It is not in the vital national interest of the United States to grant a national interest waiver to Bolivia; most bilateral assistance requiring such a waiver is not currently contemplated by the United States nor actively pursued by the Bolivian government. If United States-Bolivian cooperation on drug control objectives were to improve further over the coming year, whether to request a vital national interest waiver could be reconsidered.

MEMORANDUM OF JUSTIFICATION FOR MAJOR DRUG TRANSIT OR ILLICIT DRUG PRODUCING COUNTRIES FOR FISCAL YEAR 2020

Venezuela

Under the illegitimate regime of Nicolás Maduro, Venezuela continues to be a major drug-transit country and is one of the preferred trafficking routes in the Western Hemisphere for illegal drugs, predominately cocaine. Venezuela's porous border with Colombia, weak judicial system, almost nonexistent international drug control cooperation, and permissive and corrupt environment provide ideal conditions for drug trafficking operations and associated violence.

Two nephews of former Venezuelan first lady Cilia Flores, Efraim Campo Flores and Francisco Flores de Freitas, were arrested in Port-au-Prince, Haiti, in November 2015, and expelled to the United States. In December 2017, a U.S. federal court sentenced both nephews to 18 years in prison following their convictions on drug trafficking charges.

The Department of the Treasury has imposed sanctions on at least 22 individuals and 27 companies by designating them as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act. These designations include current or former officials in the Maduro regime: in 2008, General Hugo Carvajal, General Henry Rangel Silva, and Ramón Rodríguez Chacín; in 2011, Freddy Bernal Rosales and Amilicar Jesús Figueroa, Major General Cliver Alcalá Cordones, and Ramón Isidro Madriz; in 2017, then Vice President Tareck El Aissami and front man Samarak López; and in 2018, Pedro Luís Martín and two of his associates. The Maduro regime has failed to take action against these or other government and military officials with known links to the "Fuerzas Armadas Revolucionarias de Colombia" (FARC) or the Mexican cartels.

Over the previous 12 months, the Maduro regime failed to make demonstrable efforts to combat illegal drug activity and prosecute corrupt officials or suspected drug traffickers, including those sanctioned by the United States government, and also prevented interim President Guaidó from exercising his legal authorities to do so. The Maduro regime also demonstrated a complete lack of will to make much-needed policy changes to enforce existing laws and has prevented the legitimate National Assembly from taking effective legislative action.

Pursuant to section 706 of the Foreign Relations Authorization Act of Fiscal Year 2003, a national interest waiver has been granted to enable the continuation of United States programs that support the legitimate interim government in Venezuela.

POLICY AND PROGRAM DEVELOPMENTS

Overview

The urgency and scope of the illicit drug problem cannot be overstated; more than 67,000 people died from drug overdoses in the United States in 2018, according to the U.S. Centers for Disease Control and Prevention. Although this figure reflects a welcome, if modest, decline of about four percent from the previous year – the first decline in three decades – overdose deaths from fentanyl, cocaine, and methamphetamine, almost all originating outside the United States, continued to increase.

This report reviews the efforts of nearly 70 governments in 2019 to combat the production, trafficking, and use of illicit drugs. While many of those governments took important steps to address this global epidemic, progress remains mixed.

By any measure, the drug-related death toll reflects a global crisis and an urgent priority for the United States and the international community. In addition to the global human tragedy of nearly 35 million people suffering from drug use disorders, according to the United Nations Office on Drugs and Crime, the illicit drug trade fuels corruption that weakens institutions, erodes public confidence in the rule of law, and in some cases, leads to political instability and unrest.

The recent surge in the illegal production, distribution, and use of synthetic opioids remains a paramount concern, both in the United States and globally. While opioids such as fentanyl are still legally prescribed in the United States to treat severe pain, when they are mixed with heroin or cocaine or added to counterfeit tablets, the results can be deadly. Unlike plant-based drugs, synthetic opioids, especially fentanyl and its analogues, are inexpensive to produce and can be manufactured anywhere and trafficked through the mail or express consignment shipping. Due to their extremely high potency, small amounts are not only lethal to humans, but also enormously profitable to traffickers.

The illicit drug trade is a significant challenge in all parts of the world. In Asia, the production of synthetic drugs, especially methamphetamine, has reached record levels. However, some important steps have been taken. For example, in May 2019, the People's Republic of China (PRC), a major source of fentanyl and fentanyl analogues, implemented controls over all forms of fentanyl as a class and ramped up screening and inspections of chemical centers and sales sites. Shipments of illicit fentanyl and fentanyl analogues from the PRC directly to the United States have decreased as a result, but the PRC remains a significant source of precursor chemicals used by criminals to produce illicit synthetic drugs. PRC authorities must continue to combat the problem on multiple fronts.

Further progress by the PRC will increase pressure on other potential source countries of synthetic drugs and their precursors, as trafficking networks adapt to evade enforcement. As home to the world's largest pharmaceutical industry, India in particular may be at risk. India is committed to combatting illicit drugs, but has limited resources to do so.

At the same time the production and use of synthetic opioids are proliferating worldwide, the cultivation of illicit coca crops and cocaine production remain at near-record levels. Colombia remains the world's largest producer of coca and cocaine, followed by Peru and Bolivia, respectively. To its credit, Colombia has increased its anti-narcotics efforts, but must build on this progress, including by fulfilling its commitment to re-start a Colombian-led aerial coca eradication program. Peru has also demonstrated political will to combat illicit drug production, trafficking, and use, and needs to sustain those efforts, including by expanding enforcement and eradication operations in high coca-producing regions. Under the government of former President Evo Morales, Bolivia failed demonstrably in 2019 to uphold its obligations under international drug control agreements, in part due to inadequate controls over its legal coca cultivation and domestic market. The transitional government of Bolivia, which assumed power in November 2019 following the resignation of Morales, has made important strides in drug interdiction and the extradition of drug traffickers.

Venezuela is a major drug transit country, which, under the illegitimate regime of Nicolas Maduro, engaged in virtually no international drug control cooperation and manipulated its judicial system toward its own corrupt ends, completely failing to address endemic corruption and drug trafficking. As a result, in August 2019, President Trump determined that Venezuela, like Bolivia under former President Morales, had failed demonstrably to adhere to obligations under international drug control agreements. The United States will continue to support the restoration of Venezuela's legitimately elected democratic government, and to restoring cooperation with Venezuela to stem the flow of drugs leaving South America.

The volume of cocaine originating from the Andean region also risks overwhelming the capacity of nearby transit states, particularly neighboring Central American countries like Guatemala and Honduras. Criminal activity from drug producers and traffickers, and resulting corruption, have the potential to exacerbate existing challenges posed by weak or under-resourced institutions in these vulnerable countries.

Mexico is the source of the vast majority of heroin and methamphetamine entering the United States and a key source and transit country for cocaine and synthetic opioids. While Mexico has demonstrated some progress, the level of drug trafficking to the United States by powerful transnational criminal organizations (TCOs) and associated violence, corruption, and impunity, pose an unacceptable threat to U.S. public health, law enforcement, and national security. Mexico must intensify its efforts to disrupt the production and trafficking of heroin, methamphetamine, synthetic opioids and precursor chemicals, and to undertake effective criminal investigations, prosecutions, and asset seizures against TCOs.

Europe has seen a growing number of drug transit routes and markets. In addition to a steady flow of Afghanistan heroin, Mexican cartels are expanding their crystal methamphetamine markets into both eastern and western Europe, and the use and availability of cocaine from the Western Hemisphere is at an all-time high. European governments should enhance their efforts to strengthen interdiction, port, and border security, and expand cooperation with source and transit countries.

The challenges are extensive and will require concerted efforts on the part of individual countries and the multilateral system. In addition to reducing supply, these efforts must include initiatives to reduce the demand for illicit drugs and expand access to treatment. Further, while cooperation with other governments is key, working with private sector partners will also be critical. To this end, in 2019, the United States government announced a Private Sector Call to Action to serve as a follow up to President Trump’s “Global Call to Action on the World Drug Problem.” The Private Sector Call to Action encourages global business leaders to draw on their specialized knowledge and technology and engage in public-private partnerships to help prevent and combat the production, sale, and misuse of illicit drugs and precursor chemicals. The United States will continue to partner with the international community to advance these goals and confront these challenges.

Demand Reduction

Drug demand reduction is a key foreign policy tool for addressing the interconnected threats of drugs, crime, and violence. Effective demand reduction strategy requires a comprehensive, balanced approach to substance use disorders that targets prevention, treatment, recovery, research, and international cooperation.

Recognizing that substance use disorder is a major public health threat, and that drug use is a preventable and treatable disease, many countries are requesting INL-sponsored technical assistance to improve and develop effective policies aimed at reducing use. INL works closely with international partners to coordinate and execute capacity building and training activities for service providers in drug prevention, treatment, and recovery. INL also promotes the sharing of critical information and evidence-based studies to preserve the stability of societies threatened by the drug trade.

The INL drug demand reduction program has three strategy components: (1) establish continuous drug data collection and analysis systems, (2) implement programs that effectively prevent and reduce drug use and drug use disorders, and (3) promote recovery-oriented and evidence-based drug policy. To achieve these objectives, INL supports the following:

- Developing professional networks of drug prevention and treatment practitioners by providing training, mentoring, and credentialing based on evidence-based practices;
- Development of drug-free community coalitions internationally, involving law enforcement and public/private social institutions aimed at preventing drug use and its consequences;
- Research, development, and outcome-based evaluation efforts to determine the effectiveness of drug prevention and treatment programs; and

Significant completed and ongoing INL-funded demand reduction projects for 2019 include:

Universal Prevention Curriculum: INL's Universal Prevention Curriculum (UPC) consists of two series, one for supervisors/managers of prevention programs and one for practitioners. These training programs are based on the United Nations Office on Drugs and Crime (UNODC) 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. In 2019, INL supported the development of an examination for International Certified Prevention Specialist certificate which will be disseminated in 2020. The effectiveness of the school-based program is currently being evaluated with INL support in collaboration with the Cayetano Heredia University in Lima, Peru.

Regional Treatment Training: INL supports the work of the Colombo Plan, UNODC, and the Organization of American States (OAS) to strengthen the workforce providing drug prevention, treatment, and recovery services through intensive trainings and credentialing examinations at the national level. These trainings improve the quality of services, helping prevent the initiation of drug use and improving treatment outcomes, lowering relapse rates, and generating overall greater confidence in the treatment system. Through 2019, the curriculum has been disseminated

in 56 countries – Afghanistan, Bahamas, Bangladesh, Benin, Bhutan, Botswana, Burma, Cambodia, Cameroon, Cote d’Ivoire, Egypt, Estonia, Ethiopia, Fiji, Gambia, Georgia, Ghana, Guatemala, India, Indonesia, Iraq, Japan, Kazakhstan, Kenya, Kyrgyzstan, Laos, Liberia, Madagascar, Malaysia, Maldives, Mexico, Mongolia, Mozambique, Namibia, Nepal, Nigeria, Niger, Pakistan, Peru, Philippines, Samoa, Senegal, Seychelles, South Africa, South Korea, Sri Lanka, Tajikistan, Tanzania, Thailand, Togo, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Vietnam. In 2020, INL will create online training courses using the existing basic Universal Treatment Curriculum (UTC) to provide worldwide access to the latest best practices for treating those with substance use disorders.

Alternatives to Incarceration: The United Nations Special Session on Drugs Outcome Document and the U.S.-sponsored CND resolution in 2016 called on countries to support alternatives to incarceration and proportionate sentencing, especially for drug dependent, nonviolent offenders. Alternatives to incarceration (ATI) – including an emphasis on gaining access to drug treatment and care – can occur before an arrest, at an initial court hearing, within the jail, at re-entry and through community corrections such as probation. In 2018, INL supported the development of training for policymakers and agency heads from both the public health sector and criminal justice sector to discuss critical areas of need related to alternatives to incarceration. The course was pilot tested in Jamaica in 2018 and in Guyana in 2019, and is now available globally. In 2020, INL is working to create an evaluation and technical assistance component to the ATI program to ensure follow-up with and additional support for participating countries. Moreover, INL is supporting the development of a Case Care Management (CCM) course to assist countries in establishing systems of collaboration between the public health and criminal justice systems. The CCM course was finalized in late-2019 and will be piloted first in Trinidad and Tobago in March 2020.

Development of the International Consortium of Universities for Drug Demand Reduction (ICUDDR): In July 2019, INL and a consortium of international organization partners and universities from around the world held its fourth ICUDDR meeting in partnership with Universidad Nacional de San Antonio Abad del Cusco and Cayetano Heredia University of Lima, Peru, with participation from 385 individuals representing 46 universities from 31 countries. The ICUDDR is a network of universities working together to promote academic programs in addiction studies (drug prevention and treatment) to further the dissemination of evidence-based practices and develop the drug demand reduction workforce. With INL support, ICUDDR membership grew to 194 universities in 63 countries.

Drug-Free Communities: INL assists civil society and grassroots organizations to form and sustain effective community anti-drug coalitions aimed at preventing substance use disorders in their communities. INL support has resulted in the establishment of over 300 active coalitions consisting of over 11,000 volunteers in 27 countries around the world (Albania, Argentina, Bolivia, Brazil, Cape Verde, Costa Rica, Dominican Republic, Ecuador, Ghana, Guatemala, Haiti, Honduras, Indonesia, Kazakhstan, Kenya, Kyrgyz Republic, Mauritius, Mexico, Paraguay, Peru, Philippines, Senegal, South Africa, Tajikistan, Togo, Uganda, and Uruguay).

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

Introduction

Illicit drug crops are grown, refined into illegal drugs, 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 assess 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.

As needed, the United States government revises its estimate process and occasionally the estimates themselves – in the light of field research and technological advancements. The clandestine, violent nature of the illegal drug trade makes 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 can affect 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. 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 and technology becomes applicable, the accuracy of the estimates will improve.

Cultivation Estimates

The United States government conserves limited personnel and technical resources by employing sample survey methodologies to estimate illicit crop cultivation and concentrating survey efforts on areas with strategic amounts of illegal cultivation or areas most *likely* to have illicit crop cultivation. Each year, analysts review a variety of datasets – including eradication data, seizure data, law enforcement investigations information, previous field locations, and other information – to determine areas likely to have illegal cultivation, and revise and update the search area, if necessary. They then survey and estimate cultivation in new areas using proven statistical techniques.

The resulting estimates meet the U.S. government's need for an annual estimate of illicit crop cultivation for each country. They also help with eradication, interdiction, and other law enforcement operations. As part of the effort to provide accurate and comprehensive assessments, the areas surveyed are often expanded and modified, so direct comparison with previous year estimates is sometimes not 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 yields from year to year and place to place. Some illicit drug crop areas are not easily accessible to the U.S. government, which can make scientific information difficult to obtain. However, we continually strive to improve our drug production estimates. The relative productivity of poppy crops in some cases can be estimated using imagery, and our confidence in coca leaf yield continues to improve as a result of field studies conducted in Latin America. Coca fields which are less than 18 months of age ("new fields") produce much less leaf than mature fields. In Colombia, for example, fields on average get their first small harvest at six months of age; in Bolivia and Peru, fields are usually first harvested at 12 months of age. 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 narcotics producers complicates the task of accurately assessing the quantity of cocaine or heroin that could be refined from a crop. Differences in the origin and quality of the raw material and chemicals 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 do not remove for coca leaf 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 or stored 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 different methodologies from the U.S. government assessments and utilize 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 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 2011-2019

(all figures in metric tons)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opium*									
Afghanistan	4,400	4,300	5,500	6,300	4,100	5,800	9,140	5,550	6,700
Burma	450		795	900		834			In process
Colombia				20	24			14	In process
Guatemala		4	6	14	6	7	5	4	In process
Laos	57					91			In process
Mexico	250	220	225	360	600	685	944	903	In process
Pakistan		28	220	105	29	52			In process
Potential Pure Heroin									
Afghanistan	510	510	650	740	480	680	1,070	628	788
Burma	43		76	85		79			In process
Colombia				3	3			2	In process
Guatemala		.5	1	2	1	1	1	1	In process
Laos	6					9			In process
Mexico	30	26	26	42	70	81	111	106	In process
Pakistan		3	26	12	3	6			In process
Total Potential L. America Heroin Production	30	27	27	47	74	82	112	109	In process
Total Potential Worldwide Heroin Production	590	540	780	880	560	856	1,187	737	In process
Potential Pure Cocaine									
Bolivia	195	165	190	225	255	275	249	254	In process
Colombia	220	210	235	324	545	772	900	887	In process
Peru	310	310	360	355	410	410	486	509	In process
Total Potential Pure Cocaine	725	685	785	904	1,210	1,460	1,635	1,650	In process
Potential Export-Quality Cocaine									
Bolivia	220	190	240	300	310	320	289	277	In process
Colombia	290	270	310	423	723	990	1,060	1,040	In process
Peru	370	395	435	435	510	475	542	554	In process
Total Potential Export-Quality Cocaine	880	855	985	1,160	1,540	1,790	1,891	1,871	In process

Notes:

Estimates may not add to totals due to rounding.

Opium production is reported at zero percent moisture.

Some Asian opium is consumed and not processed into heroin.

Opium production for 2018 was recalculated to use province-level yield data where available. The same method was used for opium production in 2019. The previously reported estimate for opium production in 2018 was 5,330 metric tons.

Worldwide Illicit Drug Crop Cultivation 2011-2019

(all figures in hectares)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Poppy									
Afghanistan	115,000	180,000	198,000	211,000	201,000	207,000	329,000	221,000	160,000
Burma	36,500		51,000	52,000		44,800			
Colombia				800	1,100			663	In process
Guatemala		220	310	640	260	310	232	187	In process
Laos	4,400					4,200			
Mexico	12,000	10,500	11,000	17,000	28,000	32,000	44,100	41,800	In process
Pakistan		755	4,300	2,800	930	1,400			
Coca									
Bolivia	25,500	25,000	27,000	35,000	36,500	37,500	31,000	32,900	In process
Colombia	83,000	78,000	80,500	112,000	159,000	188,000	209,000	208,000	In process
Peru	49,500	50,500	59,500	46,500	53,000	44,000	49,800	52,100	In process
Total Coca	158,000	153,500	167,000	193,500	248,500	269,500	289,800	293,000	In process
Cannabis									
Mexico	12,000	11,500	13,000	11,000		11,500			

Notes:

Estimates may not add to totals due to rounding. Some estimates for 2019 were not available at the time of this report.

Guatemala poppy cultivation: 2012 survey limited to fall season in San Marcos and Huehuetenango only.

Laos poppy cultivation: Estimates for 2009-2010 and 2016 are for Phongsali only. Survey area for 2011 was expanded.

Pakistan poppy cultivation:

- 2009 estimate is for Khyber, Mohmand, and Bajaur Agencies only.
- 2012 estimates are for Bara River Valley in Khyber Agency only.
- 2013, 2015, and 2016 estimates include the Bara River Valley, Mohmand and Bajaur Agencies, and selected areas in Balochistan.
- 2014 estimate includes the Bara River Valley and areas in Balochistan.

Parties to UN Conventions

(with dates ratified/acceded)

As of 4 November, 2019

<i>Country</i>	<i>Convention Against Transnational Organized Crime</i>	<i>1988 UN Drug Convention</i>	<i>Convention Against Corruption</i>
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	12 December 2016
19. Benin	30 August 2004	23 May 1997	14 October 2004
20. Bhutan		27 August 1990	21 September 2016
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	26 June 2018
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	17 June 2016	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		30 May 2018
57. Eritrea	25 September 2014	30 January 2002	
58. Eswatini	24 September 2012	3 October 1995	24 September 2012
59. Estonia	10 February 2003	12 July 2000	12 April 2010
60. Ethiopia	23 July 2007	11 October 1994	26 November 2007
61. European Union	21 May 2004	31 December 1990	12 November 2008
62. Fiji	19 September 2017	25 March 1993	14 May 2008
63. Finland	10 February 2004	15 February 1994	20 June 2006

64. France	29 October 2002	31 December 1990	11 July 2005
65. Gabon	15 December 2004	10 July 2006	1 October 2007
66. Gambia	5 May 2003	23 April 1996	8 July 2015
67. Georgia	5 September 2006	8 January 1998	4 November 2008
68. Germany	14 June 2006	30 November 1993	12 November 2014
69. Ghana	21 August 2012	10 April 1990	27 June 2007
70. Greece	11 January 2011	28 January 1992	17 September 2008
71. Grenada	21 May 2004	10 December 1990	1 April 2015
72. Guatemala	25 September 2003	28 February 1991	3 November 2006
73. Guinea	9 November 2004	27 December 1990	29 May 2013
74. Guinea-Bissau	10 September 2007	27 October 1995	10 September 2007
75. Guyana	14 September 2004	19 March 1993	16 April 2008
76. Haiti	19 April 2011	18 September 1995	14 September 2009
77. Holy See	25 January 2012	25 January 2012	19 September 2016
78. Honduras	2 December 2003	11 December 1991	23 May 2005
79. Hungary	22 December 2006	15 November 1996	19 April 2005
80. Iceland	13 May 2010	2 September 1997	1 March 2011
81. India	5 May 2011	27 March 1990	9 May 2011
82. Indonesia	20 April 2009	23 February 1999	19 September 2006
83. Iran		7 December 1992	20 April 2009
84. Iraq	17 March 2008	22 July 1998	17 March 2008
85. Ireland	17 June 2010	3 September 1996	9 November 2011
86. Israel	27 December 2006	20 May 2002	4 February 2009
87. Italy	2 August 2006	31 December 1990	5 October 2009
88. Jamaica	29 September 2003	29 December 1995	5 March 2008
89. Japan	11 July 2017	12 June 1992	11 July 2017
90. Jordan	22 May 2009	16 April 1990	24 February 2005
91. Kazakhstan	31 July 2008	29 April 1997	18 June 2008
92. Kenya	16 June 2004	19 October 1992	9 December 2003
93. Korea, Republic of	5 November 2015	28 December 1998	27 March 2008
94. Kiribati	15 September 2005		27 September 2013
95. Kuwait	12 May 2006	3 November 2000	16 February 2007
96. Kyrgyz Republic	2 October 2003	7 October 1994	16 September 2005
97. Lao Peoples Democratic Republic	26 September 2003	1 October 2004	25 September 2009
98. Latvia	7 December 2001	24 February 1994	4 January 2006
99. Lebanon	5 October 2005	11 March 1996	22 April 2009

100. Lesotho	24 September 2003	28 March 1995	16 September 2005
101. Liberia	22 September 2004	16 September 2005	16 September 2005
102. Libya	18 June 2004	22 July 1996	7 June 2005
103. Liechtenstein	20 February 2008	9 March 2007	8 July 2010
104. Lithuania	9 May 2002	8 June 1998	21 December 2006
105. Luxembourg	12 May 2008	29 April 1992	6 November 2007
106. Macedonia, Former Yugoslav Rep.	12 January 2005	13 October 1993	13 April 2007
107. Madagascar	15 September 2005	12 March 1991	22 September 2004
108. Malawi	17 March 2005	12 October 1995	4 December 2007
109. Malaysia	24 September 2004	11 May 1993	24 September 2008
110. Maldives	4 February 2013	7 September 2000	22 March 2007
111. Mali	12 April 2002	31 October 1995	18 April 2008
112. Malta	24 September 2003	28 February 1996	11 April 2008
113. Marshall Islands	15 June 2011	5 November 2010	17 November 2011
114. Mauritania	22 July 2005	1 July 1993	25 October 2006
115. Mauritius	21 April 2003	6 March 2001	15 December 2004
116. Mexico	4 March 2003	11 April 1990	20 July 2004
117. Micronesia, Federal States of	24 May 2004	6 July 2004	21 March 2012
118. Moldova	16 September 2005	15 February 1995	1 October 2007
119. Monaco	5 June 2001	23 April 1991	
120. Mongolia	27 June 2008	25 June 2003	11 January 2006
121. Montenegro	23 October 2006	23 October 2006	23 October 2006
122. Morocco	19 September 2002	28 October 1992	9 May 2007
123. Mozambique	20 September 2006	8 June 1998	9 April 2008
124. Myanmar (Burma)	30 March 2004	11 June 1991	20 December 2012
125. Namibia	16 August 2002	6 March 2009	3 August 2004
126. Nauru	12 July 2012	12 July 2012	12 July 2012
127. Nepal	23 December 2011	24 July 1991	31 March 2011
128. Netherlands	26 May 2004	8 September 1993	31 October 2006
129. New Zealand	19 July 2002	16 December 1998	1 December 2015
130. Nicaragua	9 September 2002	4 May 1990	15 February 2006
131. Niger	30 September 2004	10 November 1992	11 August 2008
132. Nigeria	28 June 2001	1 November 1989	14 December 2004
133. Niue	16 July 2012	16 July 2012	3 October 2017
134. Norway	23 September 2003	14 November 1994	29 June 2006

135. Oman	13 May 2005	15 March 1991	9 January 2014
136. Pakistan	13 January 2010	25 October 1991	31 August 2007
137. Palau	13 May 2019	14 August 2019	24 March 2009
138. Panama	18 August 2004	13 January 1994	23 September 2005
139. Papua New Guinea			16 July 2007
140. Paraguay	22 September 2004	23 August 1990	1 June 2005
141. Peru	23 January 2002	16 January 1992	16 November 2004
142. Philippines	28 May 2002	7 June 1996	8 November 2006
143. Poland	12 November 2001	26 May 1994	15 September 2006
144. Portugal	10 May 2004	3 December 1991	28 September 2007
145. Qatar	10 March 2008	4 May 1990	30 January 2007
146. Romania	4 December 2002	21 January 1993	2 November 2004
147. Russia	26 May 2004	17 December 1990	9 May 2006
148. Rwanda	26 September 2003	13 May 2002	4 October 2006
149. St. Kitts and Nevis	21 May 2004	19 April 1995	
150. St. Lucia	16 July 2013	21 August 1995	25 November 2011
151. St. Vincent and the Grenadines	29 October 2010	17 May 1994	
152. Samoa	17 December 2014	19 August 2005	18 April 2018
153. San Marino	20 July 2010	10 October 2000	
154. Sao Tome and Principe	12 April 2006	20 June 1996	12 April 2006
155. Saudi Arabia	18 January 2005	9 January 1992	29 April 2013
156. Senegal	27 September 2003	27 November 1989	16 November 2005
157. Serbia	6 September 2001	12 March 2001	20 December 2005
158. Seychelles	22 April 2003	27 February 1992	16 March 2006
159. Sierra Leone	12 August 2014	6 June 1994	30 September 2004
160. Singapore	28 August 2007	23 October 1997	6 November 2009
161. Slovakia	3 December 2003	28 May 1993	1 June 2006
162. Slovenia	21 May 2004	6 July 1992	1 April 2008
163. Solomon Islands			6 January 2012
164. South Africa	20 February 2004	14 December 1998	22 November 2004
165. South Sudan			23 January 2015
166. Spain	1 March 2002	13 August 1990	19 June 2006
167. Sri Lanka	22 September 2006	6 June 1991	31 March 2004
168. Sudan	10 December 2004	19 November 1993	5 September 2014
169. Suriname	25 May 2007	28 October 1992	
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, according to the United Nations, has purportedly acceded to the UN Convention against Corruption (2014), to the UN Convention against Transnational Organized Crime (2015), and to the 1988 UN Drug Convention (December 29, 2017). 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 2019-2020 Budget

Counternarcotics Program Area

\$ in thousands for all items	FY 2019 653(a)	FY 2020 Request
TOTAL	\$ 412,537.00	\$ 381,595.00
Africa	\$ 1,000.00	\$ 3,175.00
Kenya		\$ 875.00
Liberia	\$ 1,000.00	\$ 1,300.00
State Africa Regional		\$ 1,000.00
East Asia and Pacific	\$ 2,700.00	\$ 2,000.00
Burma	\$ 1,300.00	\$ 700.00
Indonesia	\$ 400.00	\$ 300.00
Laos	\$ 500.00	
Philippines	\$ 500.00	\$ 1,000.00
South and Central Asia	\$ 49,797.00	\$ 49,000.00
Afghanistan	\$ 38,000.00	\$ 42,500.00
Kazakhstan	\$ 367.00	
Pakistan	\$ 7,500.00	\$ 5,000.00
Tajikistan	\$ 1,000.00	
Uzbekistan	\$ 500.00	
Central Asia Regional	\$ 2,430.00	\$ 1,500.00
Western Hemisphere	\$ 253,440.00	\$ 264,975.00
Colombia	\$ 133,000.00	\$ 171,000.00
Mexico	\$ 56,000.00	\$ 36,000.00
Peru	\$ 29,900.00	\$ 32,400.00
State Western Hemisphere Regional (WHA)	\$ 34,540.00	\$ 25,575.00
of which, CARSI	\$ 27,300.00	\$ 19,150.00
of which, CBSI	\$ 7,240.00	\$ 6,425.00
INL - International Narcotics and Law Enforcement Affairs	\$ 105,600.00	\$ 62,445.00
INL - CFSP, Critical Flight Safety Program	\$ 10,500.00	
INL - Demand Reduction	\$ 15,000.00	\$ 8,000.00
INL – Drug Supply Reduction	\$ 17,000.00	\$ 10,000.00
INL – Global Crime and Drugs Policy		\$ 2,050.00
INL - Inter-regional Aviation Support	\$ 42,000.00	\$ 25,500.00
INL - International Organizations	\$ 3,100.00	
INL - Program Development and Support	\$ 18,000.00	\$ 16,895.00

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 International Law Enforcement Academies (ILEAs) pursue three core objectives: fostering partnerships across national borders within important regions of the world; advancing partner nations' engagement with U.S. law enforcement agencies; and building the capacity of foreign criminal justice partners of the United States to stop crime before it impacts the United States. These academies are an important part of the interagency U.S. effort to combat transnational criminal organizations.

Since the first ILEA opened in Budapest in 1995, the program has grown to six facilities worldwide, and has provided training to more than 70,000 students in from countries in Africa,

Europe, Asia, and Latin America. The ILEA program hosts approximately 160 courses per year. The program implements a number of key programming initiatives including an anticorruption course series, courses focused on countering violent extremism, and executive-level symposiums on combating transnational criminal organizations. Training includes specialized skill development and tactics in law enforcement areas such as counternarcotics; investigating money laundering and financial crimes; cybercrime investigations; border control; and countering all forms of trafficking including weapons, wildlife, and trafficking in persons. In 2019, ILEA piloted a multi-week leadership and development course in Budapest and San Salvador, which will be expanded in 2020. ILEA also works with senior officers and administrators on principles of leadership, effective management, and policy development at ILEA Roswell. 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 law enforcement components from the Departments of Justice, Homeland Security, Interior, Energy, Commerce, and Treasury, as well as with foreign government counterparts to implement the ILEA program.

Africa. ILEA Gaborone (Botswana) opened in 2001 and the Regional Training Center in Accra (Ghana) opened in 2012. ILEA Gaborone delivers 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 anticorruption, financial crimes, border security, crime scene investigations, counternarcotics, explosives, trafficking in weapons and wildlife, gender-based violence, and community policing. A Regional Training Center is operated in Accra, Ghana, in coordination with the ILEA, and addresses the unique needs of the West African region. ILEA Gaborone and RTC Accra provided training to approximately 2,100 students in 2019.

Asia. ILEA Bangkok (Thailand) opened in 1999, and focuses on enhancing regional cooperation against transnational crime threats in Southeast Asia with ASEAN member states. ILEA Bangkok's specialized courses focus on counternarcotics, anticorruption, financial crimes, environmental crimes, and trafficking in persons, weapons, and wildlife. ILEA Bangkok trained approximately 800 students in 2019.

Europe. ILEA Budapest (Hungary) was the first ILEA and was established in 1995. ILEA Budapest piloted the new multi-week leadership and development courses. Additionally, ILEA Budapest offers specialized courses on regional threats including anticorruption, organized crime, cybercrime, financial crimes, women in law enforcement, gender-based violence, and specialized training for judges and prosecutors. ILEA Budapest trained approximately 1,000 students in 2019.

Global. ILEA Roswell (New Mexico) opened in September 2001. ILEA Roswell hosts senior officials and policy makers including top prosecutors, judges, police commanders and lawmakers to discuss policy formulation and enforcement to facilitate an effective criminal justice system in these priority areas. These delegates are at the senior levels of leadership and decision making in their countries and are positioned to implement substantive changes to the criminal justice

systems upon their return. ILEA Roswell draws senior officials from all participating ILEA countries. ILEA Roswell trained approximately 240 students in 2019.

Latin America. ILEA San Salvador (El Salvador) opened in 2005. In 2019, ILEA San Salvador piloted the multi-week leadership and development courses annually and delivered specialized courses on regional threats and courses for police, prosecutors, and judicial officials. ILEA San Salvador courses concentrate on anti-gangs, human rights, counternarcotics, border security, and financial crimes. ILEA San Salvador trained approximately 1,200 students in 2019.

Drug Enforcement Administration (DEA)

The mission of the DEA is to enforce the controlled substances laws and regulations of the United States. As part of this mission, DEA seeks to bring to justice the 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 10 percent of its Special Agent and Intelligence Analyst work force permanently assigned overseas at 91 DEA foreign offices located in 67 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 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 foreign efforts and resources are dedicated to conducting international drug and drug money laundering investigations. In addition to that mandate, in 2019 DEA dedicated considerable effort in the fields of training, multinational law enforcement collaboration, and forensic science.

International Training: In Fiscal Year 2019, DEA Training Division conducted 87 formal (bilateral) and multilateral seminars for 2,500 participants from 88 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: In 1983, IDEC was established to institutionalize regional cooperation of drug law enforcement officials from countries within the Western Hemisphere. Over the years IDEC has evolved into an important global forum where the highest ranking agency leaders and prosecutors from approximately 125 countries gather to develop a cooperative vision and establish strategies for combating DTOs. Participants continue to build, balance, and integrate the tools of law

enforcement power to combat these criminal networks and build a framework for international cooperation to protect all our citizens from the violence, harm, and exploitation wrought by drug trafficking and commensurate threats to national security. IDEC is an operational targeting opportunity and global forum for important topical issues in international drug enforcement, and to identify and attack DTO vulnerabilities. IDEC initiatives have demonstrated that a multilateral enforcement approach has a cumulative effect as member nations increasingly coordinate their law enforcement efforts to investigate and prosecute major DTOs and their leaders and to seize and block their assets. The 37th annual IDEC is tentatively scheduled for August 2020 in Washington, DC. IDEC was last held in the United States in 1999.

The Special Testing and Research Laboratory's Programs: The Heroin and Cocaine Signature Programs (HSP/CSP) at the DEA Special Testing and Research Laboratory (STRL) determine the geographic origins of heroin and cocaine seizure samples. 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 samples collected from drug source countries world-wide, as well as drug processing laboratories within those countries. By collaborating with partner nations, numerous such "authentic" samples are submitted annually to the laboratory from the DEA foreign offices. Currently, the laboratory classifies several thousand drug exhibits seized within the United States and abroad annually.

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 psychoactive substances for enforcement and intelligence purposes. This group has identified over 400 synthetic cannabinoids, substituted cathinones, opioids and powerful hallucinogenic compounds that have come into the drug market.

To assist with addressing the nation's current opioid crisis, STRL developed and implemented a new Fentanyl Signature Profiling Program (FSPP). Through an in-depth analysis including quantitation, impurity profiling, isotopic characterization, and occluded solvents analysis, the FSPP provides unique science-based forensic investigative leads on seizures where linkages were unknown or only suspected; real-time data to investigators; answers to key questions from the counterdrug intelligence/enforcement community and U.S. policymakers; and direct support to the National Drug Control Strategy. Since its inception, this program has established 96 linkages involving 192 cases and 380 samples from DEA seizures of 1,118 kilograms of fentanyl.

DEA Operations Division/Office of Financial Investigations: The mission of the Financial Investigations Section (ODF) is to augment all Drug Enforcement Administration domestic and foreign money laundering/threat finance investigations. ODF provides assistance, expertise, and support, to identify, document, and prosecute, drug-money laundering organizations operating globally. ODF represents DEA's interests and builds capacity amongst federal, state, local, and

international law enforcement counterparts. ODF interacts with the financial services industries globally, regarding money laundering/threat finance investigations. ODF facilitates cooperation between countries, resulting in the identification and prosecution of money laundering organizations operating as part of or on behalf of transnational criminal organizations as well as the seizure of assets and denial of revenue globally. ODF regularly briefs and educates United States government officials and diplomats, foreign government officials, and military, intelligence and law enforcement counterparts regarding the latest trends in money laundering, narcoterrorism financing, international banking, offshore corporations, international wire transfer of funds, and financial investigative tools.

In conjunction with the DEA Office of International Training, OGF conducts training for DEA field offices, as well as foreign counterparts in order to share strategic ideas and promote effective techniques in financial investigations. During 2019, OGF participated and led a number of workshops and strategy sessions focused on money laundering trends, engagement with financial institutions, guidance and overview on undercover money laundering operations, virtual currency, and investigative case coordination.

DEA has prioritized having a financial component to its investigations by making it a key component of Priority Target Operations, the Domestic Cartel Initiative, and Organized Crime Drug Enforcement Task Force investigations. DEA has approximately 20 dedicated financial investigative teams across DEA's domestic offices, as well as approximately three foreign-based DEA team in Mexico, Peru, and Colombia.

United States Coast Guard (USCG)

The U.S. Coast Guard plays a crucial role in the efforts to reduce the availability of illicit drugs in 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 attack drug cartels and other criminal networks and their transport of illicit contraband, mainly from South America toward the United States via the Western Hemisphere Transit Zone (WHTZ), which encompasses the Caribbean Sea and the Eastern Pacific Ocean.

The U.S. Coast Guard leverages unique authorities, competencies, capabilities, and partnerships to interdict illicit bulk narcotics shipments in the maritime environment where they are most vulnerable. The Coast Guard continues to conduct multi-faceted interdiction operations using a defense in layers approach to border security. This approach supports the national objective to disrupt transnational criminal organizations engaged in various forms of illicit maritime activity to include drug and human smuggling, human trafficking, weapons and bulk cash smuggling, and illegal, unreported, or unregulated fishing.

Counternarcotics Operations: Detection of drug-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 WHTZ is far too expansive to randomly patrol; targeting information and persistent surveillance via maritime patrol aircraft is necessary to focus interdiction efforts. 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 with embarked USCG Law Enforcement Detachments for the interdiction and apprehension operational phase. A crucial ingredient for maritime drug interdiction success is the USCG's counterdrug bilateral/multilateral agreements and operational procedures with over 40 partner nations worldwide. These agreements facilitate law enforcement action including, stop, board, and search of vessels suspected of illicit trafficking by establishing repeatable procedures to expedite legally and operationally challenging international communication. In addition to facilitating boarding operations, the agreements effectively prevent trafficker attempts to use foreign sovereignty to evade law enforcement efforts.

International Cooperative Efforts: In 2019, USCG personnel were permanently assigned overseas as Coast Guard Liaison Officers, Coast Guard Section Chief (Mexico), Defense Attachés, Maritime Advisors, and Support to Interdiction and Prosecution team members to facilitate maritime counterdrug activities, including security assistance, intelligence collection and dissemination, prosecutorial support, and to liaise with the U.S. interagency and international community. The USCG, with support from the U.S. Department of State, hosts two multilateral summits annually: the Multilateral Maritime Interdiction and Prosecution Summit (MMIPS; Caribbean) and the Multilateral Maritime Counter Drug Summit (MMCDS; Central and South America). Professionals from operational and legal communities unite to further regional awareness of illicit trafficking threats; advance multinational cooperation; and to discuss judicial/prosecutorial challenges, information sharing, training, and logistics necessary to improve overall mission success in all aspects of the interdiction to prosecution continuum. To counter trans-Atlantic drug flows and other illicit maritime activity to include piracy, weapons

trafficking and illegal fishing, the USCG works with U.S. Africa Command to expand maritime training and operations for West African countries through the African Maritime Law Enforcement Partnership.

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, a joint initiative between the USCG and the U.S. Southern Command (SOUTHCOM), is a team of nine Coast Guard 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 Fiscal Year 2019, the USCG deployed 51.5 MTTs to 30 countries, and approximately 278 students from 65 countries attended 38 different resident courses at USCG training installations.

The USCG Support to Interdiction and Prosecution Team (CG-SIP) program, established in 2015 through collaboration with the U.S. State Department's Bureau of International Narcotics and Law Enforcement Affairs, consists of two USCG Investigative Service (CGIS) Special Agents in Panama. This team provides maritime counterdrug and prosecutorial support and coordinates between Coast Guard strategic, operational, and tactical units, the U.S. Embassy Country Teams in Central America, Combatant Commanders, and JIATF-South. This program expanded to the Dominican Republic in 2019, aimed at providing similar support to CBSI countries.

Operational Highlights: In Fiscal Year 2019 (FY19), the USCG disrupted 236 drug smuggling events, which included the seizure of 153 vessels, detention of 611 suspected smugglers, and removal of 207.9 metric tons (MT) of cocaine and 28.7 MT of marijuana. FY19 marked the fourth consecutive year the USCG removed over 200 MT of cocaine.

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 are charged with identification and prevention of terrorist travel to the United States and interception of illicit drugs 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. CBP is the nation's first line of defense against the introduction of dangerous drugs from foreign sources.

U.S. Customs and Border Protection's (CBP) Air and Marine Operations (AMO) is a critical component of CBP's risk-based and layered approach for border security, with 1,300 federal agents, 248 aircraft, and 331 marine vessels operating throughout the United States and Puerto Rico. AMO interdicts unlawful people and cargo approaching U.S. borders, investigates criminal networks and provides domain awareness in the air and maritime environments, and responds to contingencies and national taskings. AMO supports operations outside the continental US through deployment of AMO assets, and or personnel resources which include unique aviation and maritime subject matter expertise. In general, this includes deployment of assets in a law enforcement capacity to conduct detection and monitoring missions in coordination with US and foreign partners that result in, intelligence, and/or seizures and arrests of persons by either host nation, or other partners. AMO aviation and maritime subject matter experts may conduct program assessments for foreign partner organizations with similar missions in the aviation and maritime domain. may lead to opportunities for additional engagement, such as training opportunities, policy workshops, operational relationships, and others.

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 in conjunction with the Department of State, as appropriate. These programs are designed to standardize and build the capacity of foreign

government organizations to implement more effective customs trade operations, border policing, and immigration inspection.

Port of Entry Interdiction Training: The correct approach to border interdiction varies with border environments, i.e., land, seaport, rail, and airport. In addition to training at POE, CBP also provides specialized USBP training in techniques used by smugglers who do not use official ports of entry to cross borders, but who attempt to smuggle contraband across lightly patrolled border areas.

International Bulk Currency Smuggling Training: Bulk currency smuggling training assists foreign government enforcement personnel in identifying techniques used by bulk currency smugglers. CBP training also helps international partners design and implement programs to counter the crime, resulting in seizures of millions of dollars from the proceeds of crime.

Overseas Enforcement Training: Overseas Enforcement Training encompasses a curriculum that 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 Attachés, Representatives and Advisors and Special Customs' Programs: In support of the 2020 U.S. Border Patrol Strategy, Foreign Operations Division deploys personnel to expand its global footprint and improve relationships and partnerships with foreign counterparts. Attachés have a broad mandate, including enforcement and investigative activities on behalf of CBP. Integrating interagency information exchange through an intelligence program, they also exchange time sensitive and relevant information with foreign counterparts, improving the effectiveness of law enforcement activity and increasing the zone of security away from the physical borders. Their efforts help to ensure that enforcement cooperation is seamless across borders and that the battle against transnational crime is effective.

Customs Mutual Assistance Agreements: In consultation with Immigration and Customs Enforcement (ICE), CBP leads negotiations of Customs Mutual Assistance Agreements (CMAAs) with foreign governments. CMAAs 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 reciprocal assistance from them primarily in the exchange of information that facilitates the enforcement of each country's laws. As of Fiscal Year 2019, the United States had signed 81 CMAAs. CMAAs also provide a foundational basis for the development and implementation of other subsequent cooperation-based arrangements with foreign partners, especially as it relates initiatives that require information sharing and protections related thereto.

Office of Field Operations, National Canine Program: The National Canine Program (NCP) is committed to developing and maintaining relationships with our international partners. NCP Program Managers participate in international workshops to provide technical expertise on the

use of detector dogs in the operational customs environments to detect fentanyl, dangerous narcotics, currency, concealed humans, and smuggled weapons. The NCP was the first canine program within the U.S government to develop and implement a fentanyl canine training program. This training included safe handling and after alert action (post discovery) to be taken by the canine officer. The NCP conducts operational assessments for canine programs around the world and is active within the World Customs Organization (WCO), most recently attending the WCO Canine Forum 2019 in Melbourne Australia.

CBP Preclearance Field Office: Preclearance operations involve the strategic stationing of CBP law enforcement personnel overseas to inspect travelers prior to boarding U.S.-bound flights. Through preclearance, CBP Officers conduct the same immigration, customs, and agriculture inspections of international air travelers typically performed upon arrival in the United States before departure from foreign airports. CBP has more than 600 law enforcement officers and agriculture specialists stationed at 15 air preclearance locations in six countries. The aviation security benefits of preclearance are substantial because a uniformed, U.S. law enforcement officer interviews the precleared passenger before he or she boards the plane. This added security layer provides an additional opportunity to detect and stop threats as early in the process as possible. In addition to enhancing security, preclearance has the potential to increase capacity and create growth opportunities for airports and air carriers in the United States and abroad, while improving the passenger experience.

National Targeting Center: The National Targeting Center (NTC) collaborates with international partners to identify, disrupt, and manage risks in the cargo and passenger environments through information sharing and implementing joint targeting operations in accordance with memoranda of understanding and CMAAs. As part of this collaboration, the Center hosts representatives from participating foreign agencies, and works with these international liaisons, as well as with other U.S. government agencies, to detect and disrupt terrorism, threats to national security and public safety, and transnational criminal activity including but not limited to drug smuggling operations and drug trafficking organizations and their associates. The NTC also provides training and technical assistance in risk assessment and targeting to foreign Customs, Immigration and other border enforcement agencies.

DOD Preclearance: The Customs Border Clearance Agent (CBCA) program is designed to permit cargo consigned to the care of Department of Defense (DoD), as well as returning military personnel, to be pre-cleared for import/entry into the Customs Territory of the United States. The pre-clearance of such cargo and personnel is accomplished by DoD personnel that have been trained by CBP officers to perform pre-clearance inspections. CBCA personnel conduct Customs and Agricultural inspections and certify personnel and cargo have met all CBP and USDA entry requirements, as well as Defense Travel Regulations, prior to departing to the U.S. CBCA inspections are conducted at 28 locations in seven foreign countries throughout the Middle East. CBP officers also provide Technical Assistance Visits and annual Site Inspections/Certifications at these DoD preclearance facilities.

Immigration Advisory Program: Immigration Advisory Program (IAP) works with air carriers and host authorities, at foreign airports, to prevent terrorists and other high-risk passengers from boarding U.S.-bound flights. CBP's Joint Security Program (JSP) is a component of the IAP

with the goal of identifying high-risk air travelers and contraband arriving and departing the host country. In 2014, IAP and JSP expanded its operational base to include the deployment of Police Liaison Officers (LO) to foreign partner law enforcement agencies to enhance information exchange posed by terrorist and criminal travel. IAP currently operates in 20 distinct engagement across the globe.

U.S. Border Patrol Special Operations Headquarters Central America Advisory Support and Training: Special Operations Headquarters' (SOH) coordinates with USBP Foreign Operations Division and CBP/International Affairs in developing strategy and policy regarding overseas operations. SOH supports the expansion and establishment of USBP interdiction vetted units in Central America countries to conduct concurrent and synchronized operations aimed at dismantling regional criminal networks involved in smuggling drugs and other contraband. In coordination with interagency partners, SOH provides advisors to Central American governments in developing border security strategy. SOH foreign advisors utilize regional and international partnerships to ensure border security improvements are structured and coordinated across borders to combat threats posed by transnational criminal organizations. SOH foreign advisors also support CBP efforts to expand information sharing efforts in the air passenger environment, including through the collection and analysis of biometric data.

U.S. Border Patrol Support to the Biometric Identification Transnational Migration Alert Program (BITMAP): BITMAP is a host-country-led initiative in which DHS/Homeland Security Investigations and USBP trains and equips foreign counterparts to tactically collect biometric and biographic data on special interest aliens, gang members, and other persons of interest as identified by the host country. Foreign partners share this data with ICE and CBP to populate and enhance U.S. efforts to target criminal networks. This information is used to identify and map illicit pathways and emerging trends among extraterritorial criminal organizations; associate derogatory information with individuals; and identify known or suspected terrorists, criminals, and other persons of interest.

Office of Field Operations (OFO) Special Response Team (SRT): SRT is utilized by the Department of Homeland Security (DHS) and Customs and Border Protection (CBP) to support various CBP international initiatives. Programs that SRT support include; International Affairs International Training and Assistance Division (ITAD); CBP Advisors and Special Customs' Programs; CBP Pre-Clearance; Immigration Advisory Program/ Joint Security Program (IAP/JSP); and various other special mission requests. SRT supports capacity building in host nation institutions by providing advanced tactical enforcement training; threat assessments and site surveys prior to CBP deployment; and liaison guidance. SRT also provides training to CBP employees prior to deployment to foreign assignments.

CHEMICAL CONTROLS

Introduction

Chemicals play two critical roles in the production of illicit drugs: as essential ingredients for the production of synthetic drugs such as methamphetamine and fentanyl; and as refining agents and solvents for processing plant-based materials such as coca and opium poppy into cocaine and heroin. Preventing criminals from gaining access to chemicals needed to produce illicit drugs is a key international obligation codified by the 1988 UN Drug Convention, and one of the most difficult challenges to reducing illicit drug supplies. Comprehensive efforts to prevent chemical diversion require strong national efforts to control the production, transport, sale, storage, and disposal of these substances, as well as international coordination and information sharing between governments and cooperation from private industry.

Some illicit drug production methods have remained relatively constant through the years, involving the same common chemicals, particularly those used to isolate and refine traditional plant-based drugs such as cocaine and morphine, which is used to produce heroin. The growing global threats of synthetic opioids and synthetic drug analogues known as new psychoactive substances (NPS) involve a more dynamic range of chemicals. Criminals shift production methods and chemical sources regularly to produce synthetic drugs. The United Nations Office on Drugs and Crime (UNODC) has identified over 900 different NPS and estimate the number of potential fentanyl analogues alone to number in the thousands. Innovations in synthetic drug design and production continue to accelerate as drug producers seek to evade drug controls and tailor products to meet evolving consumer demand.

Given that synthetic drugs can be manufactured virtually anywhere, in facilities ranging from sophisticated laboratories to basements, the chemical supply chains that feed production of these drugs are extremely diverse and difficult to monitor. Sustained cooperation and expanded information sharing both within and between national governments are critical to keep pace with emerging trends in this field.

The International Framework

The 1988 Convention is the legal framework for international cooperation to prevent precursor chemical diversion. Specifically, the 190 UN member states that are party to the convention are required, under Article 12, to monitor their international trade in the chemicals listed in Tables I and II of the Convention. These chemicals have legitimate industrial uses and the tables are updated regularly to account for changes in the manufacture of illicit drugs. Under the treaty, the International Narcotics Control Board (INCB) has a special responsibility to monitor governments' control over precursors used in the illicit manufacture of drugs, and to assist them in preventing the illicit diversion of those chemicals. State parties are required to share information with one another and with the INCB on their international transactions involving these chemicals to identify and prevent diversion for illicit purposes. Article 12, Sections 8 and 9 of the Convention requires licensing or similar control of all persons and enterprises involved in the manufacture and distribution of listed chemicals.

The United Nations Commission on Narcotic Drugs (CND) is the treaty-based body within the UN system with prime responsibility for international drug-control policy. Resolutions passed by the CND have provided additional guidance to state parties on how to implement their obligations according to specific best practices.

In 2017, the CND took the significant step of requiring all state parties to the 1988 UN Drug Convention to control two of the key precursor chemicals used to produce fentanyl; 4-anilino-N-phenethylpiperidine (ANPP) and N-phenethyl-4-piperidone (NPP). This scheduling decision has reduced the ability of illicit drug manufacturers to obtain these chemicals, which in turn has led some criminals to adjust production methods, including the use of alternative chemicals more widely available for commercial purposes and not controlled under the UN system. There is evidence that illicit drug manufacturers have also turned increasingly to the use of so-called “pre-precursors” or “designer” precursors using more advanced processing techniques. These trends have been identified by the INCB as a major concern, and are addressed more fully under this report’s section pertaining to synthetic opioids.

The INCB plays a critical role in preventing the illicit diversion of precursor chemicals. The Board is an independent, treaty-based monitoring body that monitors compliance with the UN drug control treaties and proposes appropriate remedial measures and technical assistance to governments that are not fully applying the provisions of the treaties or are encountering difficulties in applying them. The United States provides funding to the INCB to monitor the measures called for in the UN conventions, and to improve detection and tracking of chemicals subject to diversion.

The INCB has implemented 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 the import and export of chemicals required for the manufacture of illicit drugs. It is the only global system for monitoring international legitimate trade in precursor chemicals controlled under the 1988 UN Convention, and provides importing state authorities with an early alert system to verify the legitimacy of pre-export chemical shipments. Using data conveyed by PEN Online, authorities may stop suspect shipments, or, in some cases, arrange controlled deliveries. Since the PEN Online system was first launched in March 2006, 164 governments have registered to use it. More than 35,000 pre-export notifications were submitted using the PEN Online system in 2019.
- The Precursors Incident Communication System (PICS) is another INCB tool that facilitates real-time communication exchange among law enforcement officials worldwide. The secure online system supports intelligence sharing on seizure incidents involving precursor chemicals (including clandestine laboratories), and facilitates direct coordination and collaboration among national authorities to advance investigations on chemical trafficking. PICS also helps to provide authorities with information on newly emerging precursors. As of November 2019, there were more than 2,700 incidents communicated through PICS, an increase of more than 350 from the previous year. Those incidents involved more than 30

different countries and territories. The system has more than 500 registered users from 117 countries and territories, representing more than 270 agencies.

- The International Special Surveillance List (ISSL) is an INCB mechanism that tracks chemicals not regulated by the 1988 Convention but for which substantial evidence exists of their use in illicit drug manufacture. The CND has urged governments to make wider use of ISSL and take voluntary measures to apply greater oversight of the supply chain of chemicals listed by it.

In addition to PEN Online, PICS, and ISSL, the INCB coordinates multinational law enforcement task forces to monitor and intercept diverted chemicals used to illicitly manufacture drugs, specifically synthetic drugs (Project Prism), heroin and cocaine (Project Cohesion), and NPS (Project Ion). These ongoing mechanisms facilitate coordination between international law enforcement authorities for coordinating targeted, time-bound intelligence-gathering operations.

Regional Bodies. The regulatory framework codified by the United Nations does not exist in isolation. Regional bodies, such as the European Union and the Organization of American States (OAS) actively work in partnership with the United States on multilateral chemical control initiatives, including the implementation of CND resolutions. The OAS Inter-American Drug Abuse Control Commission (CICAD) and its Group of Experts on Chemical Substances and Pharmaceutical Products works to advance voluntary cooperation to prevent the diversion and criminal misuse of non-controlled chemicals, and in 2019 published model guidelines to serve as a regional roadmap for addressing this challenge.

The Road Ahead

The United States will continue to work with willing international partners to help countries enforce strong regulatory and enforcement regimes to safeguard the integrity of chemical supply chains and prevent illicit diversion of precursor chemicals. In Southeast Asia, the United States is funding a UNODC project to reduce the risk of illegitimate production, diversion and trafficking of precursor chemicals and emerging substances. This program focuses on fentanyl and its analogues, methamphetamine, and related precursor chemicals. Through this project, UNODC is seeking to strengthen regional and inter-regional cooperation between national authorities and enhance coordination between relevant public and private sector actors in the region.

In the Western Hemisphere, the United States will continue to work with the Government of Mexico to improve its capacity to monitor the import of precursor chemicals and prevent illicit diversion, including through more effective border and port controls. In Guatemala, the United States is assisting the Government of Guatemala to safely dispose of stockpiles of diverted chemicals that have been seized in transit through the country. In Peru, the United States supports the Peruvian National Police Precursor Chemical Unit, Peruvian Customs (SUNAT), and the Precursor Chemical Task Force with training, mentoring, and operational assistance. In Colombia, the United States supports Colombia's Counternarcotics Directorate by providing detection equipment, technical assistance, and training to interdict diverted precursor chemicals.

The OAS/CICAD Expert Group on Chemical Substances and Pharmaceutical Products finalized model regulations in 2019 to help member states strengthen domestic legislation to prevent precursor chemical diversion. Moving forward, OAS/CICAD will continue working throughout the hemisphere to enhance forensic capacity of OAS member states to identify and detect synthetic drugs and their precursor chemicals, including through trainings to law enforcement agencies and forensic laboratories.

In Afghanistan, the United States will continue to assist the Counter Narcotics Police of Afghanistan's Precursor Control Unit and the Customs Department's Container Control Programme. Both projects train, equip, and provide mentorship support. Working in tandem, the units seized over seven metric tons of precursor chemicals in 2019.

Increased cooperation with domestic industry, including chemical, e-commerce, and shipping companies, as well as the pharmaceutical industry, and other public-private partnerships is also critical to targeting precursor chemicals. The United States will continue to work with like-minded countries and leverage international fora to highlight best practices and elevate the importance of partnering with industry to strengthen chemical supply chains, share information on emerging trends, and prevent diversion of legitimate chemical supplies. The INCB's Voluntary Code of Practice for the Chemical Industry offers a practical and flexible set of options for governments to draw from in this regard. The United States will also continue to work with other countries to encourage the application of domestic control measures similar to those applied to international trade in these chemicals.

Major Chemical Source Countries and Territories

This section focuses on individual countries with large chemical manufacturing 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.

Africa

Nigeria

Nigeria's National Agency for Food and Drug Administration and Control (NAFDAC) is the primary government agency responsible for preventing diversion of precursor chemicals in Nigeria. Since 2011, 18 clandestine methamphetamine laboratories have been detected in Nigeria, making Nigeria an emerging methamphetamine producing country. In addition to the emerging methamphetamine threat, Nigeria is also developing into a major transshipment country for ephedrine, a precursor chemical used in the production of methamphetamine. Precursor chemicals – mainly ephedrine – are imported mostly from India and China and then

diverted to clandestine laboratory operators. One kilogram (kg) of 99-percent pure locally-produced methamphetamine sells for as little as \$7,500 in Nigeria and over \$250,000 in Australia. Nigeria is also the largest importer of tramadol from India, a pharmaceutical drug commonly abused in Nigeria.

In 2016, the UNODC worked with Nigeria's Federal Ministry of Health (FMOH) on the related issue of quantification of narcotics and psychotropic substances for medical and scientific purposes. In 2016, the UNODC trained data collectors and has plans to train six analysts to analyze the data, three from National Agency for NAFDAC and three from FMOH.

In 2017, the UNODC finalized the scientific study on the estimated needs of controlled medicines, psychotropic substances and precursor chemicals for medicinal and scientific purposes in Nigeria. The study revealed that the estimated need for ephedrine was 771 kg and the estimated need for pseudoephedrine was 5496 kg. The data revealed that Nigeria drug imports far exceeded the amount legitimately needed in Nigeria. The NDLEA reported that in 2017, the most recent year for which data is available, Nigeria imported 8.3 metric tons (MT) of ephedrine, 4.82 MT of pseudoephedrine and 1,352 MT of acetone. In 2017, the last year for which statistics have been made available, the NDLEA seized 117.9 kg of precursor chemicals.

South Africa

South Africa is a leading regional importer of chemicals used in the production of illicit drugs, particularly synthetic drugs. The South African Police Services (SAPS) has a trained, dedicated clandestine laboratory team. The SAPS division of the Directorate for Priority Crime Investigations (DPCI) reported dismantling 294 clandestine laboratories between April 2014 and March 2019, including 58 between April 2018 and March 2019, many of which included precursor chemical seizures. Enforcement teams from the South African Revenue Service (SARS) also seize illicit drugs and precursor chemicals, including ethanol and toluene.

Ephedrine and pseudoephedrine used in South Africa to synthesize methamphetamine largely originate in Nigeria and India. South African authorities periodically report newly identified precursor substances used in illicit drug production to the INCB. South Africa also submits information on seized precursor shipments to the INCB's Precursors Incident Communication System. Controlling and analyzing the trade of precursors is mandated by the South Africa National Drug Policy, which mandates the establishment of computerized inventory control systems for scheduled chemicals and regulating and monitoring the purchase of medicines containing precursors via a registry system. Such measures have not been fully implemented, however.

U.S. law enforcement collaboration with South Africa on investigations is productive but sporadic, and U.S. authorities regularly share information on container shipments suspected of containing possible illicit materials with South African counterparts.

North America**Canada**

Canada has a large chemical industry and strong legislation and regulatory controls to prevent illicit chemical diversion. Canada's CDSA, Narcotics Control Regulations (NCR), Benzodiazepines and Other Targeted Substances Regulations (BTSR), Precursor Control Regulations (PCR), and other guidelines, provide a legislative framework for the control of substances and chemical precursors. While the CDSA prohibits certain activities with precursors, the PCR authorize legitimate manufacture, distribution, import and export of these chemicals. Health Canada submits an annual report to the International Narcotics Control Board (INCB) with respect to its obligations under the 1988 UN Drug Convention. The annual report provides information on licit manufacture, imports and exports for the previous year, as well as stopped shipments and seizures. This data also captures 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. Scheduling of precursors under the CDSA and its regulations provides law enforcement agencies the authority to act against activities. The PCR authorize Health Canada to communicate information collected to law enforcement agencies, border control officers, foreign competent authorities, and the INCB. As a State Party to the 1988 Convention, Canada is obligated to impose controls on substances in response to decisions of the UN Commission on Narcotic Drugs (CND), and fulfills those obligations. The regulatory amendments made in May 2019 also include controlling chemicals to address the illegal production and distribution of fentanyl and amphetamines, such as methamphetamine and MDMA. Canada continues to explore ways to further enhance the control of chemical precursors through legislative and regulatory channels.

Mexico

Mexican laws regulate the production and use of many chemicals required for illicit drug production. The Mexican Federal Commission for the Protection Against Sanitary Risk (COFEPRIS) is responsible for enforcing chemical control laws. Mexico controls all chemicals listed in the 1988 UN Convention. Mexican government agencies continue to authorize permits and monitor the importation of controlled precursor chemicals, but this has not significantly deterred local production of synthetic drugs.

The Mexican government controls two fentanyl precursor chemicals, NPP and ANPP. These controls have forced transnational criminal organizations to seek alternative chemicals while providing Mexican regulatory and law enforcement agencies a legal basis to seize these substances and file criminal or civil charges against those illegally importing them. Despite these controls, the small quantities of precursors needed for fentanyl production present a challenge to law enforcement in detecting the chemicals as they enter Mexico.

In 2019, Mexican law enforcement seizures of the chemical 4-AP increased at air and maritime ports of entry. This chemical can be used to synthesize fentanyl, and indicates a change in illicit

fentanyl manufacturing methods in efforts to evade international controls on NPP and ANPP. Importers also mislabel shipments, which poses a challenge for law enforcement in detecting the importation of chemicals from source countries such as India and China.

Although Mexico-based transnational criminal organizations are major producers of methamphetamine, imports of meth precursors pseudoephedrine and ephedrine into the country are outlawed, and they are not produced legally within the country. Mexico regulates the importation of precursor chemicals, including phenylacetic acid, methylamine, hydriodic acid, and red phosphorous. Mexican authorities continue to monitor the importation of formaldehyde and ammonium chloride due to their potential diversion.

Mexico participates in international efforts to control precursors and has a strong bilateral working relationship with the United States. Mexico signed a memorandum of cooperation with the United States in 2012 to address precursor chemicals and clandestine laboratories. The U.S. government continues to provide training and equipment to law enforcement agencies to address existing and emerging synthetic drug threats in the region.

The United States

The United States manufactures and/or trades in almost all 26 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 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 for a specified listed chemical or chemicals with its foreign customer that has been reported to DEA, subject to the criteria in the Code of Federal Regulations. In these cases, 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 and non-controlled substances used in the illicit production of drugs. 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. Costa Rica has controls in place to prevent diversion of Table I and Table II precursor and essential chemicals as defined by the 1988 UN Drug Convention, and adopted recommendations from the International Narcotics Control Board in 2010 that enhanced the effectiveness of its control regime.

The administration’s National Plan on Drugs for 2018-2025 identifies the production and trafficking of chemical precursors as a serious concern. Costa Rica has not seized large amounts of precursors compared to elsewhere in Central America and imports relatively low volumes of these substances. Nevertheless, Costa Rica has a robust registration process for tracking chemical flows and is responsive to requests regarding suspicious shipments of precursors. 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. During the first ten months of 2019, there were 3,015 authorized import transactions, licensed to 220 registered importers of chemical precursors. The system tracks the movement of chemical precursors and solvents and also generates alerts. Costa Rica did not receive any alerts during the January-October 2019 period for possible irregular activity.

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. Dominican laws regulate the production and use of the 26 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 are used in the Dominican Republic as an additive for gasoline and as a solvent for paint. Production of methamphetamine is not significant in the Dominican Republic.

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

The Government of El Salvador has regulations in place to prevent the illicit diversion of all controlled substances entering, including precursor chemicals. By law, within the first two months of every year the National Medicine Direction must publish a list of medications and controlled substances in El Salvador. The list published in February of 2019 includes 139 narcotics, 125 psychotropic drugs, 93 substances related to fentanyl with no legitimate use, and 66 precursor chemicals.

Since 2009, pseudoephedrine has been prohibited in El Salvador. It cannot be imported or exported without prior approval and authorization from National Medication Direction. In order to receive authorization to import or export, a detailed request must be submitted. Further, pharmacies wanting to import or export precursor chemicals or other controlled substances also need authorization from the National Medication Direction. Each business is required to submit an estimate of what they will import throughout a year and keep records of the controlled substances they have on hand. All controlled substances must be prescribed by authorized medical professionals.

To support El Salvador's efforts to prevent illicit diversion, the U.S. government is providing training to Salvadoran authorities on precursor chemical identification, regulation, destruction,

diversion and safety. This includes an emphasis on monitoring importation of chemicals through active ports in El Salvador.

Guatemala

In compliance with its 1988 UN Drug Convention treaty obligations, Guatemala has issued regulations and created administrative, investigative, and prosecutorial bodies to control precursor chemicals manufactured domestically or imported into the country. Guatemala's precursor control framework is codified within its 1992 narcotics law. The Guatemalan government has also legally banned the commercialization and use of ephedrine, which can only be sold in the country in its injectable form and exclusively for professional and hospital use. Guatemala uses the International Narcotic Control Board's pre-export notification (PEN) system to verify international shipments of controlled chemicals. Despite these efforts, insufficient personnel and inadequate information technology (including non-automated records) reduces the country's supervision and control capabilities.

Guatemalan government regulations include licensing of chemical sector actors, monthly reports of quota usage, pre-import notification, import and export permits, and inspections. The office for precursor chemical control is housed in the Ministry of Public Health. Its insufficient staffing hinders control capabilities with only four individuals conducting inspections to determine accuracy of reports and proper use of permits for over 750 registered entities that handle precursors. Files are manually managed due to lack of equipment and other resources, and inter-institutional coordination with other authorities is limited. Guatemalan laws and regulations are underutilized and not effectively implemented to determine whether imports and sales are for legitimate purposes or are diverted for illicit use.

In 2019, the National Civil Police seized approximately 85,947 liters of ethyl phenylacetate (a common methamphetamine precursor). According to official records from the Ministry of Public Health, 164 grams of fentanyl were legally imported into the country in 2019, as well as 10.8 metric tons (MT) of potassium permanganate. The Guatemalan government reported no imports of acetic anhydride, as well as no imports of the fentanyl precursor chemicals ANPP (4-anilino -N-phenethylpiperidine) and NPP (N-Phenethyl-4-piperidinone).

In support of Guatemalan efforts, the U.S. government is working with Guatemalan authorities to conduct trainings on precursor chemical identification, regulation, and diversion. This includes an emphasis on monitoring importation through the two major seaports in Guatemala. The Guatemalan government incinerated 53 MT of precursor chemicals in the first ten months of 2019.

Honduras

Precursor chemical diversion continues to be a problem in Honduras. The country has an active commercial sector involved in the manufacture and sale of common precursor chemicals. The Government of Honduras works closely with U.S. authorities to disrupt the importation and diversion of precursor chemicals through Honduras, but additional international cooperation is

needed. The United States provides training and other assistance to help strengthen the capacity of Honduran institutions responsible for controlling precursor chemicals.

Honduran authorities have limited capacity to detect and identify precursor chemicals, and information sharing between government institutions regarding synthetic drug and precursor chemical trafficking is challenging. The responsibility for the control of precursor chemicals is spread through a variety of agencies in Honduras, including the Directorate of Investigation and Intelligence (DNII); the Directorate for the Fight against Drug Trafficking (DLCN); the Public Ministry; the HNP; the Health Ministry; the Agency of Sanitary regulation (ARSA), and the Customs Authority (DARA). The Government of Honduras has a permanent inter-agency technical working group on drug supply reduction to coordinate the work of these agencies, but they have limited experience working together and do not have an established means to collaborate comprehensively to combat the diversion of precursor chemicals. A dearth of proper testing equipment, especially in the largest container port of Puerto Cortes, results in long lags between testing for precursor chemicals and a result that would allow further inspection and detainment of a container or other cargo as per the Honduran Customs Law.

The 1989 Law on the Misuse and Illicit Traffic of Drugs and Psychotropic Substances is the current legislation governing the illicit movement of precursor chemicals, but the legislation is outdated. The Precursor Chemical and Synthetic Drug Board is working with health, justice, and law enforcement officials to draft a more comprehensive law to address chemical precursor diversion.

South America

Argentina

Argentina's proximity to top cocaine-producing nations and its role as a large producer of chemical precursors makes it an important node in the diversion of precursors for the production of illicit drugs. Argentina has enacted legislative measures to curb the illicit use of chemical substances, but the consumption of synthetic drugs, especially MDMA, increased in the country by 200 percent between 2010 and 2017, according to a study made by the Presidency's Secretariat for Integrative Drug Policies (SEDRONAR).

On August 15, 2019, the Ministry of Security published a new regulation that added 134 new substances to the list of prohibited chemicals. Additionally, it created seven new chemical categories to prevent criminals from changing the chemical compositions of synthetic drugs to new formulas to sidestep the list. Argentina maintains a focus on chemical precursors used in the production of cocaine but is shifting its attention towards those used in the production of methamphetamine. On June 13, 2019, security forces seized over 32 metric tons of chemical precursors and arrested two traffickers after a one-year investigation.

On March 19, 2019, Argentina proactively requested and set forth the scientific grounds for the inclusion of three chemical precursors of psychoactive substances before the United Nations Office on Drugs and Crime (UNODC) and the International Narcotics Control Board (INCB), at the 62nd Session of the UN Commission on Narcotic Drugs. Thanks to a joint effort among the

Ministry of Foreign Affairs, the Ministry of Security, and SEDRONAR, the Commission unanimously approved the initiative to include those substances in the lists under international control.

Bolivia

Bolivia's government passed a Controlled Substances Law in March 2017 that regulates precursor chemicals in coordination with the International Narcotics Control Board. Precursor chemicals continue to be diverted through black market channels into Bolivia for processing cocaine. According to the Chemical Substances Investigations Group (GISUQ) of the Bolivian counterdrug police (FELCN), the majority of these chemicals come from Brazil, Argentina and Chile.

The most common chemicals seized as contraband match those commonly found in drug factories (where base paste is prepared) and cocaine labs (where base paste is transformed into cocaine HCl). In addition to serving as a transit country for illicit drug shipments, Bolivia is also a source country for coca and cocaine processing. The number of labs within Bolivia that process Peruvian base paste and Bolivian base paste into cocaine has significantly increased over the last seven years. The most common chemicals found in cocaine factories and labs are sulfuric acid; hydrochloric acid; sodium carbonate; caustic soda; phenacetin; sodium metabisulfite; activated carbon; ethyl acetate; and levamisole. The last five products were recently added to the list as controlled substances under Bolivian law in 2019, and GISUQ believes they are alternative chemicals that drug producers use to avoid law enforcement controls. Traffickers use activated carbon to deodorize and discolor water and other liquids, and phenacetin, a highly toxic analgesic, is used to increase the volume of cocaine.

The GISUQ is charged with locating and interdicting chemicals used in the traditional cocaine process, such as sulfuric acid, hydrochloric acid, and gasoline. The 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 domestic law. The 2017 Controlled Substances Law indicates that violation of controlled substances could result in penal action against all participants and provides the legal framework for GISUQ, in coordination with other agencies, to add or eliminate chemical substances controlled under Bolivian law.

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 methamphetamine. In September 2016, the Ministry of Health created the State Agency of Medicines and Health Technologies to regulate the use and commercialization of synthetic drugs.

In 2019, the GISUQ seized 194.8 metric tons of solid substances and 334.4 liters of liquid precursor chemicals.

Brazil

Brazil is one of the world's top ten chemical producing countries. Brazil licenses, controls, and inspects precursor chemicals, including potassium permanganate and acetic anhydride, in conformity with its obligations under the 1988 UN Drug Control Convention. Controls on both potassium permanganate and acetic anhydride allow for products to be commercialized without restriction for quantities of up to one kilogram for potassium permanganate and one liter of acetic anhydride.

The Brazilian Federal Police (PF) Chemical Division controls and monitors 146 chemical products in conjunction with 27 DPF regional divisions and 97 resident offices. The Chemical Division is composed of two units: the Chemical Control Division, subordinate to the DPF Executive Directorate, and the Criminal Diversion Investigations unit under the Organized Crime Division. Both divisions routinely coordinate and share information when conducting administrative inspections and criminal investigations.

The Brazilian National Health Surveillance Agency (ANVISA) oversees precursor chemicals used in the pharmaceutical industry. In March 2017, ANVISA included 4-anilino-N-phenethylpiperidine (ANPP) and N-Phenethyl-4-piperidinone (NPP) in the list of controlled chemical substances, without banning their use.

Regulatory guidelines require chemical handlers to be registered and licensed to conduct 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 and exports, and licensing. This system requires all companies to register and participate in an online system, in which all precursor chemical activity is documented, including the submission of monthly reports for all chemical related movements and existing chemical inventories.

Brazil reports to the INCB its annual estimates of legitimate requirements for ephedrine and pseudoephedrine for quantities above 10 grams, and P-2-P in any amount using the INCB's Pre-Export Notification (PEN) Online system. The DPF routinely uses PEN Online in cases of international trade and in coordination with UN member states to alert importing countries with details of an export transaction.

Chile

Chile complies with its international obligations to the 1988 UN Drug Convention and furnishes reports through the International Narcotics Control Board's online reporting system, PEN Online. Chile has a large mining industry engaged in the manufacturing, import, and export of chemical products. Most of the chemical substances seized by law enforcement are those used for the processing of cocaine products, such as sulfuric acid, hydrochloric acid, acetone, and sodium hydroxide. Since 2009, there have been no seizures of ephedrine and pseudoephedrine. The largest imports of controlled chemical substances and related products come from Peru, Germany, and the United States, while Ecuador and Bolivia are the primary export destinations.

The regulatory entity for chemical controls is the Unit of Controlled Chemical Substances (USQC), from the sub secretariat of the Ministry of Interior and Public Safety. The USQC manages the System of Registration and Administration of Controlled Chemical Substances (SIREGAD-SQC), which 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 SIREGAD-SQC, maintain customer records, and are subject to regular inspections. The online SIREGAD-SQC has improved capabilities for real-time data, and can analyze controlled chemical trends in Chile. Currently, 624 companies are registered in the system. In 2019, the government has been working on a proposal to add 15 new chemical substances to the country's control list, among them adulterants, bulking drugs derived from cocaine, and substances used for the manufacture of synthetic drugs.

Chilean law enforcement entities have specialized chemical diversion units and dedicated personnel assigned responsibility for investigating chemical and pharmaceutical diversion cases. Customs, which is not a traditional law enforcement agency, has a risk analysis unit that profiles suspicious imports and exports, which may include chemical precursors.

From 2018 to 2019, the USQC conducted 245 inspections and audits, which resulted in sanctioning procedures against 55 companies for failure to comply with the registration and declaration requirements for Chilean precursor chemicals.

Colombia

Diversion of precursor chemicals is a serious problem in Colombia that the government is working to address. The Colombian government has tightened controls on coca-processing chemicals, though traffickers still are able to import them illicitly into Colombia and have built illicit labs to produce some precursors. Colombian police and military forces have stepped up enforcement efforts. The Ministry of Justice reported that during the first eight months of 2019, the CNP and military forces seized 18,233 metric tons (MT) of solid precursors and 3,704,079 gallons of liquid precursors.

The Colombian government controls the import and distribution of chemicals needed for processing coca leaves into cocaine, such as sulfuric acid (132,443 gallons seized during the first eight months of 2019), hydrochloric acid (29,902 gallons seized during the same period), potassium permanganate (31 MT seized during the same period), and cement (17,587 MT seized during the same period). The government limits production, distribution, and storage of precursors nationwide and prohibits gasoline and other chemicals in certain zones. Additionally, Colombian companies are not authorized to export ephedrine or pseudoephedrine in bulk form. Colombian law bans all pharmaceutical products containing ephedrine or pseudoephedrine from domestic distribution.

Since 2015, the government has regulated precursor chemicals used for drug production and expanded its enforcement efforts related to these chemicals. Also in 2015, the government began implementing the Information System for the Control of Substances and Chemical Products (SICOQ), a real time tracking tool that the CNP and the Ministry of Justice developed to

strengthen the control of chemicals and has trained companies in chemicals' correct use to avoid diversion. As of September 2019, more than 6,441 companies were registered in the SICOQ platform and 5,290 of those registered companies had valid government-issued authorizations for the legal use of controlled substances and chemical products.

While the Colombian government has strengthened chemical-control legislation, traffickers are still able to import precursors clandestinely into Colombia. Although chemical companies require government permission to import or export specific chemicals and controlled substances, the CNP must prove seized chemicals were intended for illicit drug production. Further, to bring U.S. charges against an illicit chemical trafficker, the CNP must prove that the trafficker had knowledge that the chemicals seized were going to produce drugs that would end up in the United States. Additionally, traffickers and clandestine laboratories recycle controlled chemicals and replace controlled chemicals with non-controlled chemicals.

The CNP created a special unit specifically tasked with the interdiction of precursor chemicals. The Colombian Marines have increased efforts against precursor chemicals traveling via rivers, particularly in Nariño, the department that produces the most coca and cocaine in Colombia. Nariño has over 720 miles of rivers and few roads connecting it to the rest of the country, making the riverine route the most attractive option for precursor traffickers. Recognizing this challenge, the Colombian marines have increased the operational tempo on the rivers to better cover riverine chokepoints, areas through which traffickers must cross to move controlled 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 Ministry of Government, the primary agency responsible for precursor chemical control in Ecuador. According to Article 219 in the 2014 Penal Code, the use of precursor chemicals to produce, manufacture, or prepare illicit materials, such as cocaine or heroin, is punishable by three to five years in prison.

The chemical unit of the National Antinarcotics Directorate (DNA) in the Ecuadorian National Police plays an active role in chemical control by carrying out investigations and intelligence operations. Although DNA's National Chemical Unit is a highly competent entity, its small size and outdated technology hinder operations.

Ecuador has been importing large quantities of potassium permanganate for at least the past decade. According to the Central Bank of Ecuador, during the first nine months of 2019, Ecuador imported 62.5 metric tons (MT) of potassium permanganate, compared to 31.2 MT in the first eight months of 2018. Potassium permanganate is a controlled chemical and requires an import license to be imported into the country. Most 2019 imports of potassium permanganate originated from China. Similar to potassium permanganate, acetic anhydride is also a controlled chemical requiring an import license. During the first nine months of 2019, Ecuador imported 49.1 MT of acetic anhydride, compared to 49.21 MT imported during the first eight months in 2018. Most 2019 imports of acetic anhydride originated from Mexico. Traffickers also continue

to smuggle liquid chemicals, including ether, from Ecuador to Colombia and Peru for cocaine processing.

Peru

Peru is a producer and major importer of chemicals essential to cocaine production. Chemicals are principally imported into Peru licitly by wholesalers through the Port of Callao and are later diverted for illicit purposes by smaller actors for cocaine production. Peru requires all chemical sector entities to obtain a license.

Peru's authority to regulate the precursor chemicals used in illicit drug production is based on Legislative Decree 1126 and the regulation set forth in Supreme Decree 010-2015EF, which establish protocols for sanctions and fines related to the chemical industry. However, Supreme Decree 010-2015EF is not effectively enforced. The National Superintendence of Tax Administration (SUNAT) is the regulatory agency handling all issues related to the chemical industry, but SUNAT does not have law enforcement powers and is limited to investigative activities. SUNAT coordinates with the PNP to combat diversion of precursor chemicals.

The PNP's Precursor Chemical Unit, DEPCIQ, reported an increase in PNP seizures of precursor chemicals over the first nine months of 2019 in comparison to the same period in 2018 – from 8,199 metric tons (MT) to 28,995 MT. Peru continued to implement the 2015 Precursor Chemicals Initiative to cover approximately 70 percent of roads in the VRAEM, the Peru-Bolivia border, as well as the Junín, Ayacucho, and Lima regions.

The Ministry of Health manages estimates of Peru's International Narcotics Control Board (INCB) licit demand for ephedrine, pseudoephedrine, and P-2-P. The Ministry does not have a regulatory or enforcement arm to prevent the diversion of chemicals. According to INCB reports, Peru does not have strict controls to prevent the diversion of ephedrine, pseudoephedrine, and P-2-P. Indications suggest that ephedrine and pseudoephedrine are entering the country in larger quantities than required by INCB assessments of legitimate commercial requirements. Peru participates in the INCB's pre-export notification system.

In 2019, Peruvian authorities seized small amounts of potassium permanganate. There were no recorded acetic anhydride seizures during the year.

Venezuela

Due to the Maduro regime's almost complete lack of willingness to share information on drug control issues writ large, the United States has no information to evaluate precursor chemical diversion through the country, or any diversion control efforts under the regime. Some precursor chemicals used to produce cocaine are believed to be trafficked through Venezuela, but the quantity is unknown.

Asia**Afghanistan**

Inadequate border security and weak enforcement capacity hamper control of precursor chemicals in Afghanistan. Both acetic anhydride and ammonium nitrate are illegal in Afghanistan and have no legitimate uses. Hydrochloric acid, acetone, and sulfuric acid are controlled substances and subject to seizure for other reasons, such as customs violations. Ammonium chloride is not illegal, but if found at a laboratory site, Afghan authorities seize and destroy it. Since 2013, the United States has supported the UNODC Container Control Program (CCP) to develop units in Kabul and at key ports of entry on Afghanistan's borders with Pakistan, Uzbekistan, Tajikistan, and Iran. Through training and assistance, CCP promotes effective container controls to prevent drug trafficking and other illicit activities and to facilitate legitimate trade. The program enables effective information sharing with other countries participating in CCP, especially the neighboring Central Asian states.

The Precursor Control Unit (PCU) of the Counter Narcotics Police of Afghanistan (CNPA) is a specialized unit devoted to combating the precursor problem. Afghanistan uses the online Precursor Incident Communication System developed by the International Narcotics Control Board to enhance information sharing between national authorities on precursor incidents. The PCU communicates directly with the Central Asian Regional Information and Coordination Center for Combating Illicit Trafficking of Narcotic Drugs, Psychotropic Substances and their Precursors, as well as the International Narcotic Control Board's Pre-Export Notification system. Beginning in early 2016, the United States funded capacity building for regional PCU staff through a UNODC training program.

Under existing counternarcotics law, Afghanistan maintains 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 authorities can better understand emerging trends. The DRC also authorizes investigations and spot checks on companies importing chemicals.

Bangladesh

The Narcotics Control Act 2018 (NCA 2018) came into effect on December 27, 2018 replacing the NCA of 1990. All the 26 precursor chemicals listed in the 1988 UN Convention are included in the NCA 2018 schedule of "A Category Narcotics." Among the 26 precursor chemicals, the ones most used in Bangladesh are acetone; diethyl ether; methyl ethyl ketone; potassium permanganate; sulphuric acid; and toluene.

According to Bangladesh's Department of Narcotics Control (DNC) officials, none of these controlled precursors are produced in Bangladesh. All importers need licenses from DNC under any one of the three categories of import licenses: (1) importer and retailer, (2) importer and producer, or (3) importer and user. There is an established upper limit to which an importer can import precursor chemicals.

This limit may be modified upon review of the importer's application subject to satisfactory inspection and justification. However, the DNC does not yet have enough resources (staff and equipment) to detect and interdict precursors consistently.

Bangladesh implemented some significant changes to its precursor chemical controls in 2019, including by increasing the number of controlled precursor from 22 to 26. Provisions for penalties for violating the conditions of an import license were also adopted for the first time (maximum \$1,182 fine). The DNC also took the decision not to issue any new licenses for chemicals to be stored in any warehouse located in the Dhaka metropolitan area. This step was taken in response to a February 2019 fire at a chemical warehouse in Dhaka that killed 78.

The counterdrug unit of the Dhaka Metro Police continues to successfully assist the U.S. Drug Enforcement Administration in conducting investigations targeting Dhaka-based traffickers of pseudoephedrine chemical preparations. District Drug Control Committees (DDCC) monitor and coordinate the activities among the agencies responsible for drug and precursor chemical enforcement. The Bangladesh Police, Customs, Rapid Action Battalion, Border Guard, and Coast Guard are empowered to detect and intercept illegal precursor chemical and drug operations.

Burma

The illicit production and export of synthetic drugs in Burma increased in 2019. Burma does not have a major chemical industry and does not manufacture the ephedrine, pseudoephedrine, acetic anhydride, or other substances used in synthetic drug manufacturing. Senior public officials acknowledge the increasing inflows of illegally diverted and trafficked precursor chemicals from neighboring countries, primarily China.

The Supervision Committee for the Control of Precursor Chemicals, which functions under CCDAC, monitors the possession, use, sale, production, and transportation of chemical precursors. Burma is a party to the 1988 UN Drug Convention, but has not instituted laws to meet all UN chemical control provisions. Burma officially monitors the sale or import of 28 identified precursor chemicals. Importers of licit chemicals must use a pre-import notification system managed by CCDAC. Retailers must apply to CCDAC for approval to transport chemicals across and within Burma. Authorities face challenges in controlling illicit import and diversion of precursor chemicals, including sophisticated trafficking networks, porous borders, corruption, and areas with limited or no government control.

Burma has deployed interdiction equipment to several major checkpoints and plans to deploy similar equipment throughout the country. According to official data, during the first six months of 2019, authorities seized 69,290,311 amphetamine tablets; 8.76 metric tons of caffeine powder; 36,203 liters of sulfuric acid; 14,561 liters of hydrochloric acid; 26,674 liters of ethyl ether; 75,450.15 liters of sodium hydroxide; and 346.6 kilograms of ketamine.

The United States funds UNODC programs to build Burma's capacity to investigate precursor chemical diversion and trafficking and the regulation of trade in licit chemicals. The United

States also supports efforts to establish a coordinated, regional response to precursor chemical diversion and trafficking that includes Burma.

China

The PRC has implemented a strict licensing regime for the production, sale, and transport of drug precursor chemicals. The NNCC is the agency with primary responsibility for drug precursor chemical control. The PRC maintains a list of controlled precursor chemicals called the “Catalogue of Precursor Chemicals,” which currently includes 32 drug precursor chemicals. The PRC’s catalogue includes notable precursors potassium permanganate (cocaine), acetic anhydride (heroin), and ephedrine and pseudoephedrine (methamphetamine). In February 2018, the PRC added key fentanyl precursors 4-anilino-N-phenethylpiperidine (4-ANPP) and N-Phenethyl-4-piperidinone (NPP) to the catalogue. The PRC regularly provides precursor shipment data to the International Narcotic Control Board’s Pre-Export Notification system.

Both U.S. law enforcement and the PRC’s NNCC recognize the diversion of drug precursors to illicit manufacture as a significant problem in China. In its 2018 Annual Drug Report, the NNCC reported 1,157 cases of drug precursor-related crime, an increase of 300 percent over the previous year. Additionally, the NNCC reported seizing 11,000 MT of precursor chemicals, an increase of 460 percent over the previous year. U.S. law enforcement reports that the most common diversion tactic used by traffickers is the intentional mislabeling of shipments containing precursors. NNCC also acknowledged the prevalence of mislabeling and identified the creation of multiple “fly-by-night” chemical retail companies used for drop-shipping chemicals from a legitimate producer to illicit buyers as a prominent diversion tactic. Perpetrators caught mislabeling precursor shipments often face only civil penalties and small fines rather than criminal charges. The challenge of preventing precursor diversion is further exacerbated by the PRC’s ineffective enforcement of land, air, and sea transport regulations. Traffickers skirt chemical control laws by selling and distributing chemicals that are not yet regulated by the PRC but are chemical avenues to the production of fentanyl and methamphetamine. According to U.S. seizure data, after fentanyl “direct” precursors NPP and 4-ANPP were controlled in China, Chinese traffickers shifted to sending not yet controlled chemicals to Mexico (such as 4-AP) that are one step earlier in the chemical process for making fentanyl, so-called “indirect precursors” or “pre-precursors.”

Hong Kong Special Administrative Region

Hong Kong, a Special Administrative Region of the People’s Republic of China, is neither a drug manufacturing nor chemical producing economy. With well-developed logistics connectivity to China, Hong Kong’s chemical trade is mostly in the form of imports for consolidation and subsequent re-export or transshipments, or for local consumption for medical and industrial uses.

In 2018, the most recent year for which data is available, controlled chemical imports totaled approximately 11,404.9 metric tons (MT), with approximately 922.6 MT re-exported. Hong Kong supports international efforts to prevent precursor chemical diversion through a combination of effective legislation, strong law enforcement, and close collaboration with the

International Narcotics Control Board (INCB), other foreign counterparts, and the business community.

The Control of Chemicals (COC) Ordinance, in effect since 1996, is Hong Kong's basic legislation for regulating possession, manufacture, transport, and distribution of designated controlled chemicals. In May 2018, the COC Ordinance Order 2018 came into effect. The COC Order added a total of 29 chemicals, including ANPP and NPP, two precursor chemicals used in the synthesis of fentanyl and its analogues, and all chemicals in the 1988 UN Drug Convention, to Schedule 2 of the COC.

In April 2019, a DDO order added additional synthetic drugs to the First Schedule of the DDO, including Furanylfentanyl, Acryloylfentanyl, Ocfentanil, Tetrahydrofuranylfentanyl (THF-F), and 5F-MDMB-PINACA. The COC, which establishes a licensing regime over importers, exporters, dealers, traders, manufacturers, and handlers of the designated chemicals, applies equally to imports, exports, and transshipments. Permits for every shipment are mandatory. Government approval for all premises and containers used to store such chemicals is also mandatory. The maximum penalty for illicit chemical trafficking is imprisonment for 15 years and a fine of \$130,000. The Controlled Chemicals Group (CCG) of the Hong Kong Customs and Excise Department's Drug Investigations Bureau administers and enforces the Ordinance.

Permit applications to handle controlled chemicals, including those for the partial removal of chemicals while in transit, must be received by CCG at least 10 days before the proposed date of activity. CCG uses this interim period to establish the bona fides of a proposed shipment, including through coordination with foreign counterparts via the INCB's Pre-Export Notification System. Export permits are only issued upon receipt of "No Objection" letters from competent authorities in importing jurisdictions. While Hong Kong does not control sales of over-the-counter medicines containing ephedrine and pseudoephedrine, CCG does investigate reports of possible diversion or parallel trading involving those substances.

Hong Kong supports international efforts to prevent illicit chemical diversion, but tends to place a relatively lower priority in cases where chemicals transiting Hong Kong are not themselves controlled in the territory.

India

India's Narcotic Drugs and Psychotropic Substances Act (NDPS) provides the country's legislative framework to implement precursor chemical control obligations required by the 1988 UN Convention. The Act requires control measures pertaining to finished pharmaceutical products as well as chemicals used to manufacture those products.

India regulates 19 of the 26 precursor substances scheduled in Tables I and II of the 1988 UN Convention. Of the 19 substances, India's NDPS Act designates five as "Schedule A" (i.e., subject to the most stringent controls): acetic anhydride, ephedrine, pseudoephedrine, n-acetylanthranilic acid, and anthranilic acid.

India continues to participate in international precursor control initiatives such as the INCB-led Project Cohesion and Project Prism. Nevertheless, precursor chemical diversion from licit producers to illicit brokers remains a challenge. 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.

To avoid Chinese controls on the export of precursors, the U.S. Drug Enforcement Administration has observed some criminal entrepreneurs and brokers shift to India as their new source of supply for precursor chemicals. Multi-ton shipments of precursor materials from India have been shipped to Africa and Mexico. This trend is expected to continue.

Indonesia

Indonesia's 2009 National Narcotics Law gave the country's Anti-Narcotics Agency (BNN) the authority to monitor narcotics and precursor production at pharmaceutical plants, and to conduct investigations and arrests in response to precursor and narcotics violations. The bulk of precursor chemicals transiting Indonesia enter the country via maritime routes from China, Taiwan, and India. Indonesia is not a prime destination for these chemicals, however, as the country is not a significant source of illicit drug production. Several laws and regulations are in place regarding the import and export of precursor chemicals. BNN reported that it regularly conducts unannounced inspections of companies that are listed as importers of precursor chemicals.

In January 2019, law enforcement officers raided a house used as an MDMA factory in Medan, North Sumatra, and found substances controlled under Indonesia's list of new psychoactive substances, namely synthetic catinone (synthetic katinon) mixed with caffeine and methylene. In June police raided a house used to manufacture methamphetamine and confiscated evidence that included drug precursors. Indonesian law enforcement authorities have claimed that sassafras – a main ingredient for the use of MDMA – is the only known precursor exported from Indonesia, with Australia as the destination. Every year, through the Ministry of Health, Indonesia reports estimates of its legal domestic narcotics precursors to the International Narcotics Control Board.

Republic of Korea (South Korea)

The Republic of Korea's industrial capabilities and position as a global logistics hub make it attractive to criminals seeking to obtain and transship precursor chemicals. Precursor chemicals used for the manufacture of illicit drugs such as acetic anhydride, pseudoephedrine and ephedrine, are likely imported from the United States, Japan, India, and China and then either resold within South Korea or smuggled into other countries. In 2018, South Korea imported approximately 37.04 metric tons (MT) of ephedrine and 45.48 MT of pseudoephedrine. While acetic anhydride remains the chemical of greatest concern, there are increasing concerns about the use of legal and less monitored chemicals, such as sodium cyanide, to evade authorities and produce illicit drugs such as methamphetamines. South Korea imports acetic anhydride for legitimate use, such as film production, cigarette filters, and other industrial and medical applications.

Both the Korea Customs Service and Ministry of Food and Drug Safety (MFDS) cooperate with the United States and other international bodies to monitor imports of potassium permanganate and chemicals used to produce amphetamine-type stimulants, and South Korean authorities participate in International Narcotics Control Board-coordinated monitoring and regulating taskforces, including projects Cohesion and Prism. South Korean law enforcement authorities also cooperate with Southeast Asian nations to verify documents and confirm the identities of importing businesses, including by on-site inspection. A recent investigation revealed a Southeast Asian front company distributing South Korean sourced precursor chemicals in a suspicious manner and led to the disruption of possible illegal narcotics production.

The MFDS enforces a 2011 law requiring manufacturers and exporters of precursor chemicals to register with the government periodically. It also provides training and updates to South Korean businesses to keep them from unknowingly exporting precursor chemicals to fraudulent importers. Smugglers exploit South Korean customs and chemical regulations to hide precursor chemical shipments in containerized cargo shipments. The 1,000 kg reporting threshold in the current regulations allows smugglers to break down shipments into multiple small quantity purchases from different retail outlets to avoid detection, then combine them for shipment. South Korean authorities work closely with U.S. counterparts to track suspect shipments.

Pakistan

Pakistan is a destination and transshipment point for diverted shipments of acetic anhydride and other precursor chemicals used in the production of heroin and amphetamine-type stimulants. Pakistan does not domestically produce industrial-scale quantities of either acetic anhydride or ephedrine, though it has chemical and pharmaceutical industries with a legitimate, albeit modest, demand for these substances.

Pakistan enforces a basic precursor control regime as part of its obligations under the UN drug control conventions, covering the import of seven multi-use chemicals: acetic anhydride; pseudoephedrine; anthranilic acid; acetone; potassium permanganate; methyl-ethyl ketone; and toluene. The Anti-Narcotics Force (ANF) manages precursor control and does so largely by conducting ground checks on importing businesses, licensing those businesses, and reviewing Pre-Export Notifications (PENs) requesting the sale of these substances within Pakistan. Besides ANF, 23 federal and provincial agencies share responsibility for chemical control throughout the country. Per UN Commission on Narcotic Drugs Resolution 49/3, ANF established two review committees to manage the precursor control mechanism; the “Committee for Granting No Objection Certificates to Companies and Firms for Use of precursor Chemicals,” and the “Committee for Quota Allocation to Pharmaceutical Companies.”

During the first nine months of 2019, ANF received 66 PENs, approving 48 and denying 18. Significant imports of precursor chemicals likely circumvent the PENs system through mislabeled shipping containers and maritime smuggling along Pakistan’s coastline. During the first nine months of 2019, ANF reported seizing 4.85 metric tons of potassium permanganate; 80 kilograms of ephedrine; 6,300 liters of sulphuric acid; 1,665 liters of hydrochloric acid; and 6,977 liters of acetone.

In 2019, ANF continued to submit information via the International Narcotics Control Board Precursor Incident Communication System, which distributes real-time information on precursor seizures to law enforcement agencies worldwide.

Singapore

Singapore's geographic advantage and robust port infrastructure contribute to its rank as one of the world's top trade hubs, including for the trade of precursor chemicals. The Government of Singapore continues to be a partner with the United States and other concerned countries in international chemical control initiatives to prevent the diversion of synthetic drug precursor chemicals. Singapore is one of the largest distributors of acetic anhydride in Asia. Used in film processing and the manufacture of plastics, pharmaceuticals, and industrial chemicals, acetic anhydride is also the primary acetylating agent for heroin.

Singapore does not produce ephedrine or pseudoephedrine; however, Singapore sees significant volumes of ephedrine and pseudoephedrine coming through its ports. In 2018, Singapore exported approximately 22.7 metric tons (MT) of pseudoephedrine (up from 21 MT in 2017) and 8.1 MT of ephedrine (up from 6.55 MT in 2017). Singapore imported 25.9 MT of pseudoephedrine (up from 22.96 in 2017) and 6.26 MT of ephedrine in 2018 (down from 6.38 MT in 2017). Most of the ephedrine imported to Singapore originated from India and Taiwan, the bulk of which is then re-exported to Indonesian pharmaceutical companies. The imported pseudoephedrine originates mostly from India, China, Germany, and Taiwan, and is also 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 and remain in Singapore are used primarily by the domestic pharmaceutical industry.

In 2018, Singapore imported 9,696,108 liters and exported 10,451,994 liters of acetic anhydride. Singapore imported 58.1 MT and exported 25.55 MT of potassium permanganate. Singapore uses potassium permanganate in the treatment of reclaimed water, rainwater, and seawater, which Singapore relies on for over 70 percent of its water supply. Singapore imported 200 grams of phenyl-2-propanone in 2018, and exported the same amount. Singapore did not import or export any 4-anilino-N-phenethylpiperidine (ANPP) and N-Phenethyl-4-piperidinone (NPP), two chemicals used to produce illicit fentanyl and fentanyl analogues.

Since 2012, the Singapore Central Narcotics Bureau (CNB) had no diversion-related seizures of ephedrine and pseudoephedrine. The CNB is the Competent Authority (CA) in Singapore for the 1988 United Nations Convention Against Illicit Traffic in Narcotics Drugs and Psychotropic Substances and is tasked with undertaking measures to prevent precursor chemical diversion. 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 or PEN-Online to the central authority of the importing country for any exportation of substances.

Information on all goods imported and exported through Singapore's borders must be provided manually in advance to enable Singapore Customs, the Immigration and Checkpoints Authority or other controlling agencies to facilitate legitimate and secured trade through measures such as timely pre-clearance risk assessment. Singapore does not currently require electronic advance cargo manifest information nor screen transshipments unless they involve conveyances from select countries of international concern, a Singapore consignee, or contain strategic or controlled items, including certain chemicals. However, Singapore is conducting a three-year trial of the World Customs Organization's Cargo Targeting System which utilizes select carriers' electronic cargo manifest data including transshipments to identify high-risk shipments across a variety of threats. Singapore solicited carriers to provide data on a voluntary basis; as of September 2019, fourteen shipping lines are transmitting manifest data electronically, reportedly representing over 50 percent of the cargo shipments in Singapore.

In instances where precursor diversion for illicit drug manufacturing purposes was suspected, Singapore authorities have 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 Port of Singapore is the world's second busiest port in terms of shipping tonnage and is the world's busiest transshipment port. Singapore authorities have never reported a diversion of precursor chemicals used in the manufacturing of methamphetamine from Singapore's pharmaceutical, biotechnology, and fine chemical industries, nor have they reported the seizure of any domestic clandestine methamphetamine laboratories.

Taiwan

During the first nine months of 2019, Taiwan exports of pseudoephedrine and its salts totaled 4.19 metric tons (MT), less than half of the 11.2 MT recorded in the corresponding months in 2018. Taiwan exports of ephedrine and its salts during the first nine months of 2019 totaled 270 kilograms.

The Taiwan Ministry of Economic Affairs Industrial Development Bureau imposes strict reporting requirements in tracking the production, distribution, sale, storage, and export/import of 25 precursor chemicals, of which 17 are Category A chemicals such as acetic anhydride, and eight are Category B chemicals such as potassium permanganate. As amphetamine-type stimulants and ketamine are more prevalent among illicit drug users in Taiwan, there are few cases involving the use of precursor chemicals such as acetic anhydride and potassium permanganate for cocaine and heroin production. At the end of the third quarter of 2019, approximately 928 companies had reported Category A chemicals-related activities through a web-based reporting system. Taiwan Customs data showed that as of September 2019, 158 Taiwan companies reported trading activities of Category B chemicals.

Taiwan completed the regulatory procedures in September 2019 to amend the Narcotics Hazard Prevention Act to add ANPP and NPP to its controlled chemical list and is now pending the Executive Yuan's final announcement.

Taiwan's Food and Drug Administration (TFDA) through the Controlled Drugs Act supervises the trade and use of finished products containing ephedrine, pseudoephedrine, and other chemicals, including by end-users such as hospitals. In 2018 (latest data available), TFDA inspected 17,598 facilities that were involved in the production, sale, and use of drugs subject to the Controlled Drugs Act and found 482 violations, primarily for administrative errors or failure to keep timely reporting of uses and inventories of medicines containing those chemicals. The violation ratio was down from 3.41 percent in 2017 to 2.74 percent in 2018.

Thailand

Thailand's domestic drug production is relatively limited and it is not a major source country for drug precursors. Precursor chemicals are not widely imported into Thailand. According to Thai authorities, most chemicals and precursors are imported for legitimate medical and industrial purposes. For exports, Thai chemical companies sometimes do not adequately identify their potential customers and may not be fully aware of the chemical's intended use.

The legal and regulatory framework for preventing the diversion of precursors is extensive and long-standing, beginning with the Commodity Control Act of 1952. More recently, Order 32/2599 (2016) of the National Council for Peace and Order introduced new regulations to monitor the import, export, production, trafficking, and possession of precursors and chemicals. Pre-export notification is conducted to mitigate diversion. The Precursor Chemical Control Committee, which has been in place since 1993, formulates national strategy on precursor control. Thailand has scheduled all chemicals listed in the 1988 UN Drug Convention, in addition to eight other precursors not included under the Convention.

During the first nine months of 2019, Thailand seized approximately 16 metric tons (MT) of hydrochloric acid and 3.75 MT of sodium cyanide.

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 Follow-up 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.

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 clarifying 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 via the so-called 'catch-all'-provision, developing an EU database on drug precursors, and improving data protection provisions.

On 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 that started at the end of 2013.

Bilateral chemical control cooperation continues between the United States, and EU as well as 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. These guidelines, now titled “Guidelines for Operators – Drug Precursors' Control in the EU,” were updated in 2017.

Germany

Germany continues to be a leading manufacturer of legal pharmaceuticals and chemicals. Germany was one of the largest global exporters of ephedrine (33 metric tons) and pseudoephedrine (300 metric tons) in 2018, according to the most recent available data from the Global Trade Atlas database, which relies on statistics from the European Commission Statistics Office. Most of the 26 scheduled substances under international control as listed in Tables I and II of the 1988 UN Convention, and other chemicals that can be used for the illicit production of narcotic drugs, are manufactured and/or sold by the German chemical and pharmaceutical industries.

Germany’s National Precursor Monitoring Act complies with 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

among chemical and pharmaceutical producers, vendors, and German authorities is a key element in Germany's chemical control strategy. Germany works closely with the United Nations 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. U.S. authorities work 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 Act on the Prevention of Misuse of Chemicals to Prevent Abuse of Chemical Substances (WVMC), the Act on Economic Offences, the Opium Act, and EU regulations. The chemical industry is legally obliged to report suspicious transactions.

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

Production of synthetic drugs is significant in the Netherlands. 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 benzyl methyl ketone (BMK). Safrole continues to be used as a pre-precursor for piperonyl methyl ketone (PMK), though availability has decreased since 2014. The main (pre-) precursors used in the Netherlands are APAA (similar to APAAN), PMK, and BMK-glycidates.

The Netherlands an active participant and an initiator of the Project Prism taskforce led by the International Narcotics Control Board (INCB). The Dutch government also continues to work closely with the United States on precursor chemical controls and investigations. The Netherlands has had a memorandum of understanding with China since 2004 concerning chemical precursor investigations.

Poland

Poland is a source and transit country for synthetic drugs destined primarily for Western European markets, especially amphetamine-type substances and methamphetamine. The 2005 Act on Counteracting Drug Addiction prohibits the illicit diversion of precursor chemicals in Poland, and the State Sanitary Inspector heads enforcement. A 2011 Memorandum of Understanding between the Chief Sanitary Inspector, National Police Commander, Customs Service Chief, and Chief Pharmaceutical Inspector divides chemical control responsibility. Poland's laws on precursor chemical controls also implement United Nations and European

Union mandates, including the Health Ministry's August 21, 2019 amended regulation on the list of psychotropic substances, intoxicants and new psychoactive substances.

The State Sanitary Inspector and State Pharmaceutical Inspector lead in implementing drug and chemical controls. The Sanitary Inspector controls category 2 and 3 drug precursors (such as permanganate and acetic anhydride) and supervises manufacturing, importation, and commercial entities that handle them, while the State Pharmaceutical Inspector has the same responsibilities for category 1 drug precursors (such as ephedrine and pseudoephedrine). In suspected cases of illegal precursor handling, Chief Inspectors notify the Central Bureau of Investigation Police (CBŚP).

In 2015, the 2001 Pharmaceutical Law was amended to restrict sale of over-the-counter pharmaceuticals containing psychoactive substances (including pseudoephedrine). The law also requires any manufacturer, importer, or distributor of pharmaceutical substances to be licensed by the State Pharmaceutical Inspector in compliance with EU-Directive 2011/62/EU. Poland enters information into the UNODC/International Narcotics Control Board Pre-Export Notification (PEN) system for all exports and imports of drug precursors. Polish law enforcement focuses on prevention of illegal production of precursors and pre-precursors, coordinating between the Central Bureau of Investigation Police (CBŚP) and State Sanitary Service.

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 is a significant importer and exporter of ephedrine and pseudoephedrine.

In 2018, according to the most recent available commercial data, Switzerland imported approximately 68.14 metric tons (MT) of pseudoephedrine, making Switzerland the world's second largest importer, and 2.55 MT of ephedrine, making it the 16th largest importer. Switzerland exported approximately 38.5 MT of pseudoephedrine (fifth largest exporter) and 130 kilograms (kg) of ephedrine (15th largest exporter) during the same period. Data from Swiss Customs shows negligible differences in the amounts listed above, with the exception of ephedrine imports, which Swiss Customs data listed at just 760 kg for 2018.

Swiss control measures concerning precursor chemicals such as ephedrine and pseudoephedrine are governed by the Federal Narcotics Control Ordinance and the Federal Department of Home Affairs' Ordinance on the Directory of Narcotics. The Ordinances require importers and exporters of ephedrine and pseudoephedrine to obtain a license from Swissmedic, Switzerland's relevant regulatory authority, and require chemical manufacturers to provide "end user" certificates. To more effectively deter illegal dissemination of these precursor chemicals, regulations were enacted in October 2017 requiring a license and "end user" certificates for

import or export of preparations containing these precursor chemicals. In 2019, there were no significant changes reported to Swiss legislation regarding import and export of these substances.

Switzerland participates in multilateral chemical control initiatives led by the International Narcotics Control Board, including Project Prism and Project Cohesion. Switzerland also participates in the International Import and Export Authorization System (I2ES), which facilitates effective implementation of import and export authorization systems for legal international trade in narcotic drugs and psychotropic substances.

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 with the Swiss Federal Criminal Police, on chemical control related issues is excellent. Information sharing has increased between DEA and Swiss authorities. Additionally, the Swiss attend DEA's annual Attorney General Exempted (AGEO) Money Laundering Conference, as well as the International Drug Enforcement Conference (IDEC), which is co-hosted by the DEA Administrator.

The United Kingdom

While the UK remains a leading producer of precursor chemicals, it maintains a strict regulatory regime on domestic production and trade, including mandatory licensing and reporting obligations. Between February 2017, and May 2019, there were 37 confirmed seizures of imported amphetamine precursors and precursor chemicals, totaling approximately four metric tons. These large seizures could be a response to new regulations on additional precursor chemicals in the UK. With the possibility of the UK leaving the EU in the near future, regulations surrounding the import and export of precursor chemicals with EU countries could potentially impact the diversion of otherwise-legal precursor chemicals for illicit use in the UK.

Middle East

Egypt

Egypt oversees the import and export of all internationally controlled precursor chemicals through a committee composed of components of the Ministry of Interior (the Anti-Narcotics General Administration (ANGA), Ministry of Finance (Customs), and Ministry of Health (Pharmaceutical). This committee approves or denies requests to import or export chemicals. There has been a spike in the importation of ephedrine over the past several years, and it is possible that not all of it is used for legitimate medicinal production. However, the Egyptian government has not reported any large-scale diversion of ephedrine or observed any increase in the use of methamphetamine. In August, the ANGA seized two clandestine methamphetamine laboratories in Giza and Alexandria that were substantial in scale, and arrested six suspects.

During calendar year 2019, the ANGA reported an 86 percent decrease in the seizure of tramadol. This may be attributed to newly enacted laws in China and India that established restrictions on the exportation of tramadol.

United Arab Emirates

The UAE's proximity to major drug source and transit countries in Southwest Asia and its role as a sea and air transportation hub leave it vulnerable as a transshipment point for illicit drugs and precursor chemicals.

The UAE Export Control Executive Office (ECEO) is the coordinating authority responsible for implementing import, export and transshipment policies and issuing licenses for controlled goods and substances. ECEO operates under authorities granted by Federal Law No. 13 of 2007 as amended by Federal Law No. 2 of 2008, and implements control lists established by international bodies. The UAE hosts and funds a UN Office on Drug and Crime (UNODC) semi-regional office. The UAE's precursor chemical control regime implements to the country's obligations under the 1988 UN Drug Convention and is generally effective. Fentanyl and fentanyl analogues, potassium permanganate, and acetic anhydride are controlled in the UAE by the Ministry of Interior and require licensing through ECEO for import, export and transshipment. Ephedrine and pseudoephedrine are controlled by Ministry of Health. Transshipment of these chemicals requires UAE licensing when cargo is transferred from one container to another, or to a different ship at port. However, cargo transiting UAE ports in the same container and on the same ship does not require UAE licensing.

UAE authorities continue to stop drug smuggling attempts, due in part to cooperation between the Department of Anti-Narcotics at the Dubai Police Department, the General Department of Anti-Narcotics of the UAE Ministry of Interior, the Abu Dhabi Police Department, and international law enforcement agencies.

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 no longer preferred chemicals for methamphetamine production shipped to the United States, since traffickers are increasingly using substitutes or pre-precursors. The phenomenon of substitute chemicals used in methamphetamine production is particularly observed in Mexico, where the nitrostyrene method is used to produce P-2-P, which starts from benzaldehyde and nitroethane, or from the intermediary product 1-phenyl-2-nitropropene, and in Europe, where the method using APAAN, are largely used.

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 ephedrine and pseudoephedrine.

The Global Trade Atlas (GTA), compiled by Global Trade Information Services, Inc. (WWW.GTIS.COM), provides export and import data for ephedrine and pseudoephedrine 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 2018. The data, including data from the previous year, is continually revised as countries review and revise their data. GTA data analysis and a chart identifying the sources of the data are presented in the tables at the end of this section.

Data on exports and imports of pharmaceutical preparations containing pseudoephedrine and ephedrine are commercial and proprietary and are not available. Data on legitimate demand for these substances, whether in bulk or processed pharmaceutical form, is similarly not available. Therefore, this listing of the top five importers does not necessarily demonstrate that these countries have the highest levels of diversion. Instead, it demonstrates the rank position of each country compared to the overall exporters and importers of ephedrine and pseudoephedrine worldwide, as reported by the GTA.

According to 2018 data from the commercially available GTA – the most current available data – the top five exporters of ephedrine in descending order were: India, Germany, France, Singapore, and the United Kingdom. The top five exporters of pseudoephedrine in 2018 were India, Germany, the United Kingdom, China, and Switzerland. The top five importers of ephedrine in 2018 were India, Republic of Korea, Indonesia, Taiwan, and Iran. The top five importers of pseudoephedrine in 2018 were Switzerland, Republic of Korea, Turkey, France, and Indonesia.

For purposes of this determination, the United States has been excluded from these lists. However, enclosed is additional information on U.S. exports and imports of ephedrine and pseudoephedrine. During the preparation of the 2020 CMEA report as well as determination and certification, GTA data for U.S. exports and imports for both ephedrine and pseudoephedrine for calendar years 2016-2018 were updated in light of revised estimates provided by the U.S. Drug Enforcement Administration (DEA).

Overall, the accuracy of this trade data should be viewed with caution, as some countries have less sophisticated infrastructures and methodologies at their disposal than others for measuring the volume, overall trends, and commodities involved in legitimate trade. Furthermore, this data cannot accurately identify the specific trends of smuggling or diversion involving subterfuge.

The trade data source employed in this determination and certification does not reflect illicit smuggling or production around the globe that has been detected by law enforcement and other reporting. Nor does it reflect an accurate disparity between requirements and imports. Available trade data from GTA is also silent on legitimate commercial sales of alternative precursor chemicals used in methamphetamine production, which comprise a growing proportion of chemicals used in the manufacture of methamphetamine, particularly for the U.S. market.

Thus far, the economic and compliance analyses required by the CMEA remain 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 nor are all countries familiar with the methodology and data sources used by the GTA to report the final numbers and some countries dispute the accuracy of the data. This increases the difficulty of comparing import or export totals across years. Therefore, it remains difficult to determine with precision the top five countries exporting and importing the largest amount of pseudoephedrine and ephedrine.

Nevertheless, the United States will continue to urge countries in diplomatic and technical fora – in bilateral and multilateral settings – to provide reporting on their licit domestic requirements for methamphetamine precursor chemicals to the International Narcotics Control Board (INCB). The United States will also 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. In this regard, the INCSR's Chemical Section provides a thorough assessment of new methods employed by drug traffickers to produce methamphetamine.

Specifically, the newest method to produce methamphetamine is the nitrostyrene method, which starts from benzaldehyde and nitroethane, to produce phenyl-2-propanone (P-2-P) or from the intermediary product 1-phenyl-2-nitropropene. This method has been the preferred alternative used by Mexican drug trafficking organizations in recent years to manufacture the precursor chemicals required to produce methamphetamine. According to the forensic profiling program of DEA's Special Testing and Research Laboratory, the proportion of synthetic methamphetamine manufactured using the phenylacetic acid-based method continues to be a significant means of production, with 200 samples analyzed (39 percent) that were directly linked to this method. In contrast, there continues to be no trace of ephedrine or pseudoephedrine detected in the vast majority of methamphetamine seized in the United States.

CMEA Trade data. All units in kilograms (kg).

Top Five Exporting Countries, Economies, and the United States Ephedrine 2016-2018 (GTA Annual Series Ending Dec 2018)				
Reporting Country	Unit	Quantities		
		2016	2017	2018
India	KG	80,274	72,829	59,810

Germany	KG	21,894	20,575	32,910
France	KG	6	36	6,719
Singapore	KG	8,650	6,551	6,691
United Kingdom	KG	2,663	1,764	2,463
Top Five Total		113,487	101,755	108,593
United States (GTA)	KG	2,382	66	8
United States (DEA)	KG	0	1.8	2.3

Analysis of Export Data: The top five exporters of ephedrine in 2018 were India, Germany, France, Singapore, and the United Kingdom. According to the Global Trade Atlas (GTA) database, ephedrine exports increased 6.30 percent in 2018 compared to 2017, due to an increase in exports from Germany. In 2018, India's exports decreased by 17.88 percent; going from 72,829 kg in 2017 to 59,810 kg in 2018. India continues to rank as the top global exporter of ephedrine for this year's report. France's exports increased from 36 kg in 2017 to 6,719 kg in 2018, over an 18,000 percent increase. The reason for this increase is unknown. Singapore now appears as the fourth top exporter of ephedrine and remains stable in terms of the level of exports as compared with last year – 6,551 kg in 2017 and 6,691 kg in 2018, representing a 2.09 percent increase. The United Kingdom's exports increased 28.38 percent compared to last year, going from 1,764 kg in 2017 to 2,463 kg in 2018.

According to the most current information provided by the Drug Enforcement Administration (DEA), U.S. exports were 0 kg in 2016, 1.8 kg in 2017, and 2.3 kg in 2018. For the purposes of this report, we have relied on the data provided by DEA.

Top Five Exporting Countries, Economies, and the United States Pseudoephedrine 2016-2018 (GTA Annual Series Ending Dec 2018)				
Reporting Country	Unit	Quantities		
		2016	2017	2018
India	KG	434,307	432,167	413,355
Germany	KG	276,862	259,078	299,676
United Kingdom	KG	268,156	185,142	184,227
China	KG	30,530	42,539	52,217
Switzerland	KG	33,027	47,298	38,495
Top Five Total		1,042,882	966,224	987,970
United States (GTA)	KG	18,281	1,424	1,385
United States (DEA)	KG	26,327	22,638	29,165

Analysis of Export Data: According to the GTA database, the aggregated volume of worldwide exports of pseudoephedrine from the 2018 top five exporters rose slightly from 944,715 kg in 2017 to 956,223 kg in 2018, representing a 1.20 percent increase. The top five exporters of pseudoephedrine in 2018 were India, Germany, the United Kingdom, China, and

Switzerland. Germany and China increased their pseudoephedrine exports in 2018, going from 259,078 kg to 299,676 kg, and 45,539 kg to 52,217 kg; a 15.67 percent and 14.66 percent increase, respectively. Swiss exports decreased from 47,298 kg in 2017 to 38,495 kg in 2018; a 22.87 percent decrease. India's exports also decreased between 2017 and 2018, going from 432,167 kg to 413,355kg, a 4.55 percent decrease.

According to the most current information provided by the DEA, the United States decreased its pseudoephedrine exports from 26,327 kg in 2016 to 22,638 kg in 2017, a 16.30 percent decrease. In 2018, the United States increased its pseudoephedrine exports to 29,165 kg, a 28.83 percent increase from 2017.

Top Five Importing Countries, Economies, and the United States Ephedrine 2016-2018 (GTA Annual Series Ending Dec 2018)				
Reporting Country	Unit	Quantities		
		2016	2017	2018
India	KG	16,002	27,088	71,133
Republic of Korea	KG	28,504	38,313	37,079
Indonesia	KG	32,306	33,955	34,617
Taiwan	KG	8,851	8,850	12,268
Iran	KG	5,009	7,003	12,001
Top Five Total		90,672	115,209	167,098
United States (GTA)	KG	178,429	23,500	21,111
United States (DEA)	KG	3,494	2,789	2,450

Analysis of Import Data: According to the GTA database, the top five ephedrine importers in 2018 were India, Republic of Korea, Indonesia, Taiwan, and Iran. India appeared this year as the top ephedrine importer. The country had a substantial 163 percent increase in ephedrine importation, going from 27,088 kg to 71,133 kg. The reason for such an increase is unknown. Indonesia and Taiwan also increased their ephedrine importation, going from 33,955 kg to 34,617 kg, and 8,850 kg to 12,268 kg respectively; a 1.91 percent and 38.62 percent respectively. This is the first time Iran appears on the list of top five ephedrine importers, with a substantial increase of 71.36 percent, going from 7,003 kg to 12,001 kg. The reason for such an increase is unknown.

According to the most current information provided by DEA, U.S. ephedrine imports decreased from 2,789 kg in 2017 to 2,450 kg in 2018, a 12.15 percent decrease.

Top Five Importing Countries, Economies, and the United States Pseudoephedrine 2016-2018 (GTA Annual Series Ending Dec 2018)				
Reporting Country	Unit	Quantities		
		2016	2017	2018
Switzerland	KG	49,965	70,938	68,141
Republic of Korea	KG	37,002	37,753	45,477
Turkey	KG	39,137	45,848	36,721
France	KG	34,209	43,336	27,014
Indonesia	KG	42,408	24,136	24,347
Top Five Total		202,721	222,011	201,700
United States (GTA)	KG	163,464	123,512	150,102
United States (DEA)	KG	173,752	126,683	139,788

Analysis of Import Data: According to the GTA database, the quantity of pseudoephedrine imported by the top five importers decreased in 2018. The aggregated amount of pseudoephedrine imported by the top five economies in 2018 was 201,700 kg; a 10.07 percent decrease compared to 2017. Switzerland's imports dropped from 70,938 kg in 2017 to 68,141 kg in 2018, a 4.10 percent decrease. Turkey's imports similarly decreased, going from 45,848 kg to 36,721 kg, a 24.85 percent decrease. France's imports also decreased substantially, going from 43,336 kg to 27,014 kg, a 60.42 percent decrease.

Except for Indonesia and Republic of Korea, all other top five importing economies decreased their pseudoephedrine imports in 2017. Indonesia had only a non-significant increase of 0.87 percent.

According to the most current information provided by DEA, U.S. imports increased from 126,683 kg in 2017 to 139,788 kg in 2018, a 10.34 percent increase. The United States no longer bulk manufactures pseudoephedrine.

SYNTHETIC DRUGS

Introduction

The most dangerous trend in the global illicit drug trade is the growing prevalence of synthetic drugs, and particularly synthetic opioids. According to preliminary data from the U.S. Centers for Disease Control and Prevention, over 67,000 people living within the United States died from drug overdoses in 2018, and nearly half of these deaths involved synthetic opioids. Over the past decade, synthetic opioids have accounted for the most significant increase in drug overdose deaths by category of drug, with overdose deaths rising by 640 percent between 2012 and 2016 alone. A rising percentage of these deaths are from growing use of cocaine and methamphetamine adulterated (“cut”) with fentanyl or other synthetic opioids. Many drug users unknowingly expose themselves to fentanyl cut into other drugs or pressed into counterfeit pharmaceutical tablets.

While these trends are most pronounced in North America, synthetic opioids and other categories of synthetic drugs are increasingly prevalent globally. Synthetic drugs can be manufactured virtually anywhere, and offer distinct advantages over traditional plant-based drugs to criminals. Unlike drugs derived from plant-based crops, synthetic drugs are not climate dependent and do not require large tracts of land outside the reach of state authorities. Production costs are low, and criminals can tailor the effects of new psychoactive substances (NPS) to meet evolving consumer demand. The extreme potency of synthetic opioids, such as fentanyl and its analogues, allow criminals to reap enormous profits while trafficking in small volumes that are difficult for authorities to detect. A mere kilogram of fentanyl purchased online from black market vendors can be pressed into one million counterfeit pills and sold illegally for millions of dollars in the United States.

Criminals are also exploiting the tools of modern global commerce to expand new evolving methods for trafficking drugs and chemicals, including the use of internet-based marketing and sales, social media platforms, virtual currencies, and international postal and express consignment services. The perceived anonymity and convenience of the internet, including the use of “dark web” non-indexed web sites and encrypted peer-to-peer messaging, allow criminals to complete illicit transactions easily, often using poorly regulated cryptocurrencies, while broadening their market base. These modern tools afford traffickers greater physical security, lower operational costs, and reduced risk of arrest. In many cases, these modalities also enable traffickers to operate independently from large criminal organizations, and often exploit licit supply chains.

The following section summarizes global highlights involving synthetic drug production, trafficking and use in 2019, by both category and geographic region.

Synthetic Drug Threats by Category

Fentanyl and Fentanyl Analogues: Fentanyl and its analogues are powerful synthetic opioids that have played a leading role in fueling the North American opioid epidemic over the past decade. While fentanyl deaths have been highest in North America, fentanyl availability and overdose deaths have also increased in other parts of the world, including in Europe and the South Pacific.

Previous to 2019, U.S. law enforcement authorities identified China as the most prevalent source of direct shipments of fentanyl and fentanyl analogues reaching the United States, primarily through international postal services and direct consignment shipping. On May 1, 2019, the People's Republic of China enacted a class-based approach to control fentanyl-related substances, and evidence suggests that this led to pronounced shifts in fentanyl and fentanyl analogue flows to the United States. According to U.S. Customs and Border Protection, seizures of fentanyl directly shipped from China to the United States shrunk dramatically – from over 116 kilograms seized in Fiscal Year 2017 (October 1, 2016 – September 30, 2017) to less than 200 grams over Fiscal Year 2019. This does not necessarily reflect reduced availability of fentanyl within the United States. While there are more steps China should take to stop the flow of fentanyl to the United States, this information suggests that China's actions have made a positive impact, forcing traffickers to adjust trafficking routes and tactics.

Fentanyl trafficking into the United States may be trending away from direct mail and consignment shipping to overland traffic across the Southwest border from Mexico. There is some law enforcement evidence that Mexican drug cartels are consolidating their involvement in fentanyl production and trafficking, using alternative production methods involving pre-precursor chemicals.

In March 2017, at the urging of the United States and likeminded governments, the United Nations Commission on Narcotic Drugs (CND) voted to control two of the most common precursor chemicals used at that time to produce illicit fentanyl, 4-anilino-N-phenethylpiperidine (ANPP) and N-phenethyl-4-piperidone (NPP). These controls became fully effective in October 2017 and may have reduced the ability of criminals to access these chemicals illicitly. DEA analysis of fentanyl seizure samples in 2019 indicate that the majority of samples involved an alternative synthesis process (the "Janssen" method) not dependent upon NPP or ANPP.

Seizure data seems to support this finding. In January 2019, the International Narcotics Control Board (INCB) coordinated a multinational law enforcement operation targeting fentanyl trafficking by international postal services and express consignment services ("Operation Fast Forward"). More than 80 officers from 45 governments, including the United States Postal Inspection Service (USPIS) and two international agencies participated in the operation, which resulted in 53 seizures of 1143 units of seized fentanyl-related substances. Half of the seizures involved fentanyl pre-precursors N-phenylpiperidin-4-amine (also known as 4-anilinopiperidine and 4-AP) and 4-piperidone – both unscheduled under the 1988 Convention. Clandestine laboratory seizures from 2019 also involved pre-precursor chemicals. More evidence is needed to confirm these trends, but U.S. and international countermeasures may be raising the technical bar for illicit fentanyl manufacturers to enter the market, and incentivizing trafficking organizations to adapt and professionalize their criminal tradecraft. If this is the case, it would be positive in the sense that amateur criminal entrepreneurs are being squeezed from the marketplace, allowing law enforcement to better allocate resources targeting sophisticated transnational criminal organizations. On the other hand, these dangerous organizations could gain lucrative North American market share, increasing their financial resources and their ability to inflict harm.

New Psychoactive Substances. NPS are substances of abuse not controlled by the 1961 Convention or the 1971 Convention, but which have the ability to induce psychoactive effects on users mimicking controlled drugs. Producers modify and experiment with new substances in search of new NPS that can avoid detection by authorities and skirt the international control regime.

The rapid proliferation of NPS is creating a critical challenge for law enforcement officials worldwide because of the speed in which new substances can be introduced and remarketed to avoid international control. Over 900 different NPS were reported to the United Nations through 2019 – averaging about 80 new substances per year since 2009 – exceeding the capacity of law enforcement to curb this problem.

To keep pace with the innovation of criminal drug producers, the United States supports efforts to enhance the capacity of the UN drug scheduling framework to increase the number of treaty-mandated drug scheduling reviews by the Expert Committee on Drug Dependence (ECDD) of the World Health Organization. On November 15, 2019, following a scientific review process, the World Health Organization recommended that 10 NPS (including two fentanyl analogues) be scheduled for control under the UN conventions. The volume of NPS reviewed by the ECDD was enabled by U.S. financial support that allowed the organization to meet more frequently. The CND will consider these recommendations in March 2020. Many countries – including the United States – have also enacted legislative reforms within the scope of international law to review and control NPS based on their psychoactive effects or broader category of classification (class-based scheduling), rather than specific chemical structure. China’s implementation of class-based scheduling of all fentanyl-related substances in 2019 was a leading example of this approach.

To counter the proliferation of NPS, national authorities must be able to quickly share information on new emerging substances and trafficking trends. The United States also works with international partners to expand data collection and information sharing platforms to identify and provide early warnings of NPS to better mobilize public health and enforcement responses. One important tool is the UNODC’s Global Synthetics, Monitoring Analyses, Reporting and Trends program (Global SMART). Global SMART’s Early Warning Advisory network is an online data collection platform that monitors, analyzes, and shares information on synthetic drug trafficking and use, including forensic profiles. Data collected and analyzed by Global SMART informs CND scheduling decisions that affect international control of NPS under the UN drug conventions. As of 2019, 282 forensic laboratories collaborated with SMART in 90 countries. Global SMART provides training to international law enforcement authorities and helps governments implement scheduling decisions.

Another key partner in this field is the INCB, which maintains a task force (Project Ion) that coordinates, collects, and communicates strategic and operational information related to NPS with little or no known medical, scientific, or industrial uses. This information is shared through a secure online platform (IONICS), and during the first nine months of 2019, information related to nearly 8300 trafficking events involving 340 new psychoactive substances and dangerous fentanyl-related substances with no medical use were communicated to law and regulatory enforcement focal points representing 129 governments and 10 international and regional partner

organizations. Additionally, the INCB implements a special project (Project Opioids) focused on the illicit distribution and sales of synthetic opioids, and promotes partnerships and practical actions between governments and with relevant industries.

Methamphetamine. Methamphetamine is produced using a variety of methods, but most require the following precursor chemicals: pseudoephedrine; ephedrine; pharmaceutical products containing these chemicals; phenyl-2-propanone (P-2-P); or phenylacetic acid. Use of ephedrine and pseudoephedrine in the illicit manufacture of methamphetamine is predominant in Asia, Oceania, Africa, and in some regions in Europe. In the Western Hemisphere, the bulk of illicitly manufactured methamphetamine is made using P-2-P-based methods.

Methamphetamine production takes place domestically within the United States and worldwide. Domestic small production capacity laboratories (SPCLs) are the most frequently encountered type of clandestine laboratory. These SPCLs tend to be low production operations (grams) and make up only a small percentage of the drug that is consumed in the United States. The emergence of the “one-pot labs” (a.k.a. “shake-n-bake” labs) constitute the majority of SPCLs found domestically. These laboratories typically use two-liter plastic soda bottles, containers, and other such receptacles.

Pseudoephedrine and ephedrine are the principal precursor chemicals used in the SPCLs and are purchased over the counter from retail pharmacies and convenience stores. Most of the methamphetamine available in the United States, however, is produced in Mexico, and trafficking across the U.S. southern border has increased dramatically in recent years. Most large-scale manufacturers in Mexico are believed to use the P-2-P method to manufacture methamphetamine. There have been some indications of a possible shift in methods used to synthesize P-2-P for the purposes of manufacturing methamphetamine. Chemical analysis of future seizures may help provide additional analysis on emerging production methods used by Mexican drug trafficking organizations.

Outside of North America, production techniques vary, but many producers still rely upon ephedrine and pseudoephedrine, while others have shifted to alternative chemicals such as APAA (alpha-phenylacetoacetamide), a pre-precursor that was added to the list of controlled chemicals under the 1988 UN Convention by a March 2019 decision of the CND. In November 2019, the INCB recommended that another methamphetamine pre-precursor, methyl alpha-phenylacetoacetate (MAPA), also be controlled under the 1988 Convention. There are no legitimate uses of MAPA according to the INCB, and there has been an increase in seizures of the substance in association with clandestine drug labs since 2018. The CND will take up this recommendation at its 63rd Session in March 2020.

Regional Trends

Africa

The non-medical use of synthetic opioids, particularly tramadol, has become a widespread concern across much of Africa, adding pressure to strained health-care systems on the continent. According to the UN Office on Drugs and Crime (UNODC), 59 per cent of the total quantity of

pharmaceutical opioids seized over the period 2013– 2017 was intercepted in Africa, where it was mostly destined for local markets. Those seizures were mostly of tramadol in West and North Africa. Nigeria intercepted the largest quantity of tramadol worldwide (96 metric tons), followed by Egypt (12 metric tons in weight equivalents). Most tramadol available in Africa originates in India, the largest source country of licit pharmaceutical drugs in the world. The availability of tramadol may be slightly receding in certain countries within Africa due to new controls implemented by India in 2018, including limits to tramadol pill dosage and restricting over-the-counter sales.

Tramadol is widely perceived by users to boost energy and improve mood. Typically, it is consumed with other substances, such as alcohol, energy drinks, and other mind-altering drugs (e.g. cannabis and inhalants). Young users seem to be particularly affected by the crisis, and there is a particular risk that misuse of tramadol could lead to a demand for even more toxic forms of synthetic opioids. According to UNODC and media reports, increasing numbers of injuries and fatalities linked to driving under the influence of tramadol have been recorded across the continent.

In addition to tramadol, methamphetamine production remains robust in Nigeria, supplying much of the continent's domestic consumption and reaching further international markets. Precursor chemicals diverted to produce methamphetamine and other drugs enter and transit the continent through diverse routes, taking advantage of weak regulatory capacity and poorly secured borders and ports.

Asia

As home to more than half the world's population, Asia faces a wide diversity of synthetic drug threats. The most acute is from methamphetamine, and the production and use of this drug has reached epidemic proportions in some countries across the continent. According to a UNODC estimate, illicit profits from methamphetamine sales reached between \$30 billion and \$61 billion across the Asia Pacific region in 2018. This was up from a \$15 billion market estimated by a UNODC study in 2010. Governments across the Asia Pacific region seized a record 120 metric tons of methamphetamine in 2018, and countries including Thailand, Malaysia, and Laos reported record seizure totals. These trends largely continued in 2019, and most governments across Southeast and East Asia identify methamphetamine as their foremost public health and law enforcement threat.

Production of methamphetamine remains concentrated in Burma, in regions under the control of armed ethnic insurgents. Lesser volumes of the drug are also produced in clandestine labs across many countries in the region. In Southwest Asia, UNODC's Global SMART has reported evidence of increasing methamphetamine production in Afghanistan. Methamphetamine is also produced in clandestine labs within Iran, and media reports indicate that production has also spread to some areas within Iraq.

In addition to methamphetamine, NPS abound across many countries in Asia and are trafficked internationally to markets around the globe. Synthetic opioids including fentanyl and fentanyl analogues are also produced in some countries in the region, and fentanyl labs have been

detected and dismantled within India and China. With the largest legitimate pharmaceutical industry in the world and a vast chemical sector, India is particularly at risk to migrating NPS and fentanyl production and trafficking, particularly if China takes further steps to crack down on illicit actors involved in the trade and harden its supply chains to decrease diversion vulnerabilities.

Synthetic opioid use appears to be rare across the continent and relatively few law enforcement encounters have been reported. However, according to UNODC, more than half of global opioid users reside in Asia (29 million past-year opioid users, according to the 2019 World Drug Report), leaving a large potential market should synthetic opioid supplies become more widely available. Ketamine, a medicine commonly used as an anesthetic, is also diverted for misuse across some countries in Southeast and East Asia, including in China, Burma, Malaysia, Vietnam and elsewhere.

Europe

According to the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), approximately 50 synthetic opioids have been reported to the EU Early Warning System on NPS. In 2019, the EMCDDA reported that one in every five individuals within the EU who enter drug treatment for an opioid-related problem now reports a synthetic opioid, rather than heroin, as their main problem drug, and these drugs are becoming more commonly detected in drug overdose cases. The EMCDDA further noted that forensic and toxicological capacity to detect synthetic opioids is limited within the EU (a common gap in many regions), and this may result in underreporting. Thirteen EU members reported seizing fentanyl or fentanyl analogues in 2018, totaling slightly over 14 kilograms in total.

In 2018, NPS were reported to the EU Early Warning System at a rate of about one per week. Seizure data also indicates that methamphetamine and amphetamine-type stimulants (ATS) may have increased within the EU over the past decade, with considerable variance between countries. The Netherlands, Belgium, and to a lesser extent Poland, Germany, and the Baltic countries were identified by the EMCDDA as production centers for ATS. Seizures of MDMA were also up across many European countries according to the most recent available data from 2017, and production is believed to be concentrated in the Netherlands, and to a lesser extent, Belgium.

Central and South America

Although traditional plant-based drugs continue to dominate illicit drug markets across Central and South America, the Organization of American States' Inter-American Drug Abuse Commission (OAS/CICAD) has identified the illicit production and trafficking of synthetic drugs to be a growing problem. The vast majority of methamphetamine available within the United States is produced in clandestine laboratories in Mexico, and some smaller scale methamphetamine production has been detected in other countries in the region.

There is limited production of NPS within Central or South America, with most NPS (and MDMA) smuggled into the hemisphere from Europe and elsewhere. Through mid-2017, 130

different NPS had been reported by seven South American governments. In South America, hallucinogenic NPS commonly marketed under the name of “LSD” have become increasingly available in recent years, according to UNODC. Governments are becoming more cognizant of the threat of synthetic drugs to varying degrees. Some governments are building their capacity to detect such substances, including by improving their ability to identify precursor chemicals; enhance forensic testing of synthetic drug samples; and better their understanding of trafficking groups and patterns involved in trafficking synthetic drugs.

The Middle East

Amphetamine-type stimulants (ATS) are the most prevalent synthetic drug available across much of the Middle East, particularly in the Gulf region and parts of North Africa. Popularly known under the brand name “Captagon,” some ATS found in the region is fenethylline, while others are NPS. Relatively easy to produce in clandestine labs, production and trafficking of these drugs are reported to be a source of revenue for militant groups in Syria and Iraq, as well as for Assad regime affiliated entities in Syria, according to media reports. Methamphetamine is also becoming increasingly available in some countries, particularly in Iran and Iraq.

The Road Ahead

As the global synthetic drug threat continues to evolve and expand, the United States will seek to expand its partnerships with both traditional and emerging stakeholders to confront and contain it. Governments will continue to have the most significant role in reducing the threat, but the private sector, international organizations, and civil society also play important roles.

Preventive efforts to stop illicit synthetic drug production and trafficking requires expanded cooperation with private industry. The majority of the world’s chemical and pharmaceutical industries are privately owned, as are the information communication platforms, online-marketing and sale platforms, online-payment providers, and express consignment operators all increasingly exploited by synthetic drug traffickers. The private sector can play a crucial role in disrupting the synthetic drug business model by strengthening supply chains and preventing diversion of legitimate commodities and misuse of new technologies for criminal ends. The private sector also has access to data that could contribute to law enforcement investigations and help identify emerging threats because they operate trade platforms that may be exploited by criminal organizations. Working with like-minded partners, the United States will seek to expand outreach to the private sector to share information on emerging drug threats, reduce vulnerabilities, and deny access to criminal actors.

In August 2019, the United States government released a series of private-sector advisories intended to help domestic and international companies protect themselves from exploitation by illicit fentanyl manufacturers and traffickers. The advisories spotlight red flags associated with the manufacturing, marketing, trafficking, and financing of illicit fentanyl, across all stages of the supply chain, with recommendations for how companies can avoid exploitation and potential reputational risk.

Given the global scale of the synthetic drug threat, international organizations provide an essential framework to share information and coordinate responses. The United States will continue to actively leverage multilateral frameworks such as the UNODC and the INCB to expand global platforms to detect emerging patterns on synthetic drug threats and reduce information-sharing bottlenecks. With support from the United States and other donors, the UNODC has developed an integrated project to confront the global synthetic opioid crisis that includes a one-stop online website offering various resources and practical tools to help governments strengthen their efforts, including examples of model legislation. The INCB is implementing a global project, also with U.S. support, to expand information sharing and cooperation against synthetic opioids, including with industry. In November 2019, the INCB approved voluntary guidelines for governments to use in preventing and investigating the diversion of equipment such as tableting and encapsulating machines used to produce illicit drugs. These guidelines will be presented to UN member states at the March 2020 session of the CND.

The United States will continue to work with the Universal Postal Union (UPU) and the INCB to better prevent the exploitation of international mail and express consignment services. The UPU is a specialized UN agency that develops technical standards for international postal authorities, facilitates cooperation among national postal authorities, and provides technical assistance on issues related to international mail. The United States supports the UPU to train international postal and customs officials to detect and interdict synthetic drugs at international mail facilities and expand national capacities to provide advanced electronic data on packages. The UPU has a memorandum of understanding with the INCB to cooperate in this field, and the INCB participated in UPU training events for postal operators in 2019. In tandem with these efforts, the United States will continue to support the work of the INCB to convene expert working groups with governments and their industry partners so they can expand their work to address the movement of dangerous substances through the postal and express courier services.

Because many law enforcement partners lack sufficient expertise to effectively investigate and dismantle online drug sales, the United States is expanding its mentoring and training efforts to build capacity and cross-border cooperation in this field. In 2020, the United States will support a network of U.S. prosecutors and investigators deployed at various U.S. embassies to mentor cybercrime investigative units in partner governments. This network will provide training on dark web investigations and criminal misuse of cryptocurrencies, both global weak spots that need to be more effectively addressed to more effectively combat illicit online sales. For real results, law enforcement cooperation on cyber-enabled crime requires cross border evidence sharing and assistance. It is crucial in this regard that more countries – particularly developing countries increasingly vulnerable to online trafficking – become parties to the Council of Europe Convention on Cybercrime (the Budapest Convention), the only international, legally binding instrument dealing with computer-based crime.

The United States will also seek to deploy the full range of its deterrence tools targeting the most prolific traffickers of these drugs, including sanction programs under the U.S. Department of the Treasury and reward offers under the U.S. Department of State's Narcotics Reward Program.

There are no silver bullets on the horizon for rolling back the synthetic drug threat. Coordinated international action from governments, private sector entities, and international organizations can slow the proliferation of illicit synthetic drug production and trafficking, and increase the risk to traffickers of detection. This will require a long-term, incremental process of coordinated action. The United States is committed to mobilizing like-minded partners to meet the challenge.

COUNTRY REPORTS

Afghanistan

A. Introduction

Afghanistan is the world's largest producer of illicit opiates. According to U.S. government estimates, 160,000 hectares (ha) of opium poppy were cultivated in Afghanistan in 2019. While this was 28 percent less than the previous year, overall opium production increased by 21 percent as a result of rising opium yields, with 6,700 metric tons (MT) produced. Afghanistan also produces methamphetamine and cannabis, though the United States lacks detailed information about the extent of production of both drugs in the country at this time.

Most cultivation and production of poppy in Afghanistan occurred in areas under Taliban influence or control. The Taliban and other insurgents derive considerable revenue from the Afghan drug trade, which not only drives conflict but undermines the rule of law, fuels corruption, and increases drug use among Afghans. A 2015 survey profiling Afghan drug use estimated 11 percent of the population nationwide used one or more drugs, including 5.3 percent of the urban population and 13 percent of the rural population.

Afghan opium is typically refined into heroin or morphine in Afghanistan or neighboring countries. Afghanistan is not believed to be a major supplier of opiates to the U.S. market. According to data from the U.S. Drug Enforcement Administration's (DEA) 2018 Heroin Signature Program, less than 1 percent of the heroin seized in the United States and tested originated in Southwest Asia.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Afghan government is publicly committed to confronting the drug problem in Afghanistan but has been slow to implement its national drug control strategy, which was overseen by the Ministry of Counter Narcotics (MCN). President Ashraf Ghani abolished the MCN by decree in 2019 and distributed its functions to other ministries and government offices. The United States had supported the MCN with capacity building for several years, but the ministry lacked sufficient influence and political support to marshal government resources against Afghanistan's drug trade.

With assistance from the United States, the Afghan government operates the Criminal Justice Task Force, a self-contained judicial unit based at the Counternarcotics Justice Center (CNJC). CNJC also serves as the central facility for the investigation, prosecution, and trial of major drug and drug-related corruption cases. During 2019, the CNJC processed 871 cases, involving 1,449 suspects. CNJC began processing all nation-wide airport drug seizure arrests in late 2018, which significantly increased its number of cases. The United States and Afghanistan have neither a bilateral extradition treaty nor a mutual legal assistance treaty in force, but they do cooperate on investigations on a case-by-case basis.

2. Supply Reduction

Two specialized units represent the core of Afghanistan's interdiction capability: the Sensitive Investigative Unit (SIU) and the National Interdiction Unit (NIU). These units are mentored by DEA and a U.S. Special Operations Forces team, and materiel and logistical support is provided by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). These mentoring relationships have led to significant seizures of drugs and processing chemicals. During fiscal year 2019, the NIU and the SIU conducted 217 operations and seized 24.2 MT of opium, 4.2 MT of heroin, and 191.5 MT of hashish, according to figures provided by the Afghan specialized units. The NIU and SIU arrested 311 individuals during this period.

Virtually no poppy eradication occurred in 2019, with just 21 ha of verified eradication of 160,000 ha cultivated. By comparison, in 2018 the Afghan government eradicated a modest total of 406 ha of 221,000 ha cultivated. As in previous years, a lack of political will, Taliban control over the territory in many rural areas where poppy is cultivated, and lack of central government focus all contributed to limited eradication results.

Primary trafficking routes into and out of Afghanistan include the Balkan route (Iran to Turkey to Eastern and Western Europe); the southern route (Pakistan and Iran to Africa, Europe, Asia, the Middle East, and Canada); and the northern route (Central Asia to the Russian Federation).

A symbiotic relationship exists between the insurgency and illicit drug trafficking. Traffickers provide weapons, funding, and material support to the insurgency in exchange for protection. Some insurgents traffic drugs or tax drug production and transportation to finance their operations. Trafficking is not limited to insurgent-controlled areas. The drug trade also fosters corruption, which undermines governance and rule of law throughout Afghanistan.

3. Public Information, Prevention, and Treatment

The Afghan government has acknowledged Afghanistan has one of the highest substance abuse rates in the world. The 2015 Afghanistan National Drug Use Survey found more than 11 percent of urban and 38 percent of rural Afghan households included at least one member who tested positive for some form of illicit drug. To stem the effects of this public health crisis, the United States funds a pilot project to expand drug treatment in rural areas, in addition to supporting treatment centers in conjunction with the Ministry of Public Health. The United States also supports the UNODC's global children's addiction program to develop protocols for treating children, training treatment staff, and delivering services through non-governmental organizations.

Agriculture has traditionally dominated Afghanistan's economy and has been one of the main contributors to its economic growth; a key challenge to reducing drug production is developing economically viable alternatives to poppy. The United States, in coordination with Afghan and international partners, promotes licit crop production and funds pilot projects designed to wean farmers away from poppy cultivation. These programs aim to create sustainable opportunities, including for rural women. Through the Voice of America and Radio Free Europe/Radio

Liberty, the United States supports a robust public information campaign highlighting the impact of the Afghan drug trade.

4. Corruption

As a matter of policy, the Afghan government does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering illicit proceeds. Widespread and longstanding credible allegations and media reporting suggest, however, that many individual 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.

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

Afghanistan's national drug control strategy has three interrelated goals: 1) decrease the cultivation of opium poppy; 2) decrease the production and trafficking of opiates; and 3) reduce the demand for illicit drugs while increasing the provision of treatment for users. Afghanistan has struggled to make significant progress in these three areas. The U.S. government's drug control priorities for Afghanistan include disrupting the drug trade and targeting drug revenues that finance the insurgency; developing licit alternative livelihoods; strengthening law enforcement efforts against drug trafficking networks; reducing the demand for drugs; and building the Afghan government's drug control capacity. Despite the development of capable partner institutions, overall progress in meeting these long-term objectives remains slow, inconsistent, and insufficient.

D. Conclusion

The Afghan drug trade poses a major challenge to Afghan institutions. Revenue from the narcotics trade financially sustains multiple areas of the country, and makes it possible for them to exist independent of the central government, while fueling corruption throughout the government and hindering development of the licit economy. The Afghan government must demonstrate greater political will to eliminate narcotics trafficking. Simultaneously, the Afghan government must support and protect from retribution those who enforce the nation's laws, while advancing complementary efforts in the areas of alternative development, demand reduction, anticorruption, and public information.

Albania

Albania is a source country of cannabis and a home base for transnational organized crime networks involved in trafficking illicit narcotics across Europe and beyond. The volume of drug seizures and number of drug-related arrests by Albanian authorities in 2019 was significant, driven largely by Albanian law enforcement cooperation with international partners, international pressure, and Albania's efforts to accede to the European Union.

Albania's role as source or market for illicit drugs beyond cannabis is minor, but there has been an increase in cocaine seizures in Western Europe linked to Albanian crime groups who traffic cocaine and heroin to European markets directly from source countries in South America and Asia.

Albania's high rate of unemployment, weak rule of law, and endemic corruption are the primary drivers behind the country's weak drug enforcement efforts. Albanian organized crime networks use the proceeds from drug trafficking to corrupt justice sector and other government institutions to enjoy widespread impunity. There were, however, two significant milestones in the fight against drug trafficking in 2019. Notorious drug kingpin Klement Balili, dubbed the "Escobar of the Balkans" by the media, was convicted and sentenced to ten years in prison for drug trafficking. Former Minister of Interior Saimir Tahiri was prosecuted for drug trafficking, though he was subsequently acquitted of those charges and convicted of a lesser charge of abuse of office and sentenced only to probation.

Albania is in the process of attempting to enact sweeping criminal justice reforms to more effectively prosecute and convict criminals for drug trafficking by leveraging organized crime affiliation. Prosecutors now combine drug-related charges with organized crime charges. Moreover, pursuant to a bilateral extradition treaty, Albania has extradited to the United States fugitives sought for prosecution for drug offenses.

U.S. assistance supports Albania's integrated border-management risk analysis to identify potential drug traffickers. The United States also supports the country's judicial sector reforms and provides law enforcement training on investigative techniques as well as equipment to enhance drug interdiction capabilities. Sustained U.S. engagement has increased Albania's ability to detect drug smuggling at its borders and establish a framework to target organized crime networks moving illicit narcotics globally. It is vital the Albanian government continues implementation of justice reform and works to erode the influence of organized crime.

Algeria

Algeria is a transit point for illicit drugs destined mainly for Europe. Drug production and consumption within Algeria remains low. The Government of Algeria is actively working to address drug smuggling and use through increased enforcement and treatment. Its security forces focus primarily on counter-terrorism efforts and border security, but officials have become increasingly concerned about possible links between al-Qa'ida in the Islamic Maghreb and drug traffickers. The bulk of drugs transiting Algeria consist of cannabis from Morocco as well as psychotropic substances, along with smaller quantities of cocaine and heroin. Most of these drugs travel by sea from Algeria to Europe, while some are smuggled overland to Middle Eastern destinations. Algeria's borders stretch over 4,000 miles, much of which is sparsely populated and difficult to monitor. Cannabis resin (hashish) remains the most widely consumed and trafficked drug, though cocaine, heroin, and psychotropic substances are also used and trafficked through the country.

The government is combating domestic consumption of illicit drugs through expanding facilities for treating drug addiction. Currently, there are 42 Intermediate Addiction Treatment Centers (CISA) operating in Algeria. Voluntary hospitalization, therapeutic interventions, and outpatient consultations form the basis of CISA treatment.

Algerian law provides for jail time of up to two years for use and 10-20 years for drug trafficking and distribution. For consumption cases, the law gives preference to treatment over penal judgments. Although the United States and Algeria do not have a bilateral extradition treaty, they do have a bilateral mutual legal assistance treaty. Algeria is also a party to several multilateral law enforcement conventions that permit mutual legal assistance. Algeria works within the Euro-Mediterranean cooperation network MedNET, created in 2006 to further regional cooperation in the fight against drugs.

The National Office for the Fight Against Drugs and Addiction (ONLCDT) coordinates the Algerian government's drug policies and produces official reports on the drug problem in Algeria. The National Police (DGSN), Customs, and National Gendarmerie are responsible for day-to-day enforcement. During the first eight months of 2018 (the most recent period for which data is available), authorities seized 31.2 metric tons of cannabis and 1.3 million tablets of psychotropic substances, and the government tried 22,608 individuals for drug-related charges. The Government of Algeria has been receptive to U.S. offers of training assistance for law enforcement officers and has requested additional advanced training in combatting drug smuggling.

Argentina

Transnational criminal organizations use Argentina as a transshipment point for Andean cocaine destined for European and other international markets. Cocaine has traditionally entered Argentina via the northwest Salta and Jujuy provinces bordering Bolivia and Paraguay. Synthetic drugs such as LSD and MDMA are mostly smuggled into the country from Belgium and Germany. Domestic cocaine processing and consumption are growing concerns, and the consumption of cocaine base is prevalent in poorer neighborhoods. Argentina is the second-largest consumer of cocaine per capita in South America.

U.S.-Argentina security cooperation strengthened in 2019. The Security Ministry adopted best practices from U.S. law enforcement. With U.S. support, two interagency counternarcotics task forces were launched in 2017 and 2019 in the Salta and Misiones provinces respectively. The task forces complemented the Argentine intelligence fusion center network created in 2017, which provides intelligence reports to federal and provincial security agencies. The United States continued to provide trainings for the fusion centers in 2019. Through training, the United States is supporting the implementation of newly approved investigative tools designed to help Argentina combat drug trafficking and other transnational crime. Argentina's extradition, customs, and mutual legal assistance treaties with the United States are utilized to the benefit of both countries.

The government launched a national program to combat drug trafficking in 2016 that has increased targeting of drug trafficking organizations and increased efforts to reduce cocaine consumption. Official statistics show seizures of cocaine, marijuana, and synthetic drugs all increased from 2015 to 2018, totaling approximately 448.74 metric tons (MT) of marijuana and 26.72 MT of cocaine over that time period. Cocaine seizures were primarily in the Salta and Jujuy provinces bordering Bolivia, and marijuana seizures were primarily in the Misiones and Corrientes provinces bordering Brazil and Paraguay. Argentina is a regular participant in the semi-annual Multilateral Maritime Counter Drug Summits.

Constructive measures Argentina could undertake include focusing interdiction efforts on targeted regions and transportation sectors; allowing defendant cooperation for sentence reductions and controlled deliveries to further investigations; further enhancing federal and provincial coordination; boosting judicial efficiency in case management, investigations, and prosecutions; increasing border security resources; and coordinating drug supply and demand reduction strategies.

The Bahamas

A. Introduction

The Bahamas remains a significant transshipment point for illegal drugs bound for the United States. The Bahamas' location, less than 50 miles off the coast of Florida at its closest point, makes it a natural conduit for drug trafficking. The Bahamian archipelago stretches over a nautical area the size of Florida with over 700 islands and 2,000 cays, the vast majority of which are uninhabited. Traffickers blend in among numerous pleasure craft moving between Florida and The Bahamas. Trafficking also occurs through commercial freighters and commercial and private planes. Trafficking enables and strengthens transnational criminal organizations and gang activity. The Bahamas is also a source country for marijuana, and Bahamian authorities eradicated over 200,000 cannabis plants in 2019.

The United States and The Bahamas enjoy a long-standing history of law enforcement cooperation. There is strong political will within the Bahamian government to tackle drug trafficking and organized crime. Operation Bahamas, Turks and Caicos (OPBAT), a tripartite agreement dating back to the 1980s, spells out the obligations of The Bahamas, Turks and Caicos Islands, and the United States to improve their effectiveness in the fight against illicit trafficking of narcotic drugs. Buttressed by this agreement, Bahamian and U.S. law enforcement have partnered in several major law enforcement operations targeting trafficking organizations. Hurricane Dorian caused widespread devastation in Grand Bahama and Abaco in September 2019. The impact on law enforcement assets may impede both Bahamian and joint-U.S.-Bahamas law enforcement operational capabilities in those areas, a vulnerability traffickers may seek to exploit.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In 2019, the Bahamian criminal justice system's ability to dispense justice for those charged with significant drug trafficking offenses continued to fall short of international norms. For more serious legal matters, such as those involving trafficking, smuggling, firearms, or gang violence, regular adjournments prolonged matters, in some instances over several years. In a high-profile case involving a suspected drug trafficker who is the subject of an extradition request by the United States, the court failed to issue rulings in a reasonable timeframe, delaying his hearings twice for several months because the physical case file was not present at the proceeding. Procedural errors resulted in a high number of cases being thrown out for technicalities. Despite these challenges, there are encouraging signs that the country's judiciary is seeking to institute much-needed reforms.

The Bahamas signed a comprehensive maritime agreement with the United States in 2004, which continues to enable cooperation in counternarcotics and migrant interdiction operations in and around Bahamian territorial waters. The Bahamas has an extradition and mutual legal assistance treaty (MLAT) in place with the United States. Responses to MLAT requests from the Ministry

of Legal Affairs are generally addressed immediately and thoroughly, but have at times been delayed by slow and inefficient judicial procedures. Responses to requests sent to the Financial Intelligence Unit are often delayed. Compliance with the extradition treaty remains a challenge; some cases date back over 15 years due to pending appeals, others have no legal resolution.

2. Supply Reduction

U.S. law enforcement agencies work closely together with the Royal Bahamas Police Force (RPBF) and Royal Bahamas Defence Force (RBDF) to gather law enforcement intelligence, conduct investigations, and execute interdictions. These operations are supported by marine, technical, and training resources provided through U.S. assistance programs. With a population base of 353,000 (according to the 2010 census) and significant territory to cover, pooling U.S. and local resources and knowledge is essential to efficient deterrence and interdiction.

U.S. and local law enforcement investigations indicate that illicit trafficking through The Bahamas remains high. During the first ten months of 2019, an equivalent of 225.7 metric tons (MT) of marijuana were seized, up significantly from the 5.66 MT seized in 2018 due in part to the discovery and eradication of 217,031 cannabis plants found on several large grow sites. It remains unclear if these sites were one-off operations or part of a wider trend by drug traffickers to move marijuana production closer to the United States. Joint OPBAT operations also helped track approximately 1,000 kilograms of cocaine that transited The Bahamas before being seized in the United States.

Throughout 2019, traffickers continued to split up larger drug loads into smaller loads before entering the southern Bahamas. Traffickers move cocaine through The Bahamas via “go-fast” boats, small commercial freighters, maritime shipping containers, and small aircraft. Traffickers 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.

3. Public Information, Prevention, and Treatment

The Bahamas continues to document the increasing use of controlled substances by the public, chief among them marijuana. A survey in 2018 found that 20 percent of male respondents admitted to smoking marijuana, and of those 40 percent admitted to smoking on a daily basis. Only 1 percent of respondents admitted to cocaine usage.

The Public Hospitals Authority offers residential substance abuse treatment programs, drop-in treatment programs, substance abuse prevention programs, and relapse prevention programs. The United States continued to partner with the Public Hospitals Authority in 2019 to train, mentor, and certify drug treatment professionals from both within and outside government.

4. Corruption

The Government of the Commonwealth 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. The government continues to make fighting corruption a major focus, despite the challenge.

At the end of 2019, several high-profile corruption cases were preparing to go before the court, and will serve as an important test for prosecutors and police as they demonstrate their ability to build solid cases as well as for the judiciary to ensure fair trials. During the 2019 trial of a former minister, alleged missteps by the police and prosecutors overshadowed credible accusations of corruption. To date, there have been very few convictions for public corruption in The Bahamas despite 80 percent of Bahamians saying they felt corruption in government was a major problem, according to a 2019 survey by a non-governmental organization.

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 reduce illicit trafficking, increase public safety and security, and prevent youth crime and violence. In 2018, a CBSI-funded maritime surveillance system radar was installed in the southern-most island of Great Inagua to provide greater visibility of maritime and air traffic through the windward pass. In addition, U.S. Northern Command administers security cooperation activities with the RBDF to enhance capabilities in maritime law enforcement, intelligence, small boat operations, port security, engineering, disaster relief, and maintenance.

D. Conclusion

The United States and The Bahamas enjoy a long-standing cooperative relationship against drug trafficking and transnational organized crime. Drug trafficking and related smuggling will remain a primary concern for the United States in The Bahamas. The United States will continue to assist Bahamian efforts to counter these networks and increase efficiencies in the administration of justice through a range of assistance, and the CBSI framework will continue to bolster Bahamian drug-control institutions and enhance U.S. and Bahamian law enforcement relationships.

Belgium

Belgium is currently the primary entry point for cocaine smuggled into Europe, with many of the same South American drug trafficking organizations that transport cocaine to the United States using the Port of Antwerp to reach the lucrative European drug market and beyond. Cocaine sales in Europe strengthen these transnational criminal organizations and increase their reach, including into the United States.

The Port of Antwerp is experiencing record cocaine seizures from within containerized cargo. This is due to record cocaine production in South America; the port's large and inaccessible layout that makes it difficult to police fully; and relatively lenient judicial sanctions for persons caught trafficking large volumes of drugs. Belgian authorities at the Port of Antwerp seized approximately 50 metric tons (MT) of cocaine in 2018, up from 15.7 MT in 2015. Seizures during the first ten months of 2019 were on pace to surpass 50 MT. In addition, authorities in South America seized over 40 MT of cocaine destined for Antwerp in both 2017 and 2018. The volume of cocaine seized in 2018 would have generated more than \$1.3 billion in street level drug proceeds.

In 2018 and into 2019, Belgian authorities identified an increasing number of amphetamine and 3,4-methylenedioxymethamphetamine (MDMA) production labs, and Belgium continues to act as an important transit country for MDMA produced in the Netherlands. In 2019, authorities identified Belgium's first large-scale crystal methamphetamine laboratory, connected to Belgian, Dutch, Colombian and Mexican criminal organizations. In 2018 and 2019, authorities also saw an increase of methamphetamine imports via commercial air from Mexico.

Belgium is a transit country for distribution of new psychoactive substances (NPS) produced in China. Heroin also transits Belgium, and approximately seven MT of heroin originating from Afghanistan and trafficked through Iran were seized at the Port of Antwerp during the first ten months of 2019. Belgium has no systematic monitoring of indexed or non-indexed websites ("Dark Web") that facilitate drug trafficking, which remains a blind spot.

Belgium is not experiencing a significant problem with the trafficking or use of synthetic opioids, though authorities attributed a handful of deaths in 2019 to synthetic opioid overdoses. In 2019, only small amounts of fentanyl and fentanyl analogues were seized from mail packages transiting Belgium.

Belgian and U.S. law enforcement agencies maintain close operational cooperation, primarily focusing on cocaine trafficking and drug money laundering. The two countries share fully operational extradition and mutual legal assistance agreements.

Belize

Belize

A. Introduction

Belize is a major transit country for illegal drugs that originate from countries in South America. Cocaine is the most prevalent drug trafficked through Belize. Belize is vulnerable to exploitation by transnational criminal organizations due to its central location, porous borders, sparsely populated landscape, and accessible coastline with hundreds of islands. Traffickers refuel or offload drugs at illicit airstrips for further transshipment by land through Mexico to the United States. Traffickers move drugs along the coast via “go-fast” boats.

Though Belize is a major transit country for drugs, there is no notable domestic drug consumption problem outside of recreational cannabis use.

The Belize police, military, and coast guard share responsibility for drug interdiction, though all face resource constraints. Belize has no air defense systems, no primary radar capable of monitoring illicit air traffic, and no maritime radar. Significant equipment gaps, limited law enforcement response capabilities, and systemic investigative and prosecutorial limitations inhibit Belize’s ability to interdict shipments and prosecute traffickers. Despite these constraints, Belize’s success in interdicting illicit drug shipments has increased significantly since mid-2018.

B. Drug Control Accomplishment, Policies, and Trends

1. Institutional Development

The Government of Belize acknowledges the major threat to domestic stability and the rule of law posed by narcotics trafficking. Significant law enforcement resources are directed at addressing violence resulting from competition between domestic gangs for territory, particularly in but not limited to Belize City. Evidence suggests transnational criminal organizations – including MS-13 and Mexican drug cartels – are expanding their networks in Belize, but do not yet exercise control over domestic gangs.

U.S.-funded assistance programs focus on improving police professionalism; criminal justice procedures; border security; specialized units; statistical analysis; information sharing; and forensic investigations.

Belize assists in the capture and repatriation of U.S. citizen fugitives, including those with outstanding warrants for drug trafficking charges, through provisions of the Belize Immigration Act. A bilateral extradition treaty between the United States and Belize has been in force since 2001, and a bilateral mutual legal assistance treaty between the United States and Belize has been in force since 2003. Belize also has an extradition treaty with Mexico.

Agreements with the United States on drug control include a Treaty on Mutual Legal Assistance in Criminal Matters (2000) and a shiprider agreement (1992, amended in 2000). Belize’s other

shiprider agreements are the Agreement Concerning Co-operation in Suppressing Illicit Maritime and Air Trafficking in Narcotic Drugs and Psychotropic Substances in the Caribbean Area and the Proliferation Security Initiative Agreement. Belize participates in the Inter American Convention on Mutual Legal Assistance and the Caribbean Community (CARICOM) Mutual Legal Assistance Treaty. Belize also has a Mutual Legal Assistance Act, which provides legal assistance to countries without legal assistance treaties.

2. Supply Reduction

The Joint Intelligence Operations Center (JIOC) – which serves as Belize’s operational command hub – collects, collates, and disseminates intelligence on transnational crime to local law enforcement and regional partners.

There is no reliable data on the total number of illicit aircraft in 2019 that successfully landed on remote airstrips in Belize to offload drugs, refuel, and depart. During the first 10 months of 2019, authorities discovered seven abandoned or burned out narco-planes, and successfully interdicted several others. In its largest interdiction in many years, Belizean law enforcement captured an aircraft in September with 1,341 kilograms (kg) of cocaine and charged eight individuals. In October 2019, Mexican authorities seized 960 kg of cocaine and several firearms believed to be from an aircraft that crash-landed in Belize near the Mexican border.

During the first nine months of 2019, Belizean authorities reported seizing 1,369 kg of cocaine; 421 kg of processed cannabis; three kg of cocaine base; 1.9 kg of heroin; 1.6 kg of cannabis seeds; 982 grams of cannabis plants; and one gram of methamphetamine. No precursor chemical or drug lab seizures were reported. There were significant increases in seizures of cocaine, crack, and heroin.

3. Public Information, Prevention, and Treatment

The government of Belize does not collect data on domestic drug consumption. Marijuana is the primary illicit drug used in the country. Possession and personal use of up to 10 grams of marijuana has been decriminalized.

Belize’s National Drug Abuse Control Council (under the Ministry of Health) is the lead agency in the prevention and control of drug abuse. The Council provides drug education prevention programs to schools and communities.

Belize’s central prison operates the Ashcroft Rehabilitation Center, which uses a participative, group-based approach to address personality disorders, substance abuse, and habitual addiction. No statistics on results are available.

The United States has supported the Gang Resistance Education and Training (GREAT) program in Belize since 2011. The program teaches youth to identify and avoid gang recruitment, prevent violence and criminal activity, the dangers and risks of drug usage, and develop positive relationships with law enforcement officials. Belize has 269 police officers certified as GREAT instructors and more than 20,758 children have completed the program.

4. Corruption

The Government of Belize does not, as a matter of government policy, encourage or facilitate illicit drug production or distribution. However, insufficient law enforcement resources, weak law enforcement institutions, an ineffective judicial system, and inadequate salaries for government employees facilitate corruption. The country's small size and small government mean personal connections can influence official decisions.

Belize lacks laws specifically addressing drug-related corruption. Belize signed and ratified the United Nations Convention against Corruption (UNCAC) in 2016. The Prevention of Corruption Act (2000), includes measures to combat corruption related to illicit monetary gains and the misuse of public funds while holding public office.

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

The United States provides assistance to Belize through the Central America Regional Security Initiative (CARSI), consistent with the U.S. Strategy for Central America, to build a culture of transparency and accountability leading to reforms in the justice sector and institutional improvements in citizen and border security.

The United States and Belize signed Letters of Agreement in 2010 that enabled U.S. assistance provision in establishing a vetted police unit, reforming the security sector, reducing demand for drugs, and enhancing community policing. Belize is working with U.S. advisors and international partners to improve information and data sharing through the JIOC. The U.S. supports two specialized police units: a 15-member Anti-Narcotics Unit, and a 42-member Mobile Interdiction Team.

Belize is in the early stages of developing a comprehensive border strategy. The U.S. provides material support to the Border Security Working Group – made up of senior officials from multiple agencies – tasked with producing a comprehensive border security framework.

D. Conclusion

Traffickers exploit Belize's convenient location between producers and consumers, permissive environment, and porous borders. Belize is taking important steps toward a more effective and integrated border security strategy. In support of these efforts, the United States recommends Belize develop more effective anticorruption enforcement, collaboration and transparency among government agencies, coordinated regional investigations, and enhanced training. The United States maintains a strong partnership with Belize to combat transnational criminal organizations.

Benin

Benin is a transshipment point for cocaine, heroin, methamphetamine, and chemical precursors used to produce illicit drugs. Nigerian drug syndicates partner with Beninese nationals based in Benin. Cocaine from South America and heroin from primarily Afghanistan transit Benin for major markets in Western Europe. Methamphetamine produced in Nigeria transits Benin for markets in Europe, Southeast Asia, and South Africa. There is evidence of illicit drug trafficking to the United States. In 2019, Beninese police arrested two Ethiopians who confessed to mailing 187 kilograms of khat (a stimulant plant indigenous to the Horn of Africa and Arabian Peninsula) to the United States from Benin.

Benin imports large quantities of pharmaceutical opioid tramadol from India, and diversion of this drug to illicit channels is a serious concern. Individual tramadol pills can be purchased for the equivalent of \$0.17. Tramadol consumption and abuse in Benin is widespread. There are reports of counterfeit pills exceeding the usually prescribed dosage by tenfold (500 milligrams vs 50 milligrams) being sold in Benin and West Africa. Locally cultivated cannabis remains the most accessible illicit drug for consumption in Benin. There is a small but growing domestic market in Benin for heroin, cocaine and methamphetamine.

The Central Office for Repression of Illicit Trafficking of Drugs and Precursors (OCERTID) was created in 1999 to coordinate drug enforcement operations. OCERTID reports monthly statistics on drug seizures, though the national drug lab does not have equipment to test drugs or confirm purity. Benin's Law on the Control of Drugs and Precursors provides penalties of 1-20 years in prison for drug trafficking. A specialized criminal court (French acronym CRIET) with exclusive jurisdiction for drug-related crimes began hearing cases in late 2018. The ability of police and courts to insulate themselves from corruption and partiality remains a longstanding challenge in Benin and the region.

The volume of illicit drugs seized by Beninese law enforcement fell in 2019. Authorities seized a total of 1.1 kilograms (kg) of cocaine during the first six months of 2019, compared to 22 kg during the same period in 2018. While police and judicial officers attribute reduced illicit drug seizures and arrests to deterrence from lengthy prison sentences handed down by the CRIET, which average 15-20 years, most individuals prosecuted by the CRIET have been human couriers, limiting the impact of their incarceration on the strength and operations of regional drug networks.

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 cooperation.

Bolivia

A. Introduction

Bolivia is the third largest source country of coca globally and is a major transit zone for Peruvian cocaine. The U.S. government estimated 2018 coca cultivation totaled 32,900 hectares (ha), and the UN Office on Drugs and Crime (UNODC) estimated cultivation totaled 23,100 ha, both in excess of the limits established by the Bolivian government (22,000 ha). European Union (EU) studies estimate that domestic demand for the traditional and medicinal use of coca is less than 14,705 ha. UN data shows that illicit drug consumption is low in Bolivia.

The Bolivian government has had inadequate controls over coca cultivation. The UNODC calculated an estimated 27-42 percent of the coca that was cultivated in 2018 did not go to the two authorized coca markets for sale. The U.S. government estimated potential pure cocaine production to be 254 metric tons (MT) in 2018. Most Bolivian cocaine is exported to other Latin American countries, especially Brazil and Argentina, for domestic consumption, or for onward transit to West Africa and Europe, rather than to the United States.

In September, the United States again determined that Bolivia under former President Morales' administration "failed demonstrably" to adhere to its obligations under international drug control agreements and the U.S. Foreign Assistance Act of 1961, as amended. This Presidential determination was based, in part, on insufficient justification for the government's 2017 increase in the limit of legal coca production authorized under Bolivian law. On November 12, the transitional government of Bolivia assumed power following the resignation and flight from the country of former President Morales. Since then, the transitional government has made important strides in drug interdiction and extradition of drug traffickers. New elections will be held May 3 with a new government expected to assume office thereafter.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In addition to increasing the licit area of coca production from 12,000 ha to 22,000 ha, the 2017 General Law on Coca (Law 906) provides a framework for the regulation of the production, circulation, transportation, marketing, consumption, research, industrialization, and promotion of coca. The 2017 Controlled Substances Law (Law 913, which went into effect once the necessary regulations were implemented via Supreme Decree 3434) includes three enhancements: procedures for the payment of informants and plea-bargaining in drug-related cases; procedures for asset forfeiture; and a framework for wiretapping in drug-related investigations. It also provides a legal basis for studies on coca yield per hectare and on determining coca leaf-to-cocaine yield. Both studies are underway by UNODC with EU funding, and results are expected in 2020.

Bolivia has numerous entities with drug control mandates. The National Drug Control Council is the central drug control policy-making body in Bolivia. The Vice Ministry for Social Defense

and Controlled Substances (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) reports to the VMSD and comprises approximately 1,600 personnel, and is the agency primarily focused on interdiction and money laundering cases. The Joint Eradication Task Force (FTC) conducts manual coca eradication with approximately 2,300 personnel. The Unit for the Execution of the Fight against Narcotics (UELICN) plans and funds drug enforcement operations. The Regional Center for Counternarcotics Intelligence, a regional fusion center for intelligence analysis and sharing that was started in 2018, includes participation from Argentina, Brazil, and Paraguay. Other countries may join once a legal multilateral framework is finalized.

Bolivia's 2016-2020 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf, developed by the former Morales administration, prioritizes actions against criminal organizations rather than farmers who cultivate coca for traditional uses. Its stated strategy includes reduction of supply and demand, control of the excess supply of coca, and shared international responsibilities. Nevertheless, current Bolivian coca cultivation far exceeds the country's demand for coca for traditional purposes. The Inter-American Drug Abuse Control Commission continues to recommend that Bolivia implement a system to monitor narcotics and psychotropic drugs used in healthcare to ensure medicines are not diverted for illegitimate uses.

Bolivia receives most of its foreign counternarcotic financial support from the European Union (EU). The EU is still implementing a \$50 million three-year assistance program (2016-2018) and is considering support for two additional programs to improve drug enforcement capacity (\$33 million) and promote alternative development (\$22 million) for the period 2020-2024.

The United States and Bolivia are parties to a 1995 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 bilateral mutual legal assistance treaty, but both countries can request assistance through various multilateral conventions to which both are signatories.

2. Supply Reduction

In 2019, FELCN destroyed 97 cocaine hydrochloride processing labs and 841 rustic cocaine labs, a 4 percent increase and 16 percent decrease, respectively, from 2018. FELCN reportedly seized 10.55 MT of cocaine base and 6.4 MT of cocaine hydrochloride in 2019 – approximately the same and 15.7 percent decrease respectively – from what was seized in 2018. FELCN arrested 3,582 individuals on drug-related offenses in 2019. In authorized areas, Bolivia maintains a “social control” policy to curb illicit coca production. Under this approach, the government negotiates with coca growers to obtain their consent for eradication. In unauthorized areas, including national parks, eradication is mandatory. During its first two months in office, the transitional government seized 2.9 metric tons of cocaine, 15 metric tons of marijuana, and destroyed 19 cocaine processing laboratories.

The U.S. government estimated that coca cultivation totaled 32,900 ha in 2018, a 6 percent increase from 2017, and that potential pure cocaine production increased 2 percent from 2017 to

254 MT. UNODC estimated that 23,100 ha of coca were cultivated in 2018, a 6 percent decrease from 2017. UNODC officials noted that 89 percent of the Chapare region's coca cultivation is destined for cocaine production and not traditional consumption. According to the Bolivian government, authorities eradicated 9,205 ha of coca as of October 2019, compared to 11,174 ha in 2018. The Bolivian government estimates it needs to eradicate 11,000 ha of coca yearly to see a net reduction in coca cultivation.

FELCN reportedly confiscated nine aircraft involved in drug trafficking, up from seven seized in 2018.

3. Public Information, Prevention, and Treatment

Illicit drug consumption remains low in Bolivia, according to the UNODC 2019 World Drug Report. There are approximately 80 drug treatment and rehabilitation centers in Bolivia. According to the Bolivian government's 2016-2020 Strategy to Combat Drug Trafficking and Reduction of Excess Cultivation of Coca Leaf, 78 percent of those centers are run by non-governmental organizations. There are only two public treatment centers, one in Tarija and one in Santa Cruz.

4. Corruption

As a matter of official policy, the Bolivian government does not encourage or facilitate illegal activity associated with drug trafficking. Senior government officials acknowledge serious corruption problems in the judiciary and police.

In March 2019, an opposition member of the lower house of the national legislature unearthed corruption involving maintenance contracts for helicopters and fixed wing aircraft used for counternarcotics operations. UELICN officials reportedly awarded 42 of 46 contracts (\$61 million) between 2013-2018 to the same companies in exchange for bribes. Authorities have detained 11 UELICN and former police officials to date.

In April, a FELCN major assigned to the Santa Cruz airport was arrested for drug trafficking and ties with drug trafficker Pedro Montenegro, along with a Santa Cruz Special Crime Fighting Force's colonel and captain. Since November, the transitional government has extradited two drug traffickers, including Montenegro to Brazil, and has expedited proceedings for fourteen more.

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

The U.S. Embassy meets periodically with Bolivian government officials to discuss drug control efforts. Bolivia self-funded participation to eight courses at the U.S.-funded International Law Enforcement Academy in 2019. The participants represented FELCN, the Financial Investigative Unit and the Prosecutor's office. The United States does not currently have a counterdrug presence in Bolivia. With the EU, the United States is funding a UNODC coca eradication monitoring project.

D. Conclusion

Bolivia is the third largest source of coca and cocaine in the world, and a major transit country for Peruvian cocaine. Both UNODC and U.S. 2018 estimates are well above the government-sanctioned limit of 22,000 ha. Potential pure cocaine production in Bolivia remains historically high. There is no available data to support the former Bolivian government's statements that traditional and medicinal coca consumption have increased, which it made in justifying the increase in the legal limit on coca cultivation.

Bolivia's inadequate controls over its legal coca markets are concerning, as is Bolivia's status as a transit country for cocaine trafficking. 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 and medicinal purposes. Despite this, under former President Morales, Bolivia continued to promote the use of coca internationally and discuss potential export opportunities for coca products. These actions undermine Bolivia's commitments to its international obligations.

Bolivia's transitional government's efforts to focus on interdiction and extradition of drug traffickers skewed Bolivia's 2019 figures. Some of Bolivia's most important drug interdiction and incineration cases occurred under the transitional government. The government elected in the May 2020 elections should build on the transitional government's endeavors to strengthen efforts to stem the diversion of coca to cocaine processing by tightening controls over the coca leaf trade, achieving net reductions in coca cultivation, and improving law enforcement and judicial efforts to investigate and prosecute drug-related criminal activity. The government also needs to close parallel and illegal coca markets that violate Law 906.

Brazil

A. Introduction

Brazil is a significant transit and destination country for cocaine. The country's porous borders with cocaine source countries of Colombia, Peru, and Bolivia are three times the length of the U.S. border with Mexico. Most of the cocaine that enters Brazil is destined for its domestic market or transits to Europe, sometimes via West Africa. The government views the large, violent, and well-organized drug trafficking organizations operating throughout the country as its primary national security threat. Brazil suffers from a substantial and growing domestic drug consumption problem. Brazil is the world's second-largest consumer of cocaine hydrochloride and likely the largest consumer of cocaine-derivative products. The Brazilian government recognizes the gravity of the problem and is committed to combating drug trafficking but lacks the capacity to fully stem the flow of illicit drugs across its borders.

In 2019, Brazil continued to face fiscal shortfalls, resulting in additional cuts across the government, including at law enforcement and social welfare agencies that address drug flows and substance abuse. The government continues to prioritize border security and pursues a whole-of-government approach to counter drug trafficking and other forms of organized and violent crime, working in cooperation with international partners.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In April 2019, the federal government approved the new National Drug Policy (PNAD) which established a new institutional structure for combatting drugs. The lead agency for policy on reducing drug demand is the National Secretariat for Drug Care and Prevention (SENAPRED), under the Ministry of Citizenship. The Brazilian Observatory of Drug Information (OBID), overseen by SENAPRED, is charged with updating, releasing, and integrating information on illicit and licit drug use in the country. The lead agency for policy on drug supply reduction is the National Secretariat for Drug Policy (SENAD), which is under the Ministry of Justice and Public Security. The Federal Police (PF) is Brazil's lead agency for combatting drug trafficking.

Although the PF's 2019 budget increased by 5 percent over 2018 levels, PF operations continued to be affected by across-the-board fiscal austerity and deep cuts to some operational budgets. The PF is capable by global standards but recognizes that its force of 11,000 agents is insufficient to effectively combat drug trafficking in addition to other duties, which include customs border protection, maritime police, and migration control services. SENAD's National Anti-Drug Fund budget increased by 9 percent from 2018 levels.

Reform of drug sentencing laws is a source of public debate, as nearly a quarter of the Brazilian prison population was incarcerated for drug-related crimes (150,000 people), more than any other single crime.

Brazil maintains bilateral drug 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 (UNODC), the Organization of American States' Inter-American Drug Abuse Control Commission, and INTERPOL. In October 2018, the United States and Brazil held their first bilateral working group on narcotics trafficking under the U.S.-Brazil Permanent Forum on Security, which launched in May 2018. Brazil has extradition and mutual legal assistance treaties with the United States.

2. Supply Reduction

Brazil remains a major transit route for cocaine from the source countries of Bolivia, Colombia, and Peru. Cocaine products are smuggled into Brazil via small aircraft and trucks, as well as by boats using the Amazon riverine system. Brazil's seaports play a key role in drugs transiting Brazil to Europe, and Brazilian law enforcement and customs continue to improve port screening and interdiction.

Since 2011, Brazil has conducted operations against drug trafficking and transnational crime under its Strategic Border Plan. In 2019, Operation Sentinela, supervised by the Ministry of Justice, coordinated local, state, and federal police force intelligence-building effort, particularly on the border. Operation Ágata, coordinated by the Ministry of Defense, conducted periodic tactical missions at strategic border points. The absence of a central, uniform reporting system, however, makes consolidated seizure statistics difficult to attain.

The first eight months of 2019 saw an increase in counterdrug operations and seizures of cocaine and other illicit drugs. Through August, the PF seized 67.19 metric-tons (MT), a significant increase over the same period in 2018. Brazil conducts recurring marijuana eradication operations in the country's northeast. As of August, the PF eradicated 789,000 square feet of cannabis plants, with an estimated yield of 262 MT. In July, Brazilian police in conjunction with U.S. law enforcement arrested members of a Brazilian criminal organization that trafficked Chinese fentanyl to the United States, seizing over 2,600 small vials of fentanyl. In September, Brazilian police trained by U.S. law enforcement arrested two people and seized 47 kilograms of the anesthetic tetracaine in Rio de Janeiro. Produced in China, tetracaine is added to cocaine and is subject to special control by the Brazilian National Health Surveillance Agency (ANVISA).

Synthetic drugs are present in Brazil, though combating them is a lower government priority given the overwhelming cocaine problem. Complex synthetic drugs such as MDMA and LSD are usually smuggled in small amounts via couriers flying commercial airlines from Europe. A study published in August by the Oswaldo Cruz Foundation (FIOCRUZ), the premier research institute of the Ministry of Health, argued that 2.9 percent of Brazilians – around 4.4 million – have used illegal opioids, surpassing the numbers of cocaine users in the country. However, the methodology used in this study is disputed by the government.

3. Public Information, Prevention, and Treatment

Brazilian federal and state authorities continued to actively promote drug threat awareness, demand reduction, and treatment programs. In June, Brazilian President Jair Bolsonaro signed a

new Law Against Drugs, which establishes stricter actions against drug trafficking, provides for the possibility of involuntary hospitalization of drug users, and strengthens the role of therapeutic communities as philanthropic units that offer care and treatment for substance use disorders. In 2019, SENAPRED approved new guidelines for therapeutic communities, including a National Register, a National Plan of Inspection and Monitoring, and a certification of quality services.

Brazil takes a holistic approach to reintegration of people with substance use disorders, providing a range of services from medical care to job training. Brazil's programs are not yet commensurate with the size of the addicted population.

4. Corruption

As a matter of government policy, the Brazilian government does not encourage or facilitate illegal activity associated with drug trafficking. There is little evidence to suggest that senior government officials are engaged in such activity. While there were various allegations and examples of political corruption throughout Brazil in 2019, there were no direct links between political corruption and drug trafficking at the national level. Delays in judicial proceedings often resulted in corruption case dismissals overall.

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

The 2008 U.S.-Brazil Memorandum of Understanding on Narcotics Control and Law Enforcement supports capacity building in Brazilian federal and state agencies to combat illicit drug trafficking. In 2019, the United States provided training support to Brazilian law enforcement through 16 courses reaching nearly 1,000 officers on topics ranging from money laundering to community policing. Cooperation between Brazilian and U.S. law enforcement is excellent. Bilateral extradition and mutual legal assistance treaties are in force between the United States and Brazil.

D. Conclusion

Brazil is committed to combating illicit drug 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 data on drug interdiction, increased monitoring of its seaports, and greater cooperation with neighboring countries.

Burma

A. Introduction

Burma is a major source of illicit opiates and amphetamine-type stimulants (ATS). According to the UN Office on Drugs and Crime (UNODC), Burma continues to be the world's second largest opium poppy cultivator, and one of the largest producers of heroin. Burma's Shan State has become one of the largest global centers for crystal methamphetamine production. Synthetic and heroin-based narcotics production sites are generally found along Burma's borders in areas controlled by ethnic armed groups and militias. Precursor chemicals are brought to these drug production sites primarily from China.

Narcotics produced in Burma are trafficked throughout the region, with routes extending beyond Southeast Asia to Japan, Australia and New Zealand. Burma is not a major source of or transit country for drugs entering the United States. Domestic consumption of narcotics is substantial and widespread, though it varies by region. While there are no reliable, comprehensive studies providing statistics on the scope of substance use and abuse, it appears to be increasing.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Central Committee for Drug Abuse Control (CCDAC) is Burma's interagency coordinating body for counternarcotics efforts and involves multiple ministries and justice sector institutions. The CCDAC has drafted a strategic plan (2019-2023) that includes elements of international best practices and prioritizes supply reduction and alternative development, demand reduction, international cooperation, and research and analysis on drug problems.

Burma's Drug Enforcement Division (DED) is the country's primary narcotics interdiction force (the navy also conducts limited maritime interdiction), but it lacks resources commensurate with the size of the problem. The DED is understaffed, with approximately 1,300 of its nearly 4,000 positions filled as of September 2019. Despite limited resources, DED stood up 15 additional anti-narcotics task forces in 2019, for a total of 65 task forces nationwide. The legal framework to conduct sophisticated narcotics investigations has severe limitations, and investigations often conclude without pursuing mid-level or high-ranking suspected members of drug trafficking organizations.

The Ministry of Social Welfare, Relief, and Resettlement (MSWRR) and the Ministry of Health and Sports (MOHS) share responsibilities for addressing drug treatment, harm reduction, and rehabilitation. The Department of Rehabilitation (DoR), a relatively new department established in January 2018 under the MSWRR, oversees substance abuse rehabilitation facilities and services. Despite resource challenges, DoR opened three new rehabilitation centers in 2019 and plans to open 28 additional centers by the end of 2020.

The Union Attorney General's Office (UAGO) oversees all prosecutions in the country and consults on criminal justice legislation. In addition to the lack of resources and rudimentary

investigative techniques, it faces challenges such as inconsistent testimony from civilian witnesses, a requirement to have a township elder present during a search warrant, and a lack of by-laws and guidance for implementation of the Narcotic Drugs and Psychotropic Substances Law of 2018. To date, there has been limited specialized narcotics prosecution training, and prosecutors often receive drug cases only after the police have completed their investigations.

Burma has a bilateral extradition treaty with the United States. Although Burma does not have a bilateral mutual legal assistance treaty, it has acceded to multilateral conventions that enable such cooperation. Burma's law enforcement and justice institutions have the ability, in principle, to cooperate internationally, but due to lack of experience and exposure to international institutions, officials have limited understanding of extradition and mutual legal assistance regulations. On a working level, the DED maintains relationships that allow for international cooperation on a police-to-police basis with regional counterparts, most notably Thailand, India, Australia, Philippines, and China.

2. Supply Reduction

According to the 2018 UNODC Burma Opium Survey, an estimated 37,300 hectares (ha) of opium poppy were cultivated within the country. In Shan and Kachin States, there was a 12 percent reduction from 41,000 ha to 36,100 ha.

Methamphetamine production appeared to increase within Burma in 2019, and seven clandestine methamphetamine laboratories were seized during the year, the highest total in 12 years. During the first six months of 2019, Burmese authorities seized 65,796,898 ATS tablets; 930 kilograms (kg) of opium; 4.56 metric tons of crystal methamphetamine; 50 kg of concentrated opium; 60.7 kg of low-grade opium; 5.2 kg of brown opium powder; and trace amounts of liquid opium. During the first eight months of the year, authorities reportedly seized 541 kg of heroin and 996 kg of ketamine – a significant increase from 2017 when only 75 kg of ketamine were seized. To mark the annual International Day Against Drug Abuse, law enforcement officers destroyed \$300 million worth of seized narcotic drugs, an increase of more than 60 percent compared to the amount of seized illicit drugs destroyed in 2018.

During the first six months of 2019, there were 9,199 drug-related arrests compared to 18,681 arrests during the entire 2018. As of June 30, there had been 6,460 drug-related prosecutions compared to 13,037 cases in 2018. In a multi-state operation in March 2019, authorities seized crystal meth worth approximately \$29 million, one of the biggest seizures of all time. Record-breaking narcotics and precursor chemical seizures took place in Shan State and Mandalay.

3. Public Information, Prevention, and Treatment

Anecdotally, domestic consumption of illicit drugs is high; however, Burma lacks statistics on the scale of consumption. Recent U.S. government surveys in Kachin, Shan, and Rakhine States indicate public perceptions that the drug problem is growing, with nearly all surveyed indicating that someone among their family or friends is addicted to drugs. The country's existing public health capacity falls far short of accommodating those who seek or need treatment. The use of injected drugs is the single largest driver of new HIV/AIDS infections. While local faith-based

treatment centers do exist, they generally do not provide evidence-based substance abuse treatment and so successful outcomes are few.

Burma relies on the international community to provide much of the drug treatment and prevention training that health and education professionals receive. With U.S. support, the Colombo Plan completed training for Burma's first cohort of national drug prevention trainers in June 2019. The United States also supports media campaigns, such as "528 Love," to reduce the stigma of substance abuse and connect drug users with supportive services and information, and increased access to HIV/AIDS testing and treatment.

With United States support, the MOHS National Methadone Maintenance Therapy Program opened nine new sites in 2019 and now has a total of 71 sites nationwide. Currently, there are 29 major and 56 minor drug treatment centers. Burma opened three major drug treatment centers in 2019 and 16 additional methadone clinics in 2019. Significant challenges remain to reaching rural and remote communities, including communities controlled by ethnic armed groups.

4. Corruption

Burma does not, as a matter of policy, encourage or facilitate the illicit production or distribution of drugs, or the laundering of proceeds from illegal drug transactions. However, corruption is widespread in Burma, and illicit proceeds from the drug trade fuel corruption and conflict.

The Anti-Corruption Commission (ACC) has made important strides to identify and investigate corruption, and has initiated important cases. In 2019, the United States provided material support to open ACC branch offices in Yangon and Mandalay, both large financial centers. However, the government still has not provided the resources necessary to lead a systemic fight against corruption.

Government officials participate regularly in conferences and trainings, sponsored by international partners, on corruption. The ACC successfully formed 37 corruption prevention units in 17 union ministries and five union-level institutions to prevent corruption at the grass-roots level.

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

Since Burma signed an Amended Letter of Agreement with the United States in 2017, bilateral cooperation on counternarcotics, law enforcement and rule of law has been steady despite political challenges.

The U.S. Drug Enforcement Administration (DEA) continues to work closely with DED on narcotics operations, including at the regional level, and cooperates on law enforcement intelligence sharing and joint investigations. In 2019, DEA trained 84 members of the country's police force including DED counternarcotics officers on interdiction and identification and safe handling of precursor chemicals, and also provided interdiction equipment.

During the year, 25 law enforcement officials attended 12 courses at the International Law Enforcement Academy (ILEA) in Bangkok. In addition to ILEA, 39 Burmese law enforcement officials also participated in United States-sponsored international training opportunities, including courses pertaining to illicit drugs, money laundering investigations, and cyber-enabled crime.

D. Conclusion

The scale of Burma's drug problem is enormous. Domestic consumption is widespread and degrades community resilience. Burma is a major source of illicit drugs throughout Southeast Asia and beyond, and illicit proceeds from the trade threaten internal security and stability. Recent years have seen some progress, but Burma requires continued reforms to facilitate effective criminal investigations and transparent criminal prosecutions. The country needs to dedicate resources to building law enforcement capacity to investigate and prosecute drug traffickers and interdict drugs and precursor chemicals in order to see further improvements. The United States remains an important partner with Burma on all elements of the country's drug control policy and will continue to work with local communities and regional and international partners to help the country address its challenges.

Cabo Verde

Cabo Verde remains an important transit hub for cocaine trafficked from Latin America to Europe, as well as cannabis and small amounts of other drugs. Tourist and business traffic continues to expand through the major international airports on Santiago and Sal and the secondary airports on Boa Vista and Sao Vicente each year, expanding opportunities for drug trafficking via human couriers. Expanding opportunities also include the major ports on Santiago, Sao Vicente, and Sal which process cargo ships and cruise ships. The archipelago's large maritime territory, minimal resources to patrol it, and remote parts of its ten islands make Cabo Verde attractive to traffickers using air and sea. The UN Office on Drugs and Crime reports that cannabis, cocaine, hashish, heroin, and methamphetamines are the most commonly used drugs in Cabo Verde. There are reports that synthetic drugs including MDMA (ecstasy) are available on the tourist destination islands of Sal and Boa Vista.

Corruption is relatively low in Cabo Verde. The government of Cabo Verde is engaged in fighting drug trafficking and domestic drug use but mostly through punitive means. Support from the United States and other international donors is helping to improve the capacity of Cabo Verdean law enforcement agencies to identify and interdict illicit drug shipments. U.S. support has also increased Cabo Verde's ability to combat money laundering and other financial crimes often associated with drug trafficking. There are few drug demand reduction programs active in the country, and recidivism for drug crimes is a major problem.

In January 2019, police seized 8.76 metric tons (MT) of cocaine from a Panamanian vessel in Praia in one of Africa's largest drug seizures in history. In August, the Cabo Verde Coast Guard apprehended 2.5 MT of cocaine at sea. In both cases, Cabo Verde received information from international partners that assisted the interdiction operations. Several small shipments of cocaine were apprehended at the country's airports throughout the year.

The United States and other partners support Cabo Verde in combating narcotics trafficking and associated crime, providing robust and varied training to law enforcement and armed forces in Cabo Verde. The Center for Maritime Security Operations (COSMAR) in Praia and the Joint Operations Center in Mindelo provide oversight of Cabo Verde's maritime territory. U.S. Africa Command partners with Cabo Verdean authorities on periodic patrols in the region to interdict suspected drug transshipments and other illicit activities, as well as providing training and building capacity within Cabo Verdean security sector institutions.

Canada

Canada is a destination country for both plant-based drugs and synthetic drugs trafficked by transnational criminal networks, some of which transit the United States. Canada is also a source of cannabis products and synthetic drugs entering the United States, particularly MDMA (ecstasy). Canada and the United States cooperate extensively on drug control efforts through federal arrangements and interactions between state, municipal, and tribal entities. In June 2019, Canada and the United States announced cooperation on a joint action plan to combat opioids. Since 2016, Canada has actively coordinated on drug-related issues with the United States and Mexico through the North American Drug Dialogue.

In 2017, Canada's Parliament amended the Controlled Drugs and Substances Act which, among other measures, required the registration of all designated devices that could be used to manufacture controlled substances such as pill presses and encapsulating machines imported into the country. To counter the trafficking of fentanyl and fentanyl analogues into the country by international mail, the Act also permits officials to open international mail weighing 30 grams or less. Canadian authorities reported both inbound and outbound seizures of fentanyl and fentanyl analogues in Canada increased in 2019, indicating traffickers continued to exploit the international postal system to move their product.

Canada continues to experience historic numbers of opioid-related overdose deaths. Over 12,800 people died from opioid-related overdoses within the country since 2016, including 4,588 deaths in 2018 and 1,082 deaths during the first three months of 2019. The Government of Canada's national strategy for responding to this public health emergency is the Canadian Drugs and Substances Strategy, released in December 2016, which utilizes an evidence-based approach focused on the principles of prevention, treatment, harm reduction, and enforcement. In October 2018, Canada legalized the production, distribution, sale, and possession of cannabis for non-medical purposes. On October 17, 2019, Canada established new regulatory controls to allow a broader range of products containing cannabis. The legislative framework maintains criminal penalties, and unauthorized import or export of cannabis to or from Canada remains a criminal offense.

The United States and Canada utilized asset-sharing, mutual legal assistance, and extradition and customs treaties to exchange forfeited assets, conduct extraditions, and cooperate on law enforcement matters in 2019. The United States would welcome further collaboration with Canada on money laundering investigations to target the illicit proceeds of traffickers of opioids; strengthening coordination that targets real estate and crypto currencies used in criminal transactions; and increasing cyber investigations of non-indexed ("Dark net") online vendors of illicit substances.

China

A. Introduction

The People's Republic of China's (PRC) geographical location, vast land area, massive population, and expanding economy have all contributed to it becoming a hub for drug and precursor chemical production and trafficking. The PRC also faces significant illicit drug consumption challenges, including synthetic drugs. The PRC shares borders with drug source countries in both Southeast and Southwest Asia and remains a major destination and transit country for heroin produced in these areas. Its numerous coastal cities with high-volume seaports and its vast network of major international airports make the PRC an ideal destination and transit country for illicit drugs, as well as a major source of synthetic drugs, new psychoactive substances (NPS), and precursor chemicals used to produce illicit drugs. Domestic Chinese criminal organizations traffic illicit drugs within the PRC as well as to international markets, and PRC authorities have noted the presence of international drug trafficking organizations originating from Mexico and Southeast Asia operating within the country.

The PRC is a major source of NPS and other synthetic drugs, including fentanyl, and domestic use of synthetic drugs (primarily methamphetamine and ketamine) is becoming increasingly prevalent. The PRC's large chemical and pharmaceutical sectors provide an ideal environment for the illicit production and export of these drugs. According to U.S. and international law enforcement sources, the PRC remains a major source of NPS seized in North America and Europe, which are often purchased via the internet and shipped to overseas customers. Chemical alterations of scheduled drugs to circumvent existing anti-drug laws have hampered efforts to stem the flow of these drugs.

The current opioid crisis in the United States underlines the importance of bilateral U.S.-PRC drug control cooperation. Partially due to the urging of the United States, the PRC implemented class-wide controls of all forms of fentanyl on May 1, 2019. Based on U.S. law enforcement data, the amount of illicit fentanyl and fentanyl analogues shipped through the mail from the PRC to the United States has reduced dramatically since class-scheduling took effect; however, the PRC remains both a direct and indirect source country of illicit fentanyl, fentanyl analogues, and their precursor chemicals destined for the United States. The challenges posed by trafficking via the internet and small parcel trafficking patterns are formidable and will continue to test the cooperative spirit and ingenuity of law enforcement authorities in both countries.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

PRC drug control strategy focuses on prevention, education, illicit crop eradication, interdiction, rehabilitation, commercial regulation, and law enforcement. The National Narcotics Control Commission (NNCC) is the national drug control policy entity; the Ministry of Public Security (MPS) and provincial public security bureaus enforce NNCC policies and drug laws. The Anti-Smuggling Bureau within the General Administration of Customs is responsible for the enforcement of the PRC's drug control laws at seaports, airports, and land border checkpoints.

The PRC maintains bilateral drug control agreements with many countries and international organizations, including the United Nations Office on Drugs and Crime, and participates in a variety of international drug conferences and bilateral meetings. There is no extradition treaty between the PRC and the United States. The PRC and the United States signed a bilateral mutual legal assistance agreement in 2000, which entered into force in 2001. Despite the existence of a mutual legal assistance agreement, many outstanding requests by both the United States and the PRC remained unfulfilled.

2. Supply Reduction

According to the NNCC's 2018 (published June 2019) Annual Drug Report, PRC law enforcement investigated 109,600 drug-related cases, including 70,000 trafficking-related investigations and made 137,400 drug related arrests in 2018 (decreases of 22 percent, 32 percent, and 19 percent, respectively, from the previous year). PRC authorities also targeted clandestine labs used to produce NPS and other synthetic drugs, illicit drugs, and precursors, destroying 268 clandestine laboratories (a decrease of 15.5 percent), as well as seizing 11,000 metric tons (MT) of precursor chemicals, an increase of 460 percent over the previous year. In 2018, PRC authorities reported seizing a total of 67.9 MT of illicit drugs during this period (a reported 24 percent reduction).

In May 2019, the PRC scheduled all forms of fentanyl as a class. As part of its implementation of the new measure, PRC officials have reportedly conducted inspections of chemical and industrial centers, taken down online illicit fentanyl sales sites, increased training for law enforcement officers, and installed new screening equipment at postal facilities.

The NNCC again identified the emergence of previously unencountered types of NPS as a particular challenge. According to the PRC's National Narcotics Laboratory, 31 new types of NPS were found in China during 2019.

3. Public Information, Prevention, and Treatment

According to NNCC, synthetic drugs – primarily methamphetamine – have surpassed heroin and other opioids as the PRC's primary domestic drug threat. In public statements released in 2019, the NNCC identified the increase in NPS abuse cases as an emerging trend, and, in addition to ketamine, identified methcathinone and the synthetic cannabinoid JWH-018 as commonly abused NPS. The NNCC reported a 25 percent increase in the number of cannabis users in 2019. According to the NNCC's 2018 Annual Drug Report, the total number of registered illegal drug users in China is 2.4 million (a decrease of 6 percent), but the actual number of drug abusers is estimated to be at least 14 million, according to media reports. Of the reported registered drug users, 1.35 million (56.1 percent) reportedly used methamphetamine, while 889,000 (37 percent) reportedly used opioids (e.g., heroin), 63,000 (2.6 percent) used ketamine and 24,000,000 (1 percent) reportedly abused cannabis. According to NNCC, 18 to 35-year olds were the largest demographic among registered drug users (52 percent). In 2019, 252,000 (a 27 percent decrease) new registered drug users were identified, with synthetic drug abusers accounting for most new registered drug users.

In 2016, NNCC formulated and distributed its “Work Plan on Community-based Drug Treatment and Rehabilitation, 2016-2020” to further the development of a community-based drug treatment and recovery system. The Plan supports NNCC efforts to combine methadone maintenance treatment and community-based drug treatment and recovery. In addition to 770 clinics offering methadone maintenance treatment, the PRC has in place 3,258 job placement sites and 29,000 township level offices responsible for community-based drug treatment and recovery work, employing 31,000 full-time community workers. According to the NNCC annual report, the PRC placed 279,000 drug users into compulsory rehabilitation, and ordered another 242,000 people for treatment at community rehabilitation centers. NNCC operates an outreach program to raise awareness of the negative health effects of illicit drug use and promote drug demand reduction.

4. Corruption

The Ministry of Public Security takes allegations of drug-related corruption seriously and launches investigations when deemed appropriate. Based on publicly available information, no senior PRC official at the central government level is known to have facilitated the illicit production or distribution of drugs in 2018. Similarly, no senior PRC official from the central government is known to have laundered proceeds from drug-related activities. Despite efforts to stem drug-related corruption, financial corruption among provincial, prefectural, county, and district government officials continues to be a concern. The PRC government 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.

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

The U.S.-PRC Bilateral Drug Intelligence Working Group (BDIWG), the Counter Narcotics Working Group (CNWG), and a working group of chemists and experts from both countries meet annually 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. The May 2019 class-wide scheduling of all forms of fentanyl in part was a result of engagement by the United States and other affected countries. PRC and U.S. law enforcement agencies cooperated in several drug-related investigations in 2019.

D. Conclusion

Drug control cooperation between the United States and the PRC continues to improve through law enforcement operational cooperation and various working groups and consultative mechanisms. While drug trafficking, manufacturing, diversion, and other drug-related crimes remain significant problems in the PRC, the central government continues to take steps to integrate the PRC into regional and global drug control efforts, as well as to address the country’s domestic drug problem through enforcement and rehabilitation. U.S. law enforcement has made inroads in building working relationships with provincial public security bureaus, with oversight by central authorities, and relations continue to strengthen.

The PRC's adoption of a class-based scheduling approach to controlling fentanyl is a welcome step. The PRC also should continue to strengthen enforcement of chemical control laws to prevent the diversion of drug precursors and so-called "pre-precursors" to illicit drug manufacturers.

Colombia

A. Introduction

Colombia is the world's top cocaine producer and exporter, as well as a source country of heroin and marijuana. Colombian coca cultivation and cocaine production decreased in 2018, after reaching a record high in 2017. The U.S. government estimates Colombia potential pure cocaine production declined from 900 metric tons (MT) in 2017 to 887 MT in 2018 (the most recent year for which complete data is available). The United States estimates Colombia reduced coca cultivation from 209,000 hectares (ha) in 2017 to 208,000 ha in 2018. Since 2018, the U.S. and Colombian governments have expanded counternarcotics cooperation with the goal to reduce Colombia's coca cultivation and cocaine production by 50 percent from 2017 levels by the end of 2023. In October 2019, the United States and Colombia agreed to a joint initiative to reduce narcotics production and trafficking by increasing state presence and economic opportunity within strategic geographic areas.

Under President Duque, Colombia has increased efforts against the illicit drug trade. Colombia reported seizing or assisting with the seizure of 455 MT of cocaine and cocaine base during 2018. During the first nine months of 2019, Colombia reported seizing approximately 377.5 MT of cocaine and cocaine base. Colombia manually eradicated 59,978 ha of coca in 2018 and 63,347 ha of coca during the first nine months of 2019. The UN Office on Drugs and Crime (UNODC) reported that participants in the government's voluntary crop substitution program removed 5,504 ha of coca during the first seven months of 2019, a sharp decline from 2018.

According to the U.S. Drug Enforcement Administration (DEA), approximately 89 percent of the cocaine samples seized in the United States in 2019 and subject to laboratory analysis were of Colombian origin.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Despite signing a historic peace accord with the Revolutionary Armed Forces of Colombia (FARC) in 2016, Colombia continues to struggle with persistent security, governance, and economic challenges in rural regions. The Colombian government recognizes the illicit drug trade and organized criminal groups are a principle threat to peace and security in Colombia.

The Colombian government suspended aerial eradication of coca in 2015, removing a critical tool for reducing coca cultivation. A subsequent 2017 Colombian Constitutional Court decision set stringent conditions for restarting it. In July 2019, the Constitutional Court modified and clarified the conditions for restarting aerial spray and the Colombian government is working to start a Colombian-led, U.S.-supported program. President Duque has stated publicly his intent to incorporate aerial eradication into an integrated drug control strategy that includes manual and aerial eradication, interdiction, alternative development, and operations to dismantle transnational criminal networks.

2. Supply Reduction

The United States estimates coca cultivation in Colombia declined slightly from 209,000 ha in 2017 to 208,000 ha in 2018. In 2018, Nariño department remained the leading coca cultivation area in Colombia, with an estimated 62,600 ha. The Colombian Justice Ministry reports that police and military forces eradicated 63,347 ha of coca in 2019 through the end of September, more than all of 2018. Through July 2019, UNODC reports that 5,504 ha were eradicated via the voluntary crop substitution program, far less than in 2018.

Along with coca eradication, drug control priorities include interdicting cocaine, dismantling criminal groups, and extraditing top drug traffickers to the United States. Colombian authorities reported that Colombian forces and international partners – acting on intelligence provided by Colombia – seized approximately 377.5 MT of cocaine and cocaine base in Colombia and abroad during the first nine months of 2019, as well as 284 MT of marijuana and 301 kilograms of heroin, and destroyed 4,242 cocaine base laboratories and 278 cocaine hydrochloride (HCl) laboratories.

3. Public Information, Prevention, and Treatment

According to the OAS 2019 Report on Drug Use in the Americas, Colombia has the fourth highest consumption rate of cocaine and the sixth highest consumption rate of marijuana in Latin America.

Colombia focuses treatment on youth substance abusers. The Colombian National Police (CNP) prevention unit teaches drug prevention to schoolchildren nationwide. Acknowledging that criminal drug-related sanctions impact youth disproportionately and contribute to prison overcrowding, Colombia implemented a pilot juvenile drug treatment court in Medellin and is expanding the program. Colombia is also expanding restorative justice programs and is training drug prevention and treatment professionals in the U.S.-developed Universal Treatment and Prevention Curricula.

4. Corruption

The Colombian government does not encourage or facilitate illicit drug production or distribution, nor the laundering of proceeds of illicit drugs. Nevertheless, corruption remains a significant problem.

There have been a series of high-profile public corruption cases, the most emblematic related to the Brazilian construction firm Odebrecht. Several high-ranking army officers are also under investigation for alleged corruption. The prosecution of high-profile officials reflects the increased strength of the justice institutions, which have the capacity, political will, and autonomy to investigate, prosecute, and adjudicate corruption.

Colombia's independent attorney general (Fiscal) and inspector general (Procurador) have publicly identified anticorruption efforts as priorities. In 2018, (the most recent year for which

data is available) there were 363 charges and 103 convictions for corruption. There were 283 charges and 84 convictions through September 2019.

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

In 2018, the U.S. and Colombian governments agreed to expand counternarcotics cooperation over five years, implementing a whole-of-government counternarcotics strategy aimed at reducing Colombia's coca cultivation and cocaine production by 50 percent by the end of 2023. The United States provides counterdrug assistance to the CNP, the Colombian military, the justice ministry, the offices of the attorney general and inspector general, and the judiciary. Under President Duque, Colombia has increased the tempo of counternarcotics operations. Bilateral cooperation on extraditions has resulted in hundreds of U.S. cases and many extraditions of high-level drug traffickers.

In rural and conflict-affected areas where the Colombian government has not historically had a sustained presence, the United States works with Colombian institutions to increase citizen security; create economic opportunity; reduce drug trafficking; expand the permanent presence of police and other government institutions; build public confidence in the police; encourage civil-society participation; promote land restitution and formalization; strengthen licit markets; promote the rule of law; and protect human rights. In the October 2019 U.S.-Colombia High Level Dialogue, both countries agreed to a joint initiative to reduce narcotics cultivation and trafficking by increasing state presence and economic opportunity within strategic geographic areas.

Through the U.S.-Colombia Action Plan on Regional Security Cooperation, Colombia's police and military export law enforcement capabilities and build connections by training regional counterparts in countering transnational organized crime and drug trafficking. In 2018 and 2019, Colombia led four regional maritime interdiction campaigns, most recently including 26 countries, in the Caribbean and eastern Pacific coasts, seizing 143.3 MT of cocaine.

D. Conclusion

Reducing coca cultivation and cocaine production and combating organized crime in Colombia remains a top concern for both the Colombian and U.S. governments. Increased efforts under the Duque administration are commendable. The CNP and military forces have made substantial efforts to stem coca cultivation and cocaine production, preventing hundreds of metric tons of drugs from reaching the United States each year at great human cost to Colombian security forces and eradicators. Still, current efforts are likely not sufficient to achieve the goal of cutting coca cultivation and cocaine production by 50 percent of 2017 levels by the end of 2023. Colombia will need to continue to expand manual eradication, while working towards their stated goal of restarting a safe and effective Colombian-led aerial eradication program. Colombia will also need to continue to expand interdiction operations against transnational criminal organizations, and increase extraditions. The U.S. government supports and closely monitors implementation of Colombia's drug control strategy to ensure progress in reducing coca cultivation and cocaine production.

Costa Rica

A. Introduction

Costa Rica's strategic location, vast maritime territory, and the small size of its security forces combine to make it an attractive transit and logistics hub for illicit drug trafficking. In 2019, Costa Rica remained a significant transit country for drugs entering the United States.

Costa Rica has a growing domestic drug consumption problem, as drugs warehoused in Costa Rica are making their way to the local market and criminal organizations use cocaine as payment in kind for services. Concerns of rising violence have intensified the government's fight against narcotics trafficking, including efforts to promote greater police professionalization, advances in community security programs, and improved success in drug interdiction and disruption of drug trafficking.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Costa Rican security forces continued to grow with increased staffing for various agencies in 2019. The government enhanced police professionalization efforts, including investment in leadership training, training facilities, canine programs, and better cooperation between national agencies and local governments.

In 2019, a plane purchased from the United States through \$7.5 million in Foreign Military Sales entered service as the country's first maritime patrol aircraft. Three highly capable patrol boats purchased by Costa Rica for the Coast Guard (SNG) arrived in 2019, with a fourth scheduled to arrive in 2020.

SNG remained an effective regional partner for maritime interdiction, including sustained joint operations with the U.S. Coast Guard (USCG). The 2018 arrival of three 110-foot cutters procured and refurbished through U.S. foreign assistance funds helped to establish Costa Rica's first blue-water patrol. In 2019, the USCG TACLET (Tactical Law Enforcement Team) completed five deployments supporting SNG in interdiction operations and training.

The Border Police improved control of Costa Rica's porous land borders in 2019 by focusing resources at chokepoints, increasing their footprint in smuggling routes, enhancing canine capabilities, expanding biometrics, and improving cooperation with Panama.

The Air Surveillance Service (SVA) better controlled its airspace using the TPS-70 ground-based radar supported by the Department of Defense. In March 2019, the United States deployed four UH-1ST helicopters to Costa Rica with the mission of supporting counterdrug and crime operations. The program includes an extensive training and support program, with the goal of nationalization by June 2021. The helicopters will also support maritime interdiction missions.

The government strengthened the Judicial Wire Intercept Center (JWIP) in criminal investigations, adding additional staff, which resulted in 211 arrests and the seizure of over 500 kilograms of cocaine and more than \$600,000 in currency through the first eight months of 2019.

2. Supply Reduction

Costa Rica reported seizing 25.9 metric tons (MT) of cocaine during the first nine months of 2019, and was on pace to exceed the total amount seized in 2018. The Costa Rican government reported disrupting more than 20 international drug trafficking rings during this same reporting period, working closely with the U.S. and regional law enforcement partners.

Costa Rica is a regional leader in eradicating cannabis. During the first nine months of 2019, Costa Rican authorities destroyed over 742,000 plants.

The government expanded cooperation on maritime interdiction and information exchange with Panama, Colombia, Jamaica, and Honduras.

Seizure totals of illicit drugs other than cocaine and marijuana, including synthetic drugs, remained minimal in 2019. The Costa Rican government is cognizant of the threat of synthetic drugs and continues to take steps to build its capacity to detect such substances, including by improving its ability to identify precursor chemicals; enhancing its forensic testing of synthetic drug samples; and understanding the trafficking groups and patterns involved in trafficking synthetic drugs.

3. Public Information, Prevention, and Treatment

Drug-related crimes remain serious offenses in Costa Rica, even if laws against personal consumption are rarely enforced. The Costa Rican Drug Institute oversees drug prevention programs. The Institute on Alcohol and Drug Abuse also offers treatment and prevention programs, though considerable gaps remain. The National Police implement the Drug Abuse Resistance and Education (DARE) program and the Gang Resistance Education and Training (GREAT) program. GREAT began in August 2013 and has grown from 800 graduates in 2014 to over 35,000 in 2019.

4. Corruption

The Costa Rican government does not encourage or facilitate illicit drug production or distribution, nor is it involved in money laundering. The government generally implements a 2006 law that penalizes official corruption; however, there are frequent reports of low- and mid-level corruption, and periodic cases of high-level corruption. The growing presence of transnational criminal organizations and rising corruption in all security services is a chief concern, particularly among the SNG.

The judicial branch is in the midst of a three-year effort to strengthen ethics controls within the judiciary. The United States actively supports this and related efforts to stem corruption.

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

The United States provides assistance to Costa Rica through the Central America Regional Security Initiative (CARSI), consistent with the U.S. Strategy for Central America, to support Costa Rican efforts to investigate and prosecute crimes more effectively, to make its borders more secure, and to increase the safety of its citizens. Costa Rica shares the U.S. priorities of disrupting the flow of illicit drugs and dismantling organized crime.

The United States supports police professionalization through a range of training and expanded tactical capacity. In 2019, the Costa Rican government expanded a U.S.-supported community security program as its national crime reduction plan. The program, which expanded to more than 30 municipalities in 2019 and is expected to reach all 82 municipalities by 2022, is an intelligence-based initiative designed to increase cooperation between law enforcement and local government to enhance citizen security, resulting in a whole-of-government preventative effort focused on addressing the drivers of criminality.

In 2019, the United States assisted in the disposal of 40 MT of cocaine seized by Costa Rican authorities. The United States is supporting an effort to provide a domestic capability to incinerate drugs and chemical precursors, which is set to come online in late 2020.

In the justice sector, the United States supports training programs on a broad range of topics, including trafficking in persons, money laundering, and undercover operations, and in 2019 launched a project to provide training and technical assistance for the judiciary, to support new organized crime tribunals that will commence operation in the next two years. U.S. assistance contributed to the development of a new judicial ethics code, a specialized anticorruption unit of the judicial investigation police, improved procedures for prosecutors, and creation of a judicial compliance office.

The United States continues to support Costa Rican efforts to strengthen interdiction capabilities, providing tactically equipped boats with greater reach, a ground-based radar, surveillance drones, and updated equipment. The United States provides substantial professional development opportunities to Costa Rican security forces, which have proven to be willing partners. Specialized training has significantly helped to build the capabilities of partner nation forces. A U.S.-supported Maritime Interdiction Unit comprised of specially trained law enforcement officers is expected to expand by one additional unit in 2020.

D. Conclusion

Costa Rica demonstrated a strong commitment in 2019 to combatting drug trafficking and transnational criminal organizations. Costa Rica continues to invest in human capital and equipment, but it must accelerate the growth of its security institutions if it hopes to turn the tide on the rapid increase in drug flows and associated criminality.

Top priorities should include: 1) professionalizing police and judicial institutions, with an emphasis on anti-corruption; 2) providing sufficient budget and manpower to maintain its capital assets; 3) investment in border security, to include Border and Customs Police, and the continued

build-up of the Coast Guard and Air Surveillance Service capabilities; 4) laws that target organized crime and its proceeds; and 5) strengthening Costa Rica's cooperation with regional partners.

Cuba

Cuba is not a major consumer, producer, or transit point of illicit drugs. 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 supplies of illicit drugs down and prevented traffickers from establishing a foothold. Cuba concentrates supply reduction efforts on preventing smuggling through its territorial waters, collecting abandoned drugs found washed up on coastal shores and conducting thorough airport searches. Cuba dedicates significant resources to prevent illicit drugs and their use from spreading, and regional traffickers typically avoid Cuba.

Most maritime seizures are found washed up on the shores of Cuba's southeastern coast, although Cuban authorities have reported an increase in drugs found washed up on shores in the western provinces of Pinar del Rio and Isla Juventud. The United States and Cuba continue to have working-level bilateral discussions on law enforcement and drug control cooperation.

With respect to international cooperation, the Cuban government reports 40 bilateral agreements for counterdrug cooperation, including the U.S.-Cuba Operational Cooperation Arrangement to Counter Illicit Traffic in Narcotics and Psychotropic Substances (signed in July 2016). The U.S. Embassy maintains a U.S. Coast Guard (USCG) liaison to coordinate with Cuban law enforcement, particularly the Cuban Border Guards. USCG and Cuban authorities share information related to boats transiting Cuban territorial waters suspected of trafficking and coordinate responses between operational command centers.

Prescription drug abuse is increasing in Cuba, though it remains low compared to other countries. Despite severe pharmaceutical shortages, steroids, psychoactive drugs, sedatives, and painkillers are available in the black market through diversion from the legitimate supply chain (including drugs intended for veterinary use) and illicit importation.

Cuban and the U. S. law enforcement officials continue to have some working-level communications and Cuba cooperates with U.S. authorities on some law enforcement matters.

Dominican Republic

A. Introduction

The Dominican Republic remains a primary destination of cocaine transiting the Caribbean and serves as a key transit country of U.S.-bound cocaine. Maritime routes, involving the use of go-fast boats and commercial containers, continue to be the primary method of trafficking drugs in and out of the country.

To combat the influence of drug traffickers, the Dominican Republic continued its cooperation with the U.S. government in 2019 to interdict illicit drug shipments and extradite criminals. Corruption continues to hamper these efforts, however. 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 continues between the Dominican and U.S. governments to combat transnational crime. The U.S. government's primary drug enforcement 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; the National Intelligence Directorate (DNI); and the Dominican Armed Forces. The Dominican Specialized Corps for Port Security, working with U.S. authorities and private port operators, continued to improve security at key ports. 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.

The Dominican Republic is a party to the Inter-American Convention against Corruption and has had an agreement on international narcotics control cooperation with the United States since 1985. 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. The United States and the Dominican Republic signed an extradition treaty in 2015 that entered into force in December 2016, updating the 1909 treaty. Since the 2012 Permanent Forfeited Asset-Sharing Agreement, the United States and the Dominican Republic have shared approximately \$4 million in assets under this agreement.

The Dominican Republic continues to be one of the most active extradition partners in the world for the United States. Due to the lack of a formal bilateral mutual legal assistance treaty between the Dominican Republic and the United States, requests for legal assistance take place through informal channels and formal means under existing multilateral treaties. The Dominican Republic processes U.S. requests for legal and judicial assistance expeditiously.

2. Supply Reduction

Most seizures result from operations targeting vessels from South America. Dominican forces reported seizing four metric tons (MT) of cocaine during the first eight months of 2019 within Dominican territory and contributed to the seizure of over two MT of drugs entering and exiting the country by U.S. and other international partners compared to seizures totaling approximately 3.3 MT and 2.14 MT, respectively, for the same period in 2018. Illicit drugs remain available locally but are mostly transshipped via maritime routes to the United States and Europe. Dominican security forces cooperate with the United States and international partners in planning and conducting interdiction operations. One Dominican port, Caucedo, is certified under the Container Security Initiative (CSI). However, the other 15 Dominican ports, including Rio Haina, a major Dominican port handling container traffic destined for the United States, are not CSI certified. The DNCD is increasing efforts to combat contraband at the ports.

3. Public Information, Prevention, and Treatment

Local drug use is concentrated in tourist centers and major metropolitan areas, although drug use and associated violence occurs throughout the country. The CND conducted demand reduction efforts in 2019 under its strategic national prevention plan. The DNP promotes community-based policing as an effective way to deal with local crime and the publication of its community policing manual has served as a catalyst to implement community policing throughout the largest cities in the country.

4. Corruption

Despite efforts by the Government of the Dominican Republic to address corruption among judicial, military, and law enforcement forces, corruption remains a significant impediment to law enforcement efforts in the country and prosecution of corrupt high-level officials is not the norm. The judiciary is politicized and riddled with corruption, and the legal system offers little recourse to those who lack money or influence. While officials in the executive and judiciary have been suspended from their functions due to anticorruption investigations, there have been no convictions in these cases to date.

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

The United States supports a wide range of efforts designed to address crime and violence affecting Dominican citizens, primarily through the Caribbean Basin Security Initiative (CBSI). CBSI is a security partnership between the United States and nations of the Caribbean that seeks to reduce illicit trafficking, increase public security, and prevent juvenile crime and violence. United States assistance programs improve Dominican law enforcement capabilities to conduct investigations, enable effective prosecution, and coordinate and participate in drug control efforts with the United States and neighboring countries. U.S. law enforcement works closely with its Dominican colleagues, and the high number of extraditions and deportations to the United States are an important result of that cooperation.

The United States provided equipment and training in 2019 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 provided support to enhance communications and inter-operability between Dominican law enforcement agencies. 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 provides tactical training, equipment, and other assistance to both the DNCD and Dominican military involved in illicit trafficking interdiction. The United States assists the DNP by providing training at the entry and officer levels as well as technical assistance to strengthen strategic planning and communication, operations management and human resource systems. Colombian National Police officers conducted over 50 training activities for DNP officers under the U.S.-funded Colombia Action Plan in 2019. Efforts to strengthen the infrastructure of the Financial Analysis Unit remain ongoing.

U.S. assistance promotes justice sector reforms by strengthening 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 all the actors in the system, from courts to prosecutors to public defenders, to contribute to building the capacity of the national police and prosecutors to develop stronger cases leading to successful prosecutions. U.S. assistance strengthens Dominican civil society coalitions for citizen security and criminal justice reform, supports community justice houses that increase access to justice for vulnerable populations, and funds 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, addressing illicit maritime drug smuggling, and confronting rising levels of drug-fueled violence are major challenges facing the Dominican Republic. The Dominican Republic's interdiction efforts demonstrate institutional capacity to help stem the flow of drugs into the country. The Dominican government must continue to improve its efforts to build a coherent, multifaceted drug control program. Key to that effort will be increased domestic cooperation between national security forces, combined with greater regional cooperation.

Dutch Caribbean

A. Introduction

The Dutch Caribbean consists of Aruba, Curacao, Sint Maarten, Bonaire, Sint Eustatius, and Saba. Aruba, Curaçao, and Sint Maarten are autonomous countries within the Kingdom of the Netherlands. Bonaire, Sint Eustatius, and Saba are special municipalities of the country of the Netherlands.

Aruba and Curacao are located 30 to 40 miles north of Venezuela and continue to serve as northbound transshipment points for cocaine originating from Colombia and Venezuela. 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 is located in the Eastern Caribbean and is a transshipment hub for cocaine, heroin, and marijuana ultimately 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 several counternarcotics areas. The Kingdom of the Netherlands is responsible for the islands' defense and foreign affairs, and assists the governments in their efforts to combat narcotics trafficking through its support for the RST (Dutch acronym for "Special Police Task Force").

In 2016, the United States, the Kingdom of the Netherlands, Aruba, Sint Maarten, and Curacao signed a memorandum of understanding (MOU) to expand cooperation and strengthen law enforcement and criminal justice capacities in the Caribbean parts of the Kingdom of the Netherlands. No new counternarcotics programs were initiated in 2019.

Aruba

Aruba's police force, the Korps Politie Aruba (KPA), continues to evolve into a regional leader in the fight against drug trafficking and international criminal organizations. The KPA is at the forefront in collecting and sharing intelligence with regional law enforcement partners. The primary methods of trafficking cocaine to Aruba continues to be via "go-fast" vessels, commercial containers, and airlines. Through coordinated law enforcement efforts, 2.19 metric tons of cocaine were seized near Aruba territorial waters in October of 2019. Despite limited resources, the KPA continues to investigate drug trafficking organizations effectively.

Curaçao

Curacao's police force, the Korps Politie Curacao (KPC), works closely with the U.S. Drug Enforcement Administration (DEA) to diminish the flow of illicit narcotics from Venezuela and Colombia to the Dutch Caribbean. In August 2019, through coordinated efforts, the KPC seized

170 kilograms (kg) of cocaine intended for a local drug trafficking organization operating in Curacao. KPC continues to investigate drug trafficking organizations effectively, but institutional weaknesses remain.

St. Maarten

Sint Maarten/Saint Martin is a major transshipment point for cocaine in the Caribbean to the United States, partially due to its proximity to the U.S. Virgin Islands (approximately 100 nautical miles away) and Puerto Rico (approximately 200 nautical miles away), as well as to Europe. This small two-nation island (Sint Maarten/Dutch side – population of approximately 41,000 and Saint Martin/French side – population of approximately 37,000) is a challenging place for law enforcement to combat drug trafficking. In 2015, authorities in Sint Maarten lifted the visa requirement for Colombian and Venezuelan nationals to travel to St. Maarten. Colombian and Venezuelan drug trafficking organizations operating in Sint Maarten/Saint Martin mostly utilize Dominican nationals to transport large cocaine shipments, via go-fast vessels to the United States. Many of the go-fast vessels are stored at unlicensed marinas located on the French side of the island. According to U.S. law enforcement reporting, multi-ton quantities of cocaine are smuggled into Puerto Rico and the U.S. Virgin Islands via go-fast vessels from Sint Maarten/Saint Martin on a monthly basis. In 2019, U.S. authorities worked effectively with Dutch, French, and Dutch Caribbean authorities to target maritime vessels trafficking large quantities of cocaine from Sint Maarten/Saint Martin to Puerto Rico and the U.S. Virgin Islands.

Bonaire, St. Eustatius, Saba

The National Office for the Caribbean in the Netherlands Ministry of Interior Affairs and Kingdom Relations assumes administrative responsibilities on behalf of the Government of the Netherlands for Bonaire, Sint Eustatius, and Saba. However, the Ministry of Justice and Security, through the Solicitor General of Curaçao, oversees the police and prosecution functions in these municipalities, where the police have been detailed from the Netherlands.

2. Supply Reduction

Due to increased intelligence sharing and cooperation between Dutch Caribbean law enforcement organizations and U.S. authorities, the opportunity to further impact drug trafficking is improving. The 2016 MOU has helped enhance police enforcement efforts and strengthen security at airports and harbor/cruise terminals. According to DEA, in 2019 Dutch Caribbean authorities, with U.S. law enforcement support, seized over five MT of cocaine.

3. Public Information, Prevention, and Treatment

Drug treatment and prevention is accomplished through a combination of privately and publicly funded foundations on each of the islands. Sint Maarten has one drug treatment foundation that suffered severe damage from Hurricane Irma in 2017 and has yet to fully recover.

4. Corruption

None of the Dutch Caribbean countries, as a matter of government policy, encourages or facilitates illegal activity associated with drug trafficking. However, in October 2018 approximately 500 kg of seized cocaine was stolen from the KPC's evidence vault in Curacao. This is an ongoing investigation, and the evidence obtained at this juncture points to internal corruption in the local police force as the catalyst of the theft.

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

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

The Kingdom of the Netherlands supports counternarcotics efforts by continuing to support U.S. Air Force Forward Operating Locations in Curaçao and Aruba. U.S. military aircraft conduct detection and monitoring flights over the southern Caribbean Sea. In addition, the Dutch Navy regularly conducts counternarcotics operations in the region as the lead for Task Group 4.4 under the auspices of Joint Interagency Task Force South.

D. Conclusion

Nine years after the dissolution of the Netherlands Antilles, Curaçao 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

In this report, the Eastern Caribbean refers collectively to the independent countries of Antigua and Barbuda, Barbados, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

There is cannabis cultivation in all countries, mostly for local consumption, and the amount grown varies from country to country. The region is also a transshipment point for cocaine and marijuana destined for North America, Europe, and the Caribbean. Some countries reported a noticeable increase in seizures of high-grade marijuana originating from the United States and Canada. There is a small demand for cocaine, and negligible use of synthetic drugs.

The major challenges in combatting the illegal drug trade are the geographic and jurisdictional diversity of the Eastern Caribbean, including Eastern Caribbean countries' proximity to one another and South America. These countries do not have sufficient maritime resources to patrol their coastlines effectively. Traffickers use a variety of vessels to transport illicit drugs, but "go-fast" boats are by far the most popular, enabling traffickers to avoid capture by accessing multiple territorial waters.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

All the countries have a strong working relationship with the United States on counternarcotics operations. Antigua and Barbuda passed the 2018 Misuse of Drugs (Amendment) Act in February 2019 that paved the way to create a new National Drug Council and made it legal to possess up to four cannabis plants per household. The government also issued special religious use permits for large-scale cannabis cultivation for entities at designated locations. Antigua and Barbuda noted an increase in cannabis interdiction at ports of entry in 2019. Traffickers have increasingly turned to commercial carriers to smuggle illicit drugs, according to countries in the region. Barbados passed the Sacramental Cannabis Act on November 22, 2019. The bill features 15 clauses that delineate and protect Rastafarian use of cannabis while they practice their religion in designated places of worship, but prohibits cannabis cultivation near schools or for commercial purposes.

Saint Vincent and the Grenadines allows medical marijuana to be cultivated, consumed locally, and exported under the Medical Cannabis Industry Act of 2018. Saint Vincent and the Grenadines, in its 2019 Drugs Act amendment, decriminalizes individual possession of up to 56 grams of cannabis or cannabis resin by making such possession subject to a fine of up to approximately \$185 rather than arrest and a criminal record. However, smoking marijuana in public remains an arrestable offense.

All Eastern Caribbean countries have extradition and mutual legal assistance treaties in force with the United States. All have signed or ratified the Inter-American Convention against

Corruption and the Inter-American Convention against Terrorism. Antigua and Barbuda and Saint Lucia ratified the Inter-American Convention on Extradition. Antigua and Barbuda, Dominica, and Grenada signed and/or ratified the Inter-American Convention on Mutual Assistance in Criminal Matters.

2. Supply Reduction

During the first nine months of 2019, drug seizures in Antigua and Barbuda and Saint Vincent and the Grenadines totaled approximately 10.2 kilograms of cocaine and 1.6 metric tons of marijuana, according to data received from each country. Antigua and Barbuda also reported the seizure of 37 tablets of MDMA. During the same period, Antigua and Barbuda reported 112 drug-related arrests with 65 prosecutions and convictions. Saint Vincent and the Grenadines reported 114 drug-related arrests, 135 prosecutions, and 70 convictions. No data for the other five countries was available at the time of this report.

The United States provided assistance to the Eastern Caribbean countries in the form of training and equipment. This assistance has built better operational relationships.

3. Public Information, Prevention, and Treatment

Reliable statistics on consumption and use are not available, but the most commonly used drug is marijuana. All of the countries have some form of drug demand reduction programming. Barbados, Grenada, and Saint Vincent and the Grenadines have drug prevention programming for youth. Barbados also has programs through the National Council on Substance Abuse, the Centre for Counseling Addiction Support Alternatives, and Alcoholics Anonymous. The National Council on Substance Abuse monitors the programs through qualitative assessments, surveys, and pre- and post-testing. The National Drug Avoidance Committee in the Ministry of Education operates Grenada's programs.

Notably, Saint Kitts and Nevis has four formal programs. The Explorer program targets children in the 5-12 year age range. Mentoring Advising Guiding Instructing Children teaches children about the harmful effects of drugs. Teen and Police Service targets predominantly at-risk or troubled teens. Operation Future brings children and parents together to learn about the perils of drug use.

Saint Lucia's Substance Abuse Advisory Council Secretariat develops policies and programs tailored to individuals, communities, and the entire country. Additionally, Saint Vincent and the Grenadines has numerous programs, including a Coast Guard summer program for teens, a local cadet force with growing membership, and police youth clubs. Saint Vincent and the Grenadines has a Monday night radio program that reaches a large audience with anti-drug messaging, and police are facilitating establishment of neighborhood watch programs.

Some countries have drug rehabilitation clinics. Crossroads Rehabilitation Center and its affiliate halfway house, Bevon House, are in Antigua and Barbuda. Barbados has five drug rehabilitation clinics, and Saint Lucia has the National Mental Wellness Centre. The Marion House offers drug counseling in Saint Vincent and the Grenadines.

4. Corruption

As a matter of policy, all Eastern Caribbean governments do not encourage or facilitate illegal activity associated with drug trafficking. However, corruption within institutions remains an issue. In June, a lieutenant with 18 years of service (the highest ranking officer of the Barbados Coast Guard to be court martialled) was found guilty and dismissed from the armed forces by a six-member Caribbean Community (CARICOM) panel for not informing his superiors of a threat to a junior Coast Guard member and carrying out unauthorized information-gathering operations, presumably for associates involved in drug trafficking, over a nine-month period.

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 of Eastern Caribbean countries, primarily through the Caribbean Basin Security Initiative (CBSI). CBSI is a security partnership between the United States and Caribbean countries that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice. The United States has an agreement with the Regional Security Service under CBSI in addition to bilateral agreements on law enforcement cooperation with each country. The main counternarcotics goals of the Regional Security Service agreement include supporting operations of the Regional Security Service's Air Wing and Digital Forensic Lab and collaborating on training for all member states.

D. Conclusion

The United States enjoys a strong counternarcotics operational relationship with the Eastern Caribbean countries. The United States continues to strongly recommend that all countries meet their financial commitments to the Regional Security Service and, for those in arrears, pay their back dues. The United States also encourages the Eastern Caribbean countries to redouble their efforts in the fight against corruption, and recommends the development of standard operating procedures for communication and coordination domestically and internationally between and among Eastern Caribbean countries where those procedures do not already exist.

Ecuador

A. Introduction

While not a major drug producing country, Ecuador is a major transit country for illicit drugs. Cocaine and heroin from Colombia and cocaine from Peru are trafficked through porous land borders and via maritime routes for distribution to the United States and Europe. Ecuador is also a major transit country for chemical precursors to produce illicit drugs and is vulnerable to transnational organized crime due to permeable borders, a dollar-denominated economy, and corruption. While Ecuador's government is committed to combating drug trafficking, the police, military, and judiciary lack sufficient resources to confront transnational criminal challenges.

The government of President Lenin Moreno remains committed to reducing both drug supply and demand, as reflected in the 2017-2021 National Drug Prevention and Control Plan. Domestic drug consumption is rising and public treatment facilities are insufficient to treat the country's population suffering from substance abuse.

In 2018, a Revolutionary Armed Forces of Colombia dissident drug trafficking organization, the Oliver Sinisterra Front, carried out attacks along Ecuador's northern border with Colombia. In response, the Ecuadorian government increased security forces at the border, strengthened cooperation with Colombia, and issued a Northern Border Security, Peace, and Development Plan. The government also expanded cooperation with the United States and other international partners to fight transnational crime and drugs.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

After the elimination of the Technical Secretariat of Drugs in 2018, the Ministry of Health assumed coordination and oversight of drug prevention and treatment programs. The Ministry of Government is responsible for combating the production, trafficking, sale, and use of illicit drugs, as well as regulating the use of controlled substances and destroying seized substances. The Ministry of Government reported it destroyed 51.3 metric tons (MT) of seized illegal substances in 2019.

Ecuador has bilateral drug control agreements with many countries in the region, including the United States. In 2018, U.S. security and law enforcement agencies signed several agreements with Ecuadorian counterparts to increase information sharing and cooperation to fight transnational crime and drug trafficking. The United States and Ecuador have a customs mutual assistance agreement. In May 2019, Ecuador and the United States signed an agreement to bolster joint efforts to fight transnational organized crime. To implement this agreement, the Department of State's Bureau of International Narcotics and Law Enforcement Affairs reestablished a presence in the U.S. Embassy in Ecuador.

In September 2018, the United States reestablished maritime patrol flights in coordination with the Government of Ecuador, with the participation of Ecuadorian military and police riders, to

monitor and interdict maritime drug trafficking in the Eastern Pacific. From January to October 2019, the Maritime Patrol Aircraft program supported the seizure of 20.2 MT of drugs. U.S. and Ecuadorian maritime authorities also exercise Maritime Operational Procedures that coordinate the boarding of vessels claiming Ecuadorian nationality and stateless vessels in international waters. The United States continues to support several units within the National Police Antinarcotics Division, including a vetted Special Investigative Unit.

The United States and Ecuador are parties to an 1873 extradition treaty and a supplementary treaty that entered into force in 1941. Ecuador's 2008 constitution prohibits the extradition of Ecuadorian citizens. The United States has worked with the Ecuadorian government to improve administrative processes related to extradition requests. The United States and Ecuador do not have a bilateral mutual legal assistance treaty but cooperate under the Inter-American Convention on Mutual Assistance in Criminal Matters, as well as relevant UN conventions.

2. Supply Reduction

During the first 10 months of 2019, police arrested 9,556 individuals for trafficking-related crimes, compared to 10,144 during the same period in 2018, a 5.8 percent decrease. Official police statistics indicate cocaine seizures totaled 42.6 MT during the first ten months of 2019, compared with 54 MT during the same period in 2018. The volume of heroin seized during this same 10-month period totaled 346 kilograms (kg), an increase from 2018, when 198 kg were seized during the same period. Seizures of marijuana totaled 18.49 MT during the first ten months of 2019, an increase from 2018 when 12 MT were seized during the same period. Police seized 647,802 liters of liquid controlled precursor chemicals and 96.6 MT of solid controlled precursor chemicals during the first 10 months of 2019, compared with 17,645 liters of liquid controlled precursor chemicals and 159.2 MT of solid controlled precursor chemicals in all of 2018. In July 2019, police working in conjunction with U.S. law enforcement executed two successful operations in Guayaquil and in Eastern Pacific waters targeting one organization that resulted in the seizure of 5.9 MT of cocaine within two weeks and the apprehension of 12 individuals.

Maritime seizures of all illicit drugs totaled 3.9 MT during the first ten months of 2019, compared to approximately 5.8 MT in all of 2018. Ministry of Defense officials attributed the decrease to drug traffickers changing their trafficking methods to avoid maritime interdiction, evidenced by a reported increase in aerial drug trafficking. During the first five months of 2019, police detected five drug trafficking aircraft, arrested 23 people, and seized 2.68 MT of drugs, compared with one aircraft detected and two persons arrested in all of 2018.

Drug traffickers use containerized cargo and shipping containers to smuggle drugs out of Ecuador, often concealing drugs in licit cargo. Guayaquil is a major transshipment hub for cocaine concealed in containerized cargo to Europe. In Guayaquil's largest port, concession holder Contecon employs security measures at its facility but inspects only 7 percent of containerized exports. During the first 10 months of 2019, the counternarcotics police conducted 36,605 container inspections in the four Guayaquil ports that ship containerized cargo. In 2019, U.S. officials posted to Guayaquil continued to work with Ecuadorian authorities to help secure maritime cargo from illicit use under the Container Security Initiative established in 2018.

Ecuador is not a major drug producing country. During the first 10 months of 2019, Ecuador eradicated approximately ten hectares (107,000 plants) of coca in the northern canton of San Lorenzo bordering Colombia, 127,458 cannabis plants, and 29,527 wild poppy plants across the country.

Synthetic drug production and consumption is an issue of growing concern for Ecuadorian authorities, and the government has arrested organized groups involved in trafficking synthetic drugs. Ecuador reported to the United Nations Office on Drugs and Crime (UNODC) the emergence of new psychoactive substances in 2019.

3. Public Information, Prevention, and Treatment

Domestic drug abuse is a growing challenge in Ecuador. As of October 2019, there were 61 publicly funded outpatient drug treatment facilities and 12 public inpatient drug treatment facilities. In August 2019, the Guayaquil Municipality established a mobile drug treatment center. The lack of sufficient drug treatment facilities has led to the growth of clandestine facilities, particularly in the Guayaquil area, where dozens of patients have died as a result of fires at unregulated centers.

In 2019, the Community Anti-Drug Coalition of America continued conducting U.S.-funded training in Duran in Guayas province to develop anti-drug use community coalitions. The Colombo Plan conducted U.S.-funded drug prevention training for government professionals in Guayaquil and tested for toxic adulterants in drug samples in Quito and Guayaquil. The OAS Interamerican Drug Abuse Control Commission implemented a U.S.-funded online drug treatment training for 88 Ministry of Health professionals.

4. Corruption

President Moreno has made anticorruption a priority. As a matter of policy, the 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. In 2018, a national referendum approved a lifelong ban from public office of officials convicted of corruption.

Drug-related corruption remains a problem within the public security forces. In June 2019, the police detained a former Director of Civil Aviation for alleged involvement in organized crime in connection with the September 2018 seizure of one ton of cocaine in Manta. His brother was detained in September 2019 in Belize while transporting one metric ton of cocaine.

Ecuador has looked to increase international cooperation on anticorruption. In May 2019, President Moreno announced the creation of a Commission of International Experts in the Fight against Corruption, with UNODC serving as its Technical Secretariat.

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

The Ecuadorian government has expressed a strong commitment to work with international partners, including the United States, to fight transnational crime and drug trafficking and strengthen security, particularly in its northern border area. In 2019, the United States funded training and assessments for the police on counternarcotics, cybersecurity, citizen security, and analytical intelligence, among others.

Throughout 2019, the United States provided logistical and operational support for Ecuadorian counterdrug operations. The United States continues to work with Ecuadorian security officials to increase their maritime and land interdiction capacity, including in port facilities, and to strengthen their anti-money laundering capabilities related to drug trafficking.

D. Conclusion

To address the growing challenges of transnational crime and drug trafficking, Ecuador should continue to work on securing containerized, maritime cargo from illicit use, enhancing analytical intelligence capabilities, and increasing maritime interdiction capacity. Ecuador will need to continue working with international partners and strengthen interagency cooperation and information sharing among Ecuadorian agencies. Ecuador requires additional resources to augment the capacity of the police, military, and judiciary through training, improved communications, equipment, and technology to disrupt transnational crime organizations and facilitate investigations, prosecution, and conviction of drug trafficking, money laundering, and other related crimes.

El Salvador

A. Introduction

El Salvador remains a transit country for illicit drugs destined for the United States. Analysis of 2019 drug trafficking trends suggests that to avoid detection, drug trafficking organizations traffick cocaine shipments by maritime conveyance farther offshore into the Pacific Ocean, beyond the regular operational capacity of the Salvadoran Navy. Transnational cocaine trafficking organizations use private vehicles to transport small amounts of cocaine north to the Guatemalan border as well as bulk currency south through Nicaragua. There is a lack of reliable information on the severity of drug consumption and internal distribution within El Salvador.

In 2019, the Government of El Salvador demonstrated it is committed to the United States as a key partner on security and economics, signing the Asylum Cooperation Agreement and the Joint Security Plan with the United States. During the U.S. Secretary of State's July 2019 visit, President Bukele stated he would like El Salvador to become a model for preventing illegal migration, improving security, and boosting the economy.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Anti-Narcotics Division (DAN) of the National Civil Police (PNC) is the primary agency responsible for combating drug-related crimes throughout El Salvador. In 2019, the vetted and U.S.-supported group was converted to a full time, sensitive investigative unit (SIU). The group received a specialized course in international narcotics investigations at Quantico, Virginia. The SIU within the DAN is responsible for conducting high level, international, drug investigations and is the primary contact for such cases within El Salvador's Attorney General's office. The SIU continued to build institutional links with more advanced SIUs, such as those of Guatemala and Colombia, greatly expanding El Salvador's ability to respond to drug trafficking alerts and to investigate larger criminal organizations. El Salvador has a full-time liaison officer within the U.S. Joint Interagency Task Force South to support regional drug control coordination.

Established in 2012, El Salvador's National Electronic Monitoring Center allows Salvadoran law enforcement authorities with judicial warrants to intercept electronic communications. Specifically, the center supports local drug trafficking investigations conducted by the Anti-Narcotics Division and bilateral international drug trafficking investigations with U.S. partners. A recently signed agreement between the PNC and Attorney General's office will increase communication between these agencies and streamline the flow of actionable intercepted intelligence to PNC surveillance teams. The center also has developed a plan to increase its current monitoring capacity,

A sustained decline in maritime drug trafficking within Salvadoran territorial waters led to decreased littoral interdiction operations by the newly expanded maritime police unit "Grupo Conjunto Cuscatlán" (GCC). The Salvadoran Navy maintains primary responsibility for maritime interdiction at or beyond 200 nautical miles from El Salvador's coastline. The average

interdiction occurs between 400-500 nautical miles offshore, and suspects are detained and escorted ashore for processing by the Salvadoran justice system.

2. Supply Reduction

During the first ten months of 2019, Salvadoran authorities reported seizing approximately 97 kilograms (kg) of cocaine, 1,073 kg of marijuana, and 6.4 kg of cocaine base. Cocaine seizures in 2019 decreased, likely in part due to the inauguration of the SIU and the Salvadoran Navy's increased cooperation and intelligence-driven operations with U.S. maritime authorities, which has discouraged transnational organizations from moving drugs through El Salvador and pushed them further out to sea. During 2019, Salvadoran authorities reported seizing \$208,816 in bulk currency and arresting 3,019 individuals on drug-related crimes.

3. Public Information, Prevention, and Treatment

Drug use among Salvadorans is a growing concern, particularly synthetic recreational drug use among youth. El Salvador has not kept reliable statistics for illegal consumption since 2012.

El Salvador's Ministry of Public Health offers a voluntary treatment program, and the DAN hosts an annual drug prevention event that attracted 10,000 participants in June 2019.

4. Corruption

The Government of El Salvador does not, as a matter of government policy, encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs. However, corruption within the Salvadoran political system, remains a serious problem. The United States continues to support programs aimed at curbing corruption. The United States utilizes U.S.-trained Colombian polygraphists to assist El Salvador's security forces with anticorruption efforts.

During 2019, 538 Salvadoran law enforcement and judicial officials were polygraphed. The United States has worked with interlocutors in the Ministry of Public Security, the Attorney General's office, and the legislative assembly to assist in the development and implementation of a new "control and confidence" law. This law will allow the Government of El Salvador to classify sensitive jobs and require the job holder meet specific clearance requirements. The implementation of this protocol should help to reduce corruption within the government. The Supreme Court is currently reviewing the proposed law for constitutionality, after which it will be presented to the general assembly in early 2020 for approval.

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

The United States provides assistance to El Salvador through the Central America Regional Security Initiative (CARSI), consistent with the U.S. Strategy for Central America, which support citizen security, law enforcement, and rule-of-law programs in El Salvador, and advance the government's implementation of Plan El Salvador Seguro (PESS). U.S.-supported 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. The United States' continued support of the Automated Fingerprint Identification System (AFIS) database has resulted in data sharing that allows U.S. law enforcement access to over 350,000 criminal fingerprints, including records for drug traffickers and members of transnational criminal organizations. El Salvador's AFIS database has become the most utilized foreign database by U.S. law enforcement.

In July 2019, the United States signed a five-year extension of the Cooperative Security Location (CSL) Agreement, which permits basing of U.S. Navy drug interdiction air assets at El Salvador's international airport until 2025. The CSL arrangement has supported El Salvador as a key hub for regional drug interdiction efforts, including interdictions more than 400 miles off the Salvadoran coast that have successfully disrupted drug trafficking networks. It also allows U.S. access to ports and other governmental facilities in connection with aerial detection, monitoring, and tracking of illicit drug trafficking operations. El Salvador is a regular participant in the semi-annual Multilateral Maritime Counter Drug Summits, which bring together maritime counterdrug professionals from nearly 25 countries and over 65 international organizations. El Salvador participates in the U.S.-funded UNODC AirCop and Container Control programs.

D. Conclusion

El Salvador is a cooperative and willing U.S. partner in countering drug trafficking, as demonstrated by coordinated successful operations in 2019 that appear to be driving drug traffickers to shift their maritime routes further from El Salvador's coast and beyond its territorial waters.

To build on this progress, additional efforts are needed to continue strengthening the entire continuum of El Salvador's criminal justice institutions. Political will to support adequate budgets for the national police and Attorney General's office, including adequate pay and physical protection, remains a challenge.

Georgia

Situated along traditional smuggling routes in the Caucasus, Georgia continues to be a transit route for opium, heroin, and precursor chemicals. Heroin and opium originating mainly from Afghanistan transits Iran and Armenia before reaching Georgia, where it is then trafficked to Western European markets via the Black Sea. Most precursor chemicals trafficked through Georgia originate in China. Georgian-plated trucks operated by Turkish organized crime groups were implicated in significant heroin seizures in 2019, including the largest in Germany's history – 670 kilograms (kg) – in May, and 203 kg in Iran in July.

To generate business and tourism, Georgia does not require visas for citizens of Turkey, Iran, and Russia, among other countries, which can restrict Georgia's ability to control drug trafficking across its borders. Although opium production in Afghanistan remained high, drug seizures within Georgia in 2019 were the lowest in recent years.

The Ministry of Internal Affairs formed a Drug Transit Unit within the Central Criminal Police Department in July to target large-scale trafficking cells operating in and through Georgia. However, most seizures are not made at land borders. In 2019 Georgian law enforcement's largest seizures were of marijuana and cannabis, followed by synthetic drugs. These seizures were facilitated by U.S.-funded canine units based at Georgia's three international airports.

Georgia does not have a serious drug addiction problem, though there is a market for synthetic and "club" drugs among the younger population. Due to several overdose deaths, in January Georgia introduced a Dark Web Drug Unit to focus on drugs trafficked online, typically via phone service applications delivered by the internet. This unit experienced some success seizing new psychoactive substances and arrested several users in 2019.

Georgia's national drug control strategy adopted several initiatives to mitigate the impact of the country's 2018 decision to decriminalize marijuana, including by restricting users from driving or working under the drug's influence and from using it around children or in public spaces. Under the strategy, the Ministry of Internal Affairs has responsibility for conducting a wide-scale anti-drug campaign focused on youth. The Ministry also began a Community Oriented Policing (COP) program in 2019. COP has been instrumental in the United States and elsewhere in reducing crime related to drug trafficking. In September, the community police officer corps was formed and in October the United States began training COP officers from various regions of Georgia.

Ghana

A. Introduction

Ghana remains a transit and destination point for illicit drugs trafficked from Asia and South America primarily to other African nations and Europe. Heroin and controlled pharmaceutical drugs from Asia, as well as cocaine from South America, are smuggled into the country for limited local consumption and onward shipment. Crystal methamphetamine produced in clandestine laboratories in Nigeria also transits the country. Precursor chemicals required to produce crystal methamphetamine are believed to be diverted from Ghanaian sources.

Cannabis is also produced in substantial quantities within Ghana. Ghanaian authorities believe that more cannabis is now trafficked to international markets, mostly across West Africa or to Europe, than consumed domestically. Officials report that the illegal importation and abuse of tramadol, a controlled pharmaceutical, is increasingly problematic. Ghana is not a significant source or transit country for drugs entering the United States. Porous borders and lack of resources continue to hamper Ghana's efforts to combat the illegal drug trade.

Ghana continues to work productively with international partners on law enforcement operations targeting transnational drug trafficking organizations, and Ghanaian law enforcement officials continue to attend U.S.-sponsored trainings that improve their capabilities.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Ghana's government continues to push for modifications to its drug control laws. The Narcotics Control Commission Bill, which has been pending approval in Parliament since 2017, would transform the Narcotics Control Board (NACOB), an agency under the Ministry of Interior, into an independent Commission with an expanded mandate and law enforcement powers, including prosecutorial powers and authority to arm its officers.

If enacted, the Bill will also direct the government to treat drug use as a public health issue. It will also address gaps in interagency coordination and enhance the government's toolset for fighting precursor chemicals. The legislation would reduce the stringent mandatory five-year imprisonment for possession and personal use of illicit drugs. The mandatory minimum sentence of ten years would remain for trafficking.

Ghana is a pioneering member and active participant in the Africa Multinational Drug Enforcement Coordination (AMDEC) meetings, which consists mainly of drug law enforcement agencies in Africa. The AMDEC platform provides for information sharing on drug related cases between the United States and African countries across the continent.

There is no mutual legal assistance treaty between Ghana and the United States, although mutual legal assistance can be provided on a reciprocal basis through letters of request. Ghana is also a

party to multilateral conventions that enable cooperation. Extradition between Ghana and the United States is governed by the 1931 U.S.-U.K. Extradition Treaty.

2. Supply Reduction

During the first six months of 2019, 12 suspects were arrested for suspected drug trafficking by Ghanaian authorities, resulting in the seizure of approximately 47.25 metric tons (MT) of cannabis and 76.11 kilograms (kg) of hashish oil. In addition, \$652,245 in suspected drug proceeds were also seized. Five of these individuals were convicted in 2019 while the other seven were still awaiting trial at the year's end.

Additional seizures at post offices and other public areas during the first six months of 2019 included 3.43 MT of cannabis, 455.6 kg of khat, and 972 bottles of codeine cough syrup, though these seizures did not lead to arrests. Ghanaian authorities destroyed a reported cumulative total of 54.66 MT of all illicit drugs and 366 bottles of codeine cough syrup during the first six months of 2019.

NACOB has also disrupted the operations of six drug syndicates from distributing illicit or controlled substances including cannabis, cocaine, heroin, methamphetamine and ephedrine. Current investigations continue to target money laundering and other drug related financial crimes. There were five ongoing asset seizure cases before the courts at the end of 2019.

3. Public Information, Prevention, and Treatment

Consumption of cannabis and other illicit or controlled drugs in Ghana is a growing problem. School and public sensitization programs are conducted across the country on a regular basis. Ghana currently has no rehabilitation centers for persons with substance abuse issues. The Narcotics Control Commission Bill of 2019, if passed, has provisions to establish a trust fund for developing rehabilitation facilities across the country. There is a small number of private rehabilitation centers in the country.

Ghana has benefited from the U.S.-sponsored Colombo Plan Universal Treatment Curriculum (UTC). As of 2019, Ghana has 42 certified addiction professionals who have completed the UTC basic course, and eight of these expert practitioners have gone on to receive additional certification for completing the curriculum's intermediary level training. The UTC training programs, and certification of practitioners are helping to provide evidence-based interventions to the private rehabilitation centers. Ghana will be participating in the Universal Prevention Curriculum (UPC) in 2020.

4. Corruption

Ghana has laws against drug-related corruption, but enforcement is patchy due to lack of capacity and resources. Ghana also has a free and robust press, which does report on corruption-related issues. There is no government policy that encourages or facilitates illegal activity associated with drug trafficking. While there are no known senior Ghanaian officials associated with illegal drug trafficking activities, official corruption presents challenges to the successful

identification and prosecution of high-level drug traffickers and facilitators operating within Ghana.

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

Since 2015, the United States, working through the United Nations Office on Drugs and Crime (UNODC), has been assisting the Criminal Investigations Department (CID) of the Ghana Police Service to expand the presence of its Drug Law Enforcement Units (DLEU) by establishing an additional four DLEU branch offices in four different regions of the country. An additional 267 narcotics law enforcement officers were trained for the new DLEU office in drug trafficking investigations, train-the-trainer methodology, electronic evidence and cyber-crime. Sixty-one drug test kits were delivered following a forensic assessment. The United States has also provided training to enhance cooperation between law enforcement agencies and prosecutors to harmonize the prosecution of cases involving drug trafficking offenses.

The United States has also supported NACOB's Canine Unit, which has increased the capacity of NACOB to deploy the drug detection dogs, especially at Kotoka International Airport in Accra.

D. Conclusion

Ghana law enforcement and intelligence agencies have alleged that transnational drug trafficking networks operating in the country have links to international terrorist organizations. While the United States lacks sufficient information to verify these claims, rising drug consumption within the country continues to be a source of concern. The Ghanaian government's political will to confront the drug threat has been generally positive and Ghana continues to make incremental positive steps to build its capacity to enforce drug trafficking laws.

Some of the challenges faced by Ghana include lack of alternative livelihood or government support for alternative crop programs for people engaged in the cultivation of cannabis; lack of accessibility to areas where cannabis is cultivated; weak institutions; and lack of resources.

Ghana maintained a high degree of cooperation with the United States and other international partners on drug control issues in 2019. The United States and Ghana continued successful law enforcement cooperation that resulted in several high-level seizures and arrests. Supported by U.S. funding, UNODC continued to implement a program to provide training and equipment to new drug law enforcement units in four regions.

Guatemala

A. Introduction

Guatemala is a major transit country for illegal drugs destined for the United States. Trafficking patterns through Guatemala shifted dramatically in 2019. The growing effectiveness and capacity of the Guatemalan Naval Special Forces (FEN) appear to have driven narcotics traffickers to shift maritime deliveries north to Mexico and south to Costa Rica to avoid detection and interdiction, resulting in zero confirmed maritime deliveries to the Guatemalan coast. However, success in maritime disruptions resulted in an increase in illicit air deliveries in Guatemala, as drug traffickers seek ways to recover maritime losses by sending unregistered flights into a variety of locations in Guatemala. Guatemalan security forces lack the capacity to respond to the significant numbers of air deliveries originating from Venezuela.

Following the first discovery of coca cultivation in Guatemala in 2018, discoveries of coca cultivation and cocaine hydrochloride (HCL) labs in September 2019 indicate that traffickers are attempting to establish production capacity within the country. Criminal organizations also cultivate opium poppy and cannabis due to the permissible environment for drug trafficking and production that weak government presence in remote areas causes. Despite close cooperation with U.S. law enforcement agencies, Guatemalan authorities have an uneven ability and insufficient resources to respond to air deliveries and land trafficking; identify and eradicate illicit crop cultivation; and prevent trafficking of precursor chemicals. Efforts against the criminal organizations responsible for transnational drug trafficking are further hampered by widespread corruption and weak public institutions.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

President Morales declared a one-month state of emergency in September 2019 following the murder of three Guatemalan marines responding to a suspected drug trafficking event. As security forces flooded the eastern part of Guatemala, a suspected drug trafficking stronghold, they identified 27 hectares (ha) of coca cultivation along with a lab designed to produce cocaine HCL and multiple smaller labs to produce base (“crack”) cocaine. The coca crop was in early stages, with plants ranging from seedlings to two-year growth, and the HCL lab was not yet operational. However, there were initial indications that some of the smaller labs discovered may have already been producing cocaine base. The labs were significantly more advanced and larger than a suspected cocaine base facility found close to the Mexican border in 2018.

The counternarcotics police (SGAIA) of the National Civil Police (PNC) is the primary agency responsible for combating drug-related crimes throughout Guatemala. The PNC receives significant support from Guatemalan military units, most notably the FEN, the only unit responsible for maritime interdiction. The Guatemalan Air Force assists in detection and monitoring of aircraft suspected of trafficking illicit drugs in and out of Guatemala, but lacks sufficient rotary wing assets to effectively perform its role. Guatemalan interdiction efforts resulted in the grounding and seizure of only two air-delivered cocaine loads in 2019 and the

seizure of nine aircraft. Guatemalan forces disabled 16 suspected clandestine airfields in 2019, though many returned to operational use within days or weeks. Aircraft also used paved highways as impromptu landing locations if necessary. Though U.S. assistance to Guatemala in the form of information sharing, training, and support for vetted units led to better coordination and increased drug seizures in 2019, traffickers will continue to exploit Guatemala's inability to respond to trafficking by aerial conveyance.

Guatemala continues to work closely with U.S. authorities on extraditions and regularly extradites its own citizens to the United States for prosecution.

2. Supply Reduction

While maritime seizures decreased in 2019 thanks to the success of the FEN serving to deter maritime trafficking, land interdictions remained constant despite insufficient interdiction resources. During the first nine months of 2019, Guatemalan authorities reported seizing approximately 13.32 metric tons (MT) of cocaine, roughly the same as 2018. During this same period, Guatemalan agencies reported seizing 11 kilograms of heroin and more than \$3.6 million in bulk cash, and eradicating approximately 40 ha of cannabis. Arrests of high-profile traffickers declined by over 70 percent in 2019 from the previous year, to 15 in total. This can be partially attributed to successful law enforcement operations in 2018 that removed a number of leaders of trafficking organizations from positions of leadership.

Due to a lack of political will and a precarious security situation in the area, Guatemalan government authorities did not conduct opium poppy eradication in 2019, which has reduced visibility into the current situation in the San Marcos region where poppy is known to be cultivated.

3. Public Information, Prevention, and Treatment

The most recent survey for substance use and consumption in-country was conducted in 2014. The survey indicated that regular consumption began at age 11 on average and identified the three most commonly used drugs as marijuana (11.31 percent), inhalants (7.28 percent), and cocaine (3.6 percent).

The lack of more recent data can be attributed to insufficient personnel and resources for the Guatemalan drug commission (SECCATID). SECCATID has a portfolio of programs focused on the universal prevention curriculum for children, adolescents, parents, and workers. Guatemala has only one government-run outpatient treatment center, where six out of every ten patients treated are adolescents. There are no specialized centers for adolescents. In the first ten months of 2019, the facility treated 46,000 patients. Current budgetary resources allow \$3.82 of spending per patient.

4. Corruption

While the Guatemalan government does not, as a matter of official policy, encourage or facilitate illegal drug production or distribution, corruption is pervasive in public and private institutions.

Endemic corruption exposes Guatemala's institutions to the influence of drug traffickers, and exacerbates the country's security, governance, and economic challenges. Corruption and inadequate investigations make prosecution difficult in Guatemala and the government's expulsion of the International Commission Against Impunity in Guatemala (CICIG) calls into question its commitment to fight entrenched corruption. CICIG's mandate expired on September 3, at which point its cases were transferred to the Special Prosecutor's Office Against Impunity in the Public Ministry, which the United States will support. Guatemalan law provides criminal penalties for official corruption, but officials frequently engaged in corrupt practices with impunity. U.S. assistance continues to support anticorruption efforts by developing and training specialized vetted units, particularly those who target drug trafficking, money laundering, and criminal gangs.

The U.S. government assisted efforts to build the capacity of prosecutorial and police units that apply advanced special investigative methods. In January 2019, with U.S. assistance, Guatemala's Public Ministry enhanced their existing narcotics trafficking prosecutors' unit with a team of analysts. Eighteen analysts are now working with Guatemalan prosecutors on drug trafficking investigations, which has resulted in the arrest of four government officials linked with drug trafficking organizations.

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

The United States provides assistance to Guatemala through the Central America Regional Security Initiative (CARSI), consistent with the U.S. Strategy for Central America, which supports the improvement of capacity and integrity of Guatemala's security and judicial institutions to create sustainable, effective structures and organizations that can fight illicit drug production and trafficking, gangs, and human smuggling activity.

The United States maintains a bilateral agreement with Guatemala to suppress illicit trafficking by sea and air, which includes provisions for ship boarding, ship riders, pursuit, entry to investigate, over flight of territorial seas, order to land, and interdiction support.

D. Conclusion

Overall, the Guatemalan government works closely with U.S. law enforcement agencies to improve drug enforcement. With U.S. assistance, Guatemala had significant success in deterring maritime trafficking within its territorial waters in 2019. However, significant capacity gaps remain, including in the areas of intelligence gathering, aerial detection and interdiction, drug demand reduction and treatment, and legal frameworks, especially as related to precursor chemicals. Endemic corruption will continue to expand the influence of drug traffickers in Guatemala. Guatemalan law affords public officials, at all levels of government, immunity from prosecution, shielding these officials from criminal prosecution and entrenching corruption among those responsible for upholding the public's trust. The Guatemalan government will have a significant gap to fill in its capacity to combat corruption and impunity following the departure of CICIG, and should take steps to ensure the Public Ministry has the human capital and budgetary resources to address the severity of this problem. The Guatemalan government should

take steps to expand its law enforcement presence in areas where there is little to none, including by increasing its numbers of law enforcement personnel.

The identification in 2019 of coca cultivation and cocaine HCl labs is deeply concerning and the Guatemalan government should commit resources to more accurately identify the extent of the problem within its national boundaries.

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 and the shared river network with Brazil, Venezuela, and Suriname. Cocaine is concealed in legitimate commodities and smuggled through commercial and private air transport, maritime vessels, human couriers, “go-fast” boats, and various postal systems.

Drug traffickers exploit the country’s poorly monitored ports, remote airstrips, intricate river networks, porous land borders, as well as the permissive environment created as a result of corruption and the under-resourced security sector. Guyana also has a growing domestic drug consumption problem. Despite these challenges, the Government of Guyana has demonstrated strong political will to combat drug trafficking in and through Guyana.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Guyana’s drug control institutions are the Guyana Police Force (GPF), Guyana Revenue Authority (GRA), Customs Anti-Narcotics Unit (CANU), Special Organized Crime Unit (SOCU), and Guyana Defense Force (GDF) Coast Guard. These agencies are responsible for the implementation of the National Drug Strategy Master Plan 2016-2020, and the National Anti-Narcotics Agency oversees these efforts. Despite this coordination mechanism, corruption and limited resources have historically hampered the effectiveness of these anti-narcotics agencies. In October, the Guyanese government began to operate a drug treatment court to offer rehabilitative treatment instead of incarceration to offenders for minor drug offences.

In 2008, Guyana acceded to and has since 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. The 1931 Extradition Treaty between the United States and the United Kingdom is applicable to the United States and Guyana, and Guyana cooperates with the United States on extradition cases.

2. Supply Reduction

The Government of Guyana has a drug enforcement presence at its international airports, post offices, and, to a lesser extent, at seaport and land-border entry points. In May, the government extended its drug enforcement presence at its land borders and opened a CANU office in

Lethem, a town at the Guyana-Brazil border. Drug enforcement agencies reported several interdiction efforts and drug-related seizures and convictions in 2019. During the first nine months of 2019, authorities seized 126 kilograms (kg) of cocaine and 770 kg of cannabis. Authorities also reported seizing unquantified amounts of synthetic drugs, including MDMA (ecstasy). Guyanese authorities initiated 507 prosecutions and convicted 64 individuals for narcotics trafficking.

3. Public Information, Prevention, and Treatment

Guyana has a growing domestic drug consumption problem. Marijuana is the most widely used illicit drug in Guyana, followed by cocaine. Guyana has a comprehensive demand reduction strategy that adequately addresses drug rehabilitation. The Ministries of Public Health, Education, and Social Protection are responsible for addressing demand reduction, and the government's National Drug Demand Reduction Unit trains public health officers, teachers, social workers, and civil society groups on interventions to reduce drug use. Non-governmental organizations also offer government-subsidized rehabilitation services. The Georgetown Public Hospital provides free rehabilitation services for drug users. The University of Guyana has a demand reduction curriculum in place through OAS/CICAD funding, and the Guyanese government conducts anti-drug awareness sessions in secondary schools and has drug treatment courts. The United States supports Guyana's drug demand reduction efforts through targeted training for criminal justice and public health system officials.

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. Nevertheless, insufficient resources, weak law enforcement institutions, an ineffective judicial system, and inadequate compensation for civil service employees and public safety officials facilitate corruption throughout all sectors.

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 programming. CBSI is a security partnership between the United States and Caribbean countries that seeks to substantially reduce illicit trafficking, advance public safety and citizen security, and promote justice. Efforts to increase law enforcement capabilities, protect borders, air and seaports, and promote anti-money laundering effectiveness directly address priority concerns shared by Guyana and the United States. The Government of Guyana cooperates closely with all relevant U.S. agencies and has reiterated its strong willingness to cooperate with the United States on drug control and other international crime issues, though it is limited by resource constraints.

CBSI-funded programs support Guyana's maritime operations by providing interdiction assets, relevant command and control systems, and associated logistical support and training. In 2019, 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.

D. Conclusion

The United States enjoys strong cooperation with the Government of Guyana in advancing mutual interests against the threat of international drug trafficking. Guyana has shown great interest in furthering collaboration under CBSI. The United States looks forward to tangible progress on increasing investigations, prosecutions, extraditions, expanding security sector capacity, engaging at-risk communities, and enforcing laws against money laundering and financial crimes. Guyana should seek to enhance its anti-corruption initiatives, increase interagency cooperation, and fully pursue prosecutions for narcotics trafficking in accordance with its laws.

Haiti

A. Introduction

Haiti remains a transit point for cocaine from South America and marijuana from Jamaica, transiting maritime and terrestrial borders en route to the United States. Haiti is not a producer or significant consumer of illicit drugs, although there is cultivation of cannabis for local consumption. The Haitian National Police (HNP) counternarcotics unit, known by the French acronym BLTS, has led investigations and narcotic interdiction operations against drug trafficking organizations along the southern coast, shifting illicit activity to northern Haiti.

In 2019, the Haitian government increased the numbers of HNP and BLTS officers in an ongoing effort to strengthen law enforcement capacity. However, the HNP is over extended due to ongoing political turmoil – HNP duties include crowd control – and its struggle to control Haiti's borders. The land border crossings with the Dominican Republic are largely uncontrolled and the coastline remains virtually enforcement-free. The HNP hopes to address land border security through planned joint deployment of its border police unit, POLIFRONT, and BLTS at key border crossings.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The 29th HNP class of 692 recruits graduated in September 2018, and the 30th class of 671 graduated in August 2019, bringing total HNP strength to nearly 15,500. This larger force will aid in increasing security, but the HNP is experiencing difficulty adequately funding the expanded force.

The BLTS remains the primary domestic organization dedicated to drug interdiction. In 2018, the BLTS deployed officers to regional outposts in Terrier Rouge and the Ouanaminthe border crossing and in 2020, there are plans to deploy the BLTS to join POLIFRONT officers at the new outpost at Anse-a-Pitre on the southern border with the Dominican Republic. POLIFRONT units are now posted at the four official border crossings at Ouanaminthe, Anse a Pitre, Belladere and Malpasse.

U.S.-provided training continues to increase the operational capacities of the Haitian Coast Guard (HCG, BLTS subunit). The United States also provided a modular infrastructure unit at the Cap Haitien seaport for the BLTS in 2018.

The HNP Inspector General's Office (OIG) investigates reports of officer misconduct. The HNP continues to face challenges regulating internal affairs, particularly in the south and in remote provinces. The HNP imposed systematic discipline on officers found to have committed misconduct in 2019, but civil society continued to allege widespread impunity. Monthly HNP press conferences were held to promote public awareness of the HNP's roles and responsibilities, and to encourage the public to report any cases of misconduct. The OIG maintains a 24-hour hotline to receive reports of misconduct, and during the first six months of 2019 the OIG

reviewed 276 complaints, of which 195 officers were disciplined and 43 were found to be unsubstantiated. A total of 38 officers were dismissed from the force.

The HCG is the sole maritime enforcement agency. In 2019 the HNP provided 25 more officers, bringing the unit complement to 219. The HCG has operating bases in Cap Haitien, Killick (Port-au-Prince), and Les Cayes. Maritime law enforcement is a daunting task considering Haiti's 1,100 miles of coastline and seven international ports. The HCG has four operational vessels, three requiring repair, and seven that are no longer operational. Operational capacity remains low due to insufficient funding, improper management, fuel shortages, and inaccessibility of maintenance supplies.

2. Supply Reduction

The BLTS executed several successful operations in 2019 that resulted in the seizure of 1,322 kilograms (kg) of marijuana and 10 kg of cocaine. In addition, 99 suspects were arrested for alleged drug-related crimes during this period. The United States does not currently have information about any significant availability or trafficking 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 widespread drug abuse. 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 the impact of these programs.

4. Corruption

As a matter of policy, the Haitian government does not encourage or facilitate drug trafficking or associated money laundering. Effective government action to fight corruption, however, particularly related to drug trafficking organizations, is constrained by two major factors.

The first is Haiti's weak legal framework. Haiti did not classify corruption as a crime until 2014, when a law formally criminalized public corruption and set penalties for bribery and illegal procurement. Implementation of this law remains a challenge, as well as educating judges on the law. Haiti's asset seizure laws have enabled the Central Unit of Financial Investigations and the HNP's Financial and Economic Affairs Bureau to seize the assets of drug traffickers convicted of crimes outside of Haiti. The constitution, however, grants immunity to members of parliament, which obstructs law enforcement efforts.

The second constraining factor is Haiti's systematically weak judicial system, which remains hampered by antiquated penal and criminal procedure codes, opaque court proceedings, lack of judicial oversight, and widespread judicial corruption and inefficiencies. To date, there have been five successful convictions for drug trafficking, and only one conviction on corruption-related charges. The Unit for Combating Corruption has advanced 32 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

Haiti maintains several international drug control agreements and cooperates regularly with the United States on drug-related cases. The 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 passengers on U.S. vessels. Although there is no mutual legal treaty between Haiti and the United States, the Haitian government has cooperated regularly within the limits of Haitian law. Although the Haitian constitution prohibits the extradition of Haitian nationals, there is a bilateral extradition treaty (entered into force in 1905). The Government of Haiti has surrendered individuals under indictment in the United States to U.S. law enforcement agencies.

U.S. drug control initiatives in Haiti focus on improving the capacity of the HNP, BLTS, and the HCG to detect, investigate, and deter drug trafficking organizations. A 2004 agreement between the United States and Haiti and a second agreement in 2013 govern these activities. Core goals are to increase overall drug interdiction capabilities and develop legal cases against trafficking organizations. The continued growth of the BLTS, strong Haiti-U.S. bilateral operations, and drug seizures in 2019 were all positive signs of improvement. A trusted group of officers within the BLTS participates in sensitive operations in coordination with U.S. law enforcement authorities. Since 2012, six narcotic related arrests have led to trials and convictions.

D. Conclusion

The positive institutional development of both the HNP and BLTS have helped to improve public security and have increased Haiti's ability to fight drug trafficking. Sustained cooperation between Haitian and U.S. drug enforcement organizations will continue to yield narcotics seizures and extraditions. Significant resource constraints, however, hamper the HNP's counternarcotics efforts. The severe dysfunction of the Haitian judicial system limits domestic prosecution of offenses and limits the ability of law enforcement to deter drug trafficking organizations. Prosecutors and courts lack capacity and are plagued by corruption. Drug seizures remain low, and the ability of the HNP and BLTS to consistently patrol Haiti's maritime and terrestrial borders remains insufficient. Continuing political instability also impedes Haiti's counternarcotics efforts.

Honduras

A. Introduction

Honduran territory is exploited by drug traffickers to transit cocaine destined for the United States and precursor chemicals used to produce illicit drugs. The United States estimates approximately 4 percent, or 120 metric tons (MT), of cocaine shipments from South America made a first stop by air or by sea in Honduras in 2019, though more is assessed to have transited through Honduras by land after making a first arrival in other countries. The Department of Gracias a Dios is particularly vulnerable to drug trafficking by land, sea, and air due to its remoteness, limited infrastructure, and minimal government presence. Drug trafficking organizations take advantage of these vulnerabilities, which make detection and interdiction challenging.

The Government of Honduras continues to take actions to improve the country's overall security situation and to make effective use of its reformed Honduran National Police (HNP) and civilian-military task forces to reduce criminal activity and dismantle drug trafficking organizations and criminal street gangs. The political will of the Honduran government to combat drug trafficking in coordination with U.S. law enforcement agencies continues, but significant challenges to success remain.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Honduran drug control institutions continue to be challenged by inadequate budget resources and corruption. Corruption, combined with low tax collection rates, deprives law enforcement agencies, courts, and prosecutors of resources required to stop the flow of drugs through the country and bring traffickers to justice. The security tax – instituted in 2014 to offset funding challenges – has helped security agencies to a degree, but funds remain inadequate to meet the significant personnel, equipment, and technology needs required, especially in remote areas of the country.

Through cooperation with the United States and other international partners, the Government of Honduras has established the basic criminal justice infrastructure to investigate, interdict, and prosecute some drug traffickers. The Government of Honduras is making strategic investments to extend the reach of security forces into more remote areas of the country. The opening of a 250-person police base in remote Puerto Lempira in November, investments in off-shore patrol vessels, increased flights of surveillance aircraft, and the refurbishment of a seized aircraft to double these missions were all positive steps taken in 2019 to expand the Honduran government's security presence.

Honduras has an extradition treaty with the United States and actively cooperates on extraditions. The United States maintains a bilateral agreement with Honduras to suppress illicit traffic by sea, which includes provisions for ship boarding, ship riders, pursuit, entry to investigate, and overflight. Honduras is party to the Organization of American States' Inter-American Drug

Abuse Control Commission and the Caribbean Regional Agreement on Maritime Counternarcotics and ratified the Inter-American Convention on Mutual Assistance in Criminal Matters.

2. Supply Reduction

During the first ten months of 2019, Honduran authorities reportedly seized close to two MT of cocaine. This figure includes 1,159 kilograms seized by the Honduran Navy between August and October, the result of improved regional information sharing and communication between air and maritime assets.

The Honduran Navy continued efforts to modernize its surface fleet but has not made a commensurate increase in operational budget. It is therefore uncertain when new vessels will become an active part of the fleet. Fuel availability remains a significant limitation for the Honduran Navy and restricts proactive boarding. Honduran Navy divers now perform inspections of all commercial vessels arriving from Colombia to Puerto Castilla to detect possible illegal narcotics.

The Ministry of Defense (MOD) and institutions under its command made systems upgrades in 2019 to better integrate vessel tracking systems and facilitate information sharing with partner nations. The MOD shares this vessel tracking information with U.S. authorities, but operational elements within the Honduran Navy are limited in their ability to make patrols based on this information because of resource constraints and lack of communications infrastructure.

The military controls wiretapping facilities, but access to the intercepted communications by civilian law enforcement remains inadequate, resulting in a loss of actionable intelligence for interdictions. The U.S. government is working closely with Honduran law enforcement vetted units to improve access to the existing wiretapping facilities, which led to the arrest of two former police officers and one active member of the military on drug charges in October 2019.

The MOD reported the destruction of 32 clandestine airstrips used for drug shipments during 2019 in the Department of Gracias a Dios. The current aerial interdiction law in Honduras prevents the United States from sharing radar or other information related to airborne drug trafficking. The Honduran government does not have the capacity to track all suspected drug trafficking flights without outside support.

3. Public Information, Prevention, and Treatment

Public information on drug use is insufficient, but the Organization of American States' Inter-American Drug Abuse Control Commission (CICAD) reports the most commonly used drugs are marijuana, hallucinogenic mushrooms, and cocaine, and that student drug consumption levels are some of the lowest in Central America. Prevention and treatment programs are limited in both scope and geography, but the Government of Honduras and CICAD signed an agreement in August 2019 to strengthen prevention and treatment programs.

The United States supports the Gang Resistance Education and Training (GREAT) and “I Choose My Future” programs that reached more than 70,000 Honduran students with information on the harms of drug use between January and October.

4. Corruption

The Government of Honduras does not, as a matter of official government policy, encourage or facilitate illicit drug production or distribution, nor is the U.S. Department of State aware that it is involved in laundering the proceeds of the sale of illicit drugs. However, corruption is widespread in private and public institutions. Honduran authorities do identify and bring to justice police, military, and other government officials involved in drug trafficking and related offenses. As of October 2019, authorities had arrested three active police officers, six active military members, and one ex-congressman on drug trafficking charges. In August 2019, the Public Ministry’s Unit Against Impunity and Corruption (UFECIC) announced 40 new positions focused on investigation and prosecution of corruption. With additional resources allocated to this unit, previously inadequate investigations could increase leading to more prosecutions and convictions. The Government of Honduras needs to renew the mandate of the OAS Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH). The United States will continue to support anticorruption programs including MACCIH as well as training for UFECIC and other special units focused on drug trafficking, transnational criminal organizations, and gangs.

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

The United States provides assistance to Honduras through the Central America Regional Security Initiative (CARSI), consistent with the U.S. Strategy for Central America, to improve the professional capabilities of Honduran justice sector institutions. The overall objective of U.S. assistance is to reinforce Honduran security and justice sector institutions so they can deliver for their nation’s security, stability, and prosperity.

The specific counternarcotics goals of U.S. assistance are to deny drug traffickers the use of Honduran territory, increase seizures, facilitate extraditions of traffickers, support Honduras-based prosecutions, and build stronger security presence in affected areas, particularly the Department of Gracias a Dios.

The U.S. government provides advisory and logistical support along with equipment to various Honduran National Police (HNP) directorates, the Public Ministry, and the military to improve host country capacities to disrupt drug trafficking. Specifically, the United States trains and equips units within the HNP’s Anti-drug Directorate (DNPA), the Special Forces Directorate (DNFE), the Frontier Police Directorate (SNSPF), and the Naval Special Forces. U.S.-supported HNP vetted units include the Sensitive Investigations Unit, the Transnational Anti-Gang Unit, and the Transnational Criminal Investigative Unit, which address drug trafficking and other transnational criminal activity.

D. Conclusion

The United States continues to help build the capacity of Honduran institutions to combat drug trafficking. While the Honduran military demonstrated improved capacity to conduct maritime interdictions in 2019, insufficient fuel, command and control gaps, and limited communications capabilities hamper additional progress. The Honduran judicial wire intercept program (JWIP) needs to be upgraded to enhance the technical capabilities of the system. The Honduran government must address impunity at all levels and root out corruption from all institutions. The Government of Honduras should adequately resource their security forces to operate throughout the entire territory and Exclusive Economic Zone and modify its aerial interdiction law to facilitate additional U.S. assistance to reduce airborne drug trafficking.

India

A. Introduction

India's geographic location, industrial capacity, and transportation infrastructure make it an attractive source and transshipment point for illicit narcotics and precursor chemicals bound for Europe, Africa, Southeast Asia, and North America.

In 2019, India exported over \$19 billion of licit pharmaceutical drugs, and it has been the leading generic drug manufacturer in the world for several years. This commercial infrastructure – and India's rare combination of technical expertise and chemical source supplies – is exploited by drug traffickers to source dangerous synthetic drugs and precursor chemicals destined for markets in the United States and elsewhere.

Trafficking of pharmaceutical opioids from India is a serious drug control challenge. Billions of tablets of trafficked pharmaceutical opioids originating in India have been seized worldwide, and two fentanyl-related investigations in 2018 revealed the presence of an illicit fentanyl lab tied to Mexican traffickers and efforts to move a key fentanyl precursor to Mexico. U.S.-based customers obtain illegal pharmaceutical drugs from India through online pharmacies, non-indexed web sites ("Darknet"), or call centers. Thousands of mail shipments containing illicit pharmaceutical drugs are sent from India to the United States each year. Commercial business-to-business websites registered in India include numerous vendors advertising a range of drugs, including fentanyl and fentanyl analogues, and U.S. law enforcement authorities assess that online pharmaceutical sales, including of opioids, will continue to increase.

While India is authorized to produce licit opium for the manufacture of pharmaceuticals, there is evidence that opium poppy is also grown illicitly in India, especially in the Northeast. This appears to be consumed domestically.

India is committed to addressing its drug-related challenges, but faces resource and capacity limitations, as well as insufficient law enforcement and regulatory presence relative to its population of 1.3 billion. Additionally, a lack of information technology, including integrated networks and case management software, hampers day-to-day enforcement of Indian drug laws.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

India continues to tighten regulations to limit illicit production of controlled substances and increase the capacity of law enforcement. However, the capacity of India's drug law enforcement personnel to collect and analyze data and conduct complex investigations of criminal drug manufacturing and trafficking remains limited by inadequate training, a lack of modern equipment, insufficient staffing, and poor interagency coordination.

The Narcotics Control Bureau (NCB) is India's primary drug agency responsible for combating and preventing narcotic drugs and psychotropic substances. In addition to the NCB, the

Directorate of Revenue Intelligence (DRI), Central Bureau of Narcotics (CBN), Border Security Force (BSF), and Ministry of Home Affairs (MHA) play a role in stemming drug trafficking in India.

DRI is the primary anti-smuggling intelligence and investigative law enforcement agency. Its responsibilities include investigating violations of the Narcotic Drugs and Psychotropic Substances (NDPS) Act.

The CBN supervises the licit cultivation of opium poppy in India. CBN is also responsible for the issuance of licenses required for the manufacture of synthetic narcotic drugs and psychotropic substances listed in the NDPS Act, as well as import/export authorizations for the movement of precursor chemicals and pharmaceutical drugs to and from India. Furthermore, CBN is the central agency authorized to interact with the International Narcotics Control Board and international governments in supervising international transactions of regulated substances.

India's various national- and state-level law enforcement agencies face challenges in institutionalizing effective coordination. Poor intelligence exploitation during drug seizures limits investigative leads to identify higher-level targets. Lengthy delays between drug seizures and prosecutions in India's overloaded court system also complicate efforts to develop an effective enforcement and prosecution strategy. Finally, a lack of modern drug legislation and effective courts also severely hamper Indian law enforcement agencies' ability to conduct complex drug conspiracy investigations.

In 2019, the MHA established a joint coordination committee, chaired by the director general of the NCB, to monitor all aspects of narcotics-related crimes that link to other crimes, such as terrorism and money laundering.

The Government of India has entered into bilateral agreements and memoranda of understanding for mutual cooperation to reduce demand and prevent the illicit trafficking of narcotics, psychotropic substances, and precursor chemicals with 36 countries. India is a signatory to mutual legal assistance treaties with 41 countries, including the United States. India also maintains extradition treaties with at least 50 countries, including the United States.

2. Supply Reduction

Indian law enforcement agencies have seized heroin originating from Afghanistan and trafficked through Pakistan. In June 2019, Indian customs seized 532 kilograms (kg) of heroin, one of the largest seizures ever, hidden in a rock salt shipment at the Attari border crossing with Pakistan.

Delhi Police in July and August seized nearly 330 kg of heroin in different operations, and the DRI and Anti-Terrorist Squad (ATS) in Gujarat seized over 300 kg of heroin in two operations. India continues to conduct due diligence to determine if drug supply is being utilized to fund terrorist activity. In late December 2018, 100 kg of the fentanyl precursor ANPP were seized en route to Mexico. There were no large seizures of fentanyl or fentanyl precursors reported in India in 2019.

In August, NCB Chandigarh seized almost 100,000 capsules and tablets containing the synthetic opioid tramadol, and recorded multiple large seizures of methamphetamine (known locally as “yaba”) in the northeast area of the country during 2019.

3. Public Information, Prevention, and Treatment

There is significant pharmaceutical drug abuse in the country, with a ready supply of drugs available over-the-counter at most pharmacies. However, given India’s size and large population, accurate estimates of the extent, pattern, and nature of its drug problem are difficult to ascertain. Commonly reported drugs of abuse in India include heroin, opium, cocaine, ephedrine, cannabis, and MDMA (ecstasy). India’s Ministry of Social Justice and Empowerment (MSJE) and NCB manage India’s public demand reduction strategy, which promotes drug abuse awareness, education, counseling, and treatment programs.

In 2019, MSJE released a two-year study detailing substance abuse in India. According to the survey, about 22.6 million Indians use opioids. Of this amount, 7.7 million users are opioid dependent, and 2.0 million are addicted to heroin. Based on the survey’s findings, the NCB estimates that India consumes about 36 MT of heroin each year.

4. Corruption

Although the Government of India does not encourage or facilitate drug trafficking, individual national and local government officials have been implicated in drug-related corruption. Official corruption has historically undermined the effectiveness of government control regimes for illicit drugs, and 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. Corrupt border officials also enable the movement of heroin, pharmaceutical drugs and precursor materials across the border.

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

U.S.-Indian law enforcement cooperation led to numerous high-yield and high-value seizures throughout 2019. NCB, DRI, and the U.S. Drug Enforcement Administration made joint arrests and seized significant amounts of narcotics. U.S. and Indian law enforcement authorities also continue to target international drug organizations based in the United States and other locations with extensive ties to India. Investigations have shown that Indian organizations have transferred proceeds from narcotics trafficking on behalf of multiple drug trafficking organizations.

D. Conclusion

India’s vast pharmaceutical and chemical industries are among the world’s largest and power extensive pharmaceutical exports, particularly generic drugs. However, the large industry is fragmented, insular, and in many ways, difficult to regulate. Laws, regulations, and government enforcement have not kept adequate pace with growth, and India is experiencing continued

diversion from both licit chemical and pharmaceutical manufacturers as well as production from clandestine laboratories.

The profitability of manufacturing and distributing methamphetamine and other synthetic drugs has transformed India into a significant global source for precursor chemicals and drugs. Global demand for fentanyl, methamphetamine, heroin, and other dangerous drugs has given rise to precursor chemical entrepreneurs in India who are retooling commercial chemical factories to illicitly produce large volumes of ephedrine, methamphetamine, and other drugs. As global demand for synthetic drugs continues to grow, so too will India's illicit manufacturing and trafficking networks.

Indonesia

A. Introduction

As a transshipment and destination point for illicit narcotics, the Indonesian archipelago struggles with maritime interdiction and border control issues inherent in policing more than 17,000 islands. For example, in July 2019, Indonesian police discovered that a small, uninhabited island within the Riau Islands had been used as a storage area for 63 kilograms (kg) of methamphetamine. As Indonesia boasts the world's fourth largest population, it is a significant consumer of crystal methamphetamine, MDMA (ecstasy), and cannabis. Most methamphetamine seized in Indonesia is produced in Burma and funded by Chinese criminal organizations. Many methamphetamine shipments seized by law enforcement enter Indonesia via Malaysia, and Indonesia is a significant transit point for methamphetamine smuggled to Australia and New Zealand.

Transnational criminal organizations pay smaller-scale smugglers in Indonesia with product, thereby exacerbating the domestic drug abuse problem. MDMA is sourced from China or smuggled in from Europe via Dutch connections. Cannabis is primarily grown in northern Sumatra and other parts of Indonesia for domestic consumption. The Indonesian Government, including the Anti-Narcotics Agency (BNN) and Indonesia National Police (INP), continued efforts to investigate, disrupt, interdict, and prosecute crimes related to illicit narcotics in 2019. Indonesia is not a significant source or transit country for illegal drugs entering the United States.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

BNN and INP continued to move aggressively against suspected drug-traffickers and President Joko Widodo has called for strong enforcement measures to address the on-going drug emergency in Indonesia. In July, President Widodo signed the Presidential Regulation No. 47 Year 2019 that elevated the BNN chief to the rank of minister and granted the agency greater financial autonomy.

BNN is maintaining and actively building relationships with international partners, including the United States, that share similar views regarding the global challenge posed by the drug trade, the threat of new psychoactive substances (NPS), and the importance of reducing demand by supporting drug rehabilitation programs.

2. Supply Reduction

Indonesian law enforcement made a number of significant seizures in 2019. In February, 1.6 metric tons (MT) of methamphetamine were seized in the waters off of Batam, Riau Islands. Four Chinese citizens arrested during the seizure received the death penalty for drug trafficking. Comprehensive seizure statistics for 2019 were not available at the time of this report. At the end of December 2018, former INP Chief Muhammad *Tito* Karnavian reported

that over the calendar year police confiscated four MT of methamphetamine, 34 MT of cannabis, 3.2 kg of cocaine, and 1.3 kg of heroin.

BNN continued to provide recommendations to the Ministry of Health on measures to control NPS, resulting in the Ministry's new regulation in 2019 that raised the total number of NPS identified by the Government of Indonesia as illegal to 66 from 65. An additional eight substances were under review by the Ministry at year's end. The Government of Indonesia also launched a "Grand Design Alternative Development" project for two districts in Aceh that encouraged cannabis farmers to substitute their plantations with other crops such as corn or soybeans.

3. Public Information, Prevention, and Treatment

In 2019 BNN increased its usage of social media to expand the reach of its anti-drug campaign. BNN cooperated with the Ministry of Home Affairs and Ministry of Villages, Disadvantaged Regions, and Transmigration to carry out drug demand reduction projects.

The Home Affairs Ministry issued Minister Regulation No. 12 Year 2019 (replacing a previous regulation from 2013) that clarifies and provides permission for provincial and local governments and village heads to conduct demand reduction projects in their jurisdiction. Project activities may focus on community empowerment, raising awareness, early detection, and providing medical treatment and/or rehabilitation services.

4. Corruption

The Indonesian government does not encourage or facilitate illegal activity related to drug trafficking, and no senior government officials were known to be institutionally involved in any such activity in 2019. However, endemic corruption at all levels of government and society continues and undermines the country's counternarcotics efforts. Nevertheless, Indonesia made some progress in 2019 in combating official corruption, primarily through the actions of the Corruption Eradication Commission. Additionally, there were several cases reported in the Indonesian press of arrests of government officials for drug possession and/or trafficking, such as members of the Regional People's Representative Assemblies, BNN officers, and a former Head of the State Secretariat of Religion Bureau.

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

Information provided by the U.S. Drug Enforcement Administration (DEA) contributed to a number of significant narcotics seizures in 2019, including multiple bilateral operations resulting in the seizure of 615 kg of crystal methamphetamine and 18,000 MDMA pills. The United States provided counternarcotics training for BNN, INP, and the Customs Narcotics Team. The United States organized joint training that brought together instructors from the United States, Netherlands, Canada, Australia, and Indonesia to build the investigative skills of 50 Indonesian narcotics investigators. No mutual legal assistance treaty or extradition treaty exists between Indonesia and the United States.

The United States and Indonesia also cooperate on drug demand reduction. A grant focusing on building civil society support for drug demand reduction projects expanded its community of anti-drug coalitions in 2019 from three neighborhoods in Jakarta and Surabaya to six neighborhoods. The civic organizations received training by the Community Anti-Drug Coalitions of America (CADCA) to assess their own local drug problems, inventory the community's resources, and execute unique solutions to address these problems.

D. Conclusion

Despite the efforts of the Indonesian government, demand for illicit drugs is growing in Indonesia. Indonesia's commitment to reducing drug consumption and enforcing its drug control laws remains firm. The United States will continue to support Indonesian law enforcement efforts to disrupt the international drug trade, particularly in the maritime arena, while also helping Indonesia embrace a wide range of interventions aimed at reducing drug use and associated problems.

Iran

Iran is a significant transit and destination country for opiates and cannabis products, the vast majority originating in Afghanistan. Significant volumes of methamphetamine are also produced and consumed within Iran, as well as trafficked to international markets. Drug supplies transiting Iran funnel primarily through Iran's northern border to Turkey and Azerbaijan, as well as by maritime conveyance from Iran into Eastern Africa, for further transshipment to international markets. Although Iran invests significant resources into drug interdiction efforts, corrupt Islamic Revolutionary Guard Force (IRGC) personnel continue simultaneously to facilitate illicit drug smuggling.

Iran's Drug Control Headquarters (DCHQ) is the country's leading drug policy coordination body and reports directly to the country's president. The Law Enforcement Force (LEF) comprises the country's uniformed police units, including the Anti-Narcotics Police and border interdiction forces. According to DCHQ senior officials, Iranian authorities seized a total of 807 metric tons (MT) of all categories of illicit drugs during the 2018 calendar year (a 28 percent increase from the previous year), as well as 370 MT during the first five months of Iran's lunar calendar in 2019 (March 21 – August 22). At the same time DCHQ officials are engaged in interdiction efforts, members of IRGC forces have continued to operate a robust drug smuggling network facilitating the transit of drugs to regional neighbors and the European market.

The Iranian government recognizes that illicit drug consumption within Iran is a serious challenge, and increasingly prevalent. In 2018, DCHQ authorities estimated that 2.8 million people regularly use some form of illicit drug within the country, with half that total suffering from substance use disorders. Other Iranian authorities and non-governmental organizations have cited higher estimates. Opium is the most widely used illicit drug in Iran, according to Iranian authorities, followed by cannabis products and methamphetamine (known locally as "shisheh," or "glass"). Approximately 43 percent of Iran's inmate population (95,000 prisoners) are jailed for drug offenses, according to media reports. The majority of the government's counternarcotics efforts traditionally have gone toward interdiction and law enforcement initiatives. As a result, non-governmental organizations and the private sector implement the vast majority of demand reduction and treatment programs in the country, including opioid substitution treatment, voluntary counseling centers, prison-based treatment, and school-based prevention campaigns.

The UN Office on Drugs and Crime maintains a field office in Tehran that provides some training and capacity support to Iranian authorities, including on demand reduction, drug interdiction, and forensic analysis of drug seizures. Iran maintains liaison relationships with some neighboring countries, but operational cooperation on investigations appears limited. According to Iranian authorities, the government spends over \$700 million a year on border control. Drug control cooperation between Iran and European states has been limited partially due to concerns over the Iranian government's widespread application of the death penalty for drug offenses. In January 2018, the country's strict trafficking laws were amended, raising the threshold that triggers the death penalty in drug possession cases.

Jamaica

A. Introduction

Jamaica remains the largest Caribbean source country of marijuana and a significant transit point for cocaine trafficked from South America to North America and other international markets. Traffickers also export Jamaican-grown marijuana to other Caribbean countries in return for illicit firearms and other contraband. Jamaica's geographic position in the western Caribbean and its difficult-to-patrol coastline, high volume of tourist travel, and status as a major containerized cargo transshipment hub contribute to its use for drug trafficking.

The U.S. and Jamaican governments continue to successfully utilize bilateral legal assistance and extradition treaties, as well as agreements on maritime law enforcement cooperation, sharing intercept information, and sharing forfeited assets.

Jamaica's drug control efforts face significant challenges from corruption, organized crime, gang activity, resource constraints, and an inefficient criminal justice system.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Cooperation between the United States and Jamaica against illicit drugs and related transnational crime remains strong. The Jamaica Defense Force (JDF) Coast Guard is responsible for maritime law enforcement, while the Jamaica Constabulary Force (JCF) is the primary agency responsible for drug enforcement on land. The Jamaican government's purchase of its first fixed-wing intelligence, surveillance, and reconnaissance aircraft led to increased drug interdictions in 2019.

Jamaica's efforts to bring traffickers to justice are hobbled by an under-resourced and overburdened judicial system. Repeated delays and trial postponements contribute to significant case backlogs leading to impunity for many offenders. In response, the Jamaican government, with U.S. government support, has made progress towards combating the backlog of court cases in order to provide more timely justice.

The United States and Jamaica are bilateral parties to both a mutual legal assistance treaty (MLAT) and an extradition treaty. The countries have an extradition and mutual assistance relationship, which could be utilized more effectively if a common interpretation could be reached on its provisions. Nevertheless, both treaties were successfully used in 2019. In October 2019, the Jamaican government signed a non-binding memorandum of understanding to share intercept information. The United States and Jamaica also utilized a reciprocal agreement to share forfeited criminal assets and a bilateral agreement on law enforcement cooperation on maritime interdiction of illicit traffickers, including boarding of suspicious vessels and embarkation of law enforcement officials on the other country's ships.

In 2019, the U.S. and Jamaican governments made some progress toward finalizing a bilateral customs mutual assistance agreement, which will provide a legal framework for the exchange of trade information between U.S. and Jamaican customs agencies to target the flow of drugs, guns, and other contraband through U.S. and Jamaican ports of entry.

2. Supply Reduction

According to the JCF, authorities seized 1.63 metric tons (MT) of cocaine over the first nine months of 2019. Jamaican authorities seized 63 kilograms during the same period in 2018. Significant cocaine seizures at or near the Port of Kingston indicate large shipments reach Jamaica via commercial shipping containers from South America. Cocaine also reaches Jamaica via small “go-fast” watercraft from Central and South America. After reaching Jamaica, some cocaine shipments are transshipped in containers through the Port of Kingston onto vessels bound for the United States and other international markets or are divided for outbound shipment concealed in luggage, air freight, and human couriers.

According to police data, during the first nine months of 2019, Jamaican authorities, supported by the United States, eradicated 215 hectares (ha) of cannabis plants (compared to 186 ha in 2018) and seized approximately 24 MT of cured marijuana, compared to 20 MT in 2018. Jamaican authorities believe an estimated 15,000 ha of cannabis are cultivated in the country annually.

Traffickers smuggle Jamaican-grown marijuana out of the country via commercial shipping and small watercraft. Small fishing vessels and speed boats carry marijuana to Central America, Haiti, the Cayman Islands, and the Bahamas. A thriving “guns for ganja (marijuana) and/or meat trade” continues between Jamaica and Haiti. Police and customs officials also target marijuana shipments smuggled via commercial shipping directly to the United States.

Jamaica prohibits the manufacture, sale, transport, and possession of MDMA (ecstasy) and methamphetamine and regulates the precursor chemicals used to produce them. There were no reports of synthetic drugs or precursor chemicals produced or trafficked in Jamaica in 2019. The National Council on Drug Abuse, the Pharmacy Council, and the Ministry of Health work to expand awareness among health professionals to reduce the potential for diversion of ephedrine and pseudoephedrine to produce methamphetamine.

U.S. law enforcement agencies work closely with Jamaican police and customs officials to develop leads, share information, and facilitate interdiction of drug shipments originating in or transiting through Jamaica.

3. Drug Abuse Awareness, Demand Reduction, and Treatment

The latest household study from 2016 found that 28 percent of the population had used marijuana at some point in their lifetime. The Ministry of Health’s National Council on Drug Abuse provides assessment, counseling, and treatment services for substance abusers as well as conducts prevention programs for targeted populations such as children. The Jamaican government operates one detoxification center and also offers services at Kingston’s Bellevue

Hospital (a mental health institution). The European Union's Cooperation Program on Anti-Drug Policies as well as the UN Office on Drugs and Crime works with the Jamaican government on demand reduction.

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 corruption, but in practice, corruption remains entrenched and widespread, and the judicial system has a poor record of prosecuting corruption cases against law enforcement and government officials. Corruption at Jamaica's airports and seaports facilitates the movement of drug shipments across borders, and organized crime leaders have historically had ties to government officials.

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

The U.S. and Jamaican governments coordinate closely on shared priorities related to narcotics control, including investigative capacity, customs cooperation, maritime security, and support to the judicial system.

The United States supports a wide range of efforts designed to address crime and violence affecting Jamaican 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 reduce illicit trafficking, increase public safety and security, and prevent youth crime and violence. CBSI support to Jamaica includes training, equipment, and logistical assistance for interdicting illicit drugs and trafficked firearms, as well as for combating money laundering, financial fraud, and other organized crime.

To increase public and government attention on the need for anticorruption reforms, the United States provides support to the non-governmental organization National Integrity Action (NIA). NIA trains government, civil society, and media partners to increase awareness and conducts campaigns to increase public demand for more effective action against corruption.

The U.S. government has supported the JCF's Narcotics Division as well as the JDF's Military Intelligence Unit and Coast Guard with equipment and training. The United States also funds projects to improve the effectiveness of prosecutors and the courts.

D. Conclusion

Cooperation between Jamaica and the United States related to drug trafficking and transnational crime continued to be strong in 2019. Progress against drug trafficking will significantly depend on efforts to combat corruption, increase extraditions, develop a national drug strategy, and strengthen the judicial system so drug traffickers are held criminally accountable.

Kazakhstan

A. Introduction

Kazakhstan remains a transit country for Afghan heroin and opium destined for markets in Russia and Europe. Law enforcement agencies in Kazakhstan reported an increase in heroin seizures in 2019 as compared to 2018, and also an increase in the trafficking of synthetic drugs produced locally and imported from Russia, China, Southeast Asia, and Europe, much of which is sold in the country via the internet. While Kazakhstan's membership in the Eurasian Economic Union (EEU) means easy movement of goods and services, the withdrawal of customs controls and reduced border management on its borders with Russia and Kyrgyzstan continue to ease the movement of illicit drugs by vehicle and train. The rapid growth of trade with and transit of goods from China through expanded border crossings, like the Khorgos dry port on Kazakhstan's eastern border, also opens new areas of vulnerability for illicit drug trafficking. Cultivation and trafficking of cannabis occurs in Kazakhstan, most of which originates in the southern Zhambyl region of the country. Synthetic drugs are a growing threat in Kazakhstan and seizures of clandestine synthetic drug laboratories increased in 2019.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Government of Kazakhstan prioritizes drug abuse prevention and law enforcement efforts targeting drug trafficking. Kazakhstan has integrated counterdrug activities into its National Security Strategy and implements drug demand reduction and treatment programs in line with its 2016-2019 national healthcare program.

On July 5, 2019 Kazakhstan adopted legislation that makes any analogues to illegal synthetic drugs (i.e., drugs whose composition was intentionally changed from the original drug) also illegal. The law fills a gap exploited by traffickers who made small changes to the chemical makeup of drugs which then removed them from the list of illicit substances, while retaining their psychoactive properties. This measure allows for the control of over one thousand known illicit synthetic drugs. The Ministry of Internal Affairs (MVD) has drafted legislation that, if adopted, would criminalize the sale of narcotics on the internet.

2. Supply Reduction

All overland trafficking routes of opiate trafficking from Afghanistan to Russia and Europe pass through Kazakhstani territory. Despite this, opiate seizures in Kazakhstan remain very low. During the first nine months of 2019, 20 metric tons (MT) of all types of illicit drugs were seized in Kazakhstan, as compared to 18.9 MT for the same period in 2018. That total includes 84 kilograms (kg) of heroin (an increase over the 55 kg in 2018), 593 kg of hashish (compared to 740 kg in 2018), 781 grams of opium (7.4 kg in 2018), and seven MT of cannabis (compared to 16.4 MT in 2018). In the first nine months of 2019, 5,800 drug-related offences were recorded, including 1,208 cases of drug sales, and 230 instances of drug smuggling. In the same period,

the MVD disrupted five organized crime groups, (compared to nine in 2018) and started two drug-related money laundering cases.

The use of synthetic drugs continued to grow in 2019. During the first nine months of 2019, eight kg of synthetic drugs were seized, including three kg of pyrovalerone, 114 grams of fentanyl, 517 grams of MDMA, and 636 grams of methylmethcathinone. The MVD monitors websites for advertising with drug-related content and to date over 5,000 websites have been detected and reported to the Ministry of Information and Social Development.

Kazakhstan is a strong supporter and contributor to the Central Asian Regional Information and Coordination Center (CARICC) located in Almaty, Kazakhstan. CARICC's role is to facilitate the collection, coordination and exchange of drug related information between law enforcement agencies from its seven member states.

3. Public Information, Prevention and Treatment

The MVD counternarcotics department, working with the Ministries of Health and Education and Science and non-governmental organizations (NGOs), conducted 5,000 drug demand reduction and healthy lifestyle events during the first nine months of 2019, reaching over 289,000 people. Much of that messaging focused on the use of synthetic drugs and prescription and over-the-counter medicines. Among its efforts, Kazakhstan implemented the Strengthening Families program in Pavlodar city schools for the parents of children ages 10-14 years with the United Nations Office on Drugs and Crime. The project works with parents and children to strengthen bonds between them and build resiliency to prevent drug abuse, crime, and other risky behaviors among youth.

The United States supported a pilot drug abuse prevention project in two regions of Kazakhstan based on the methods of the Community Anti-Drug Coalitions of America. The goal of the project is to bring together local government, NGOs, and community members to work together to prevent and treat drug abuse. The United States also joined with the Ministry of Healthcare, the World Health Organization (WHO), and the United Nations Children's Fund to incorporate a WHO-developed Intervention Guide into the primary healthcare system. The main objective of the project is to train general practitioners to identify drug use symptoms among patients and refer them to appropriate treatment services.

Anecdotal information suggests that heroin addiction is declining in Kazakhstan, due in part to the cost and lack of availability of the drug in comparison to less expensive and more widely available synthetic drugs and tramadol. By law, tramadol, an opioid pain killer with similar effects as heroin in high doses, is only available in Kazakhstan with a prescription, but is easily obtained without one.

4. Corruption

While public sector corruption is a serious problem in Kazakhstan, the Government of Kazakhstan does not, as a matter of policy, encourage or facilitate illicit drug production or distribution, nor is it involved in laundering the proceeds of the sale of illicit drugs.

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

Kazakhstan is working to identify and combat sea-based smuggling routes through the Caspian Sea, and to strengthen its land borders. Those efforts are supported by the U.S. government through training. Other training assistance is provided to increase capacity to investigate the sale of drugs via the internet and strengthening Kazakhstan's analytical abilities. The United States has agreements with the MVD and the Committee for National Security to assist with criminal investigations and information gathering.

D. Conclusion

The government is open to drug control cooperation with international partners, including the United States and is taking steps to combat existing and emerging public health and national security threats posed by transnational crime and addiction. However, significant opiate trafficking through Kazakhstani territory as well as the continued growth in the availability of synthetic drugs, the facilitation of these sales over the internet, and ease of access to tramadol are very concerning and warrant further action.

Kenya

A. Introduction

Kenya is a significant transit country for a variety of illicit drugs, including heroin and cocaine, and domestic drug consumption is growing within the country. Precursor chemicals used to produce methamphetamine and other illicit drugs continue to transit Kenya. Cannabis and miraa (khat) are grown domestically for both local use and export.

Heroin originating from Southwest Asia enters Kenya both from direct shipping across the Indian Ocean from launch sites along the Makran Coast in Pakistan and Iran, and, increasingly, from countries to the south, transiting Tanzania and Mozambique. Most of the heroin entering Kenya is destined for international markets across the globe, particularly in Europe. Domestic heroin abuse is a growing threat in Kenya, particularly in the coastal areas, including the main port city of Mombasa. Cocaine enters Kenya primarily via direct flights from South America to Ethiopia with subsequent land transport to Kenya. Kenya has seen an increase in cocaine investigations over the past year.

Limited maritime enforcement capabilities on Kenya's Indian Ocean coastline hampers drug interdiction. Kenya is taking steps to improve its maritime security by building the capacity of its new Kenya Coast Guard Service. Enhanced enforcement efforts undertaken by Kenyan authorities in recent years has made it common for ocean going dhows transporting heroin into East Africa to bypass Kenya in favor of less protected Tanzanian and Mozambican shores, with subsequent land transport to Kenya or neighboring Uganda.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Kenya continues to improve its ability to conduct narcotics investigations and successfully target and arrest traffickers operating within Kenya. Kenya's primary narcotics enforcement agency, the Anti-Narcotics Unit, is seen as the leading agency in drug law enforcement in East Africa. The Unit is continually improving its ability to conduct international investigations through ongoing liaison activities with neighboring countries.

The Kenya government has supported anti-narcotics efforts by increasing the number of officers assigned to special narcotics units and supporting laws to enhance investigative capabilities. Legislation has been proposed to enhance Kenyan law to give greater investigative tools to law enforcement to investigate upper level violators.

Kenya's justice sector requires further improvements to effectively prosecute drug trafficking cases. Efforts are underway to implement programs to enable plea bargaining and alternative sentencing to speed up judicial proceedings and provide new incentives to cooperate with authorities to advance drug trafficking investigations.

2. Supply Reduction

Kenya law enforcement continued efforts in 2019 to reduce the supply of heroin, cocaine, marijuana and other drugs entering Kenya through increased targeting of international traffickers. By targeting drug trafficking organizations instead of individual traffickers, Kenya can more effectively prevent large shipments of drugs from entering or transiting Kenya. Multi-kilogram seizures of heroin are becoming more frequent within Kenya, primarily due to the increased diligence and capability of the Kenya Police Service.

During the first nine months of 2019, the ANU initiated 1,502 drug cases that led to 1,544 arrests, and seized approximately 56.8 kilograms (kg) of heroin. The ANU also seized approximately 7.9 metric tons of cannabis during this period, as well as 3.6 kg of cocaine and trace amounts of methamphetamine. Approximately \$177,000 in cash and property linked to suspected drug trafficking cases were also seized. Using modern surveillance techniques and forensics, Kenyan authorities conducted significant investigations in 2019 targeting police and judicial officials involved in drug conspiracies. Several cases had a U.S. trafficking nexus, including some with a nexus to wildlife trafficking also targeted by the U.S. Fish and Wildlife Service.

3. Public Information, Prevention, and Treatment

Both law enforcement and health officials have expressed concern about the rising use of illicit narcotics and are actively seeking effective programs to address a growing problem. Drug treatment programs that have significant emphasis on harm reduction strategies remain controversial. Kenyan authorities attempt to keep the public aware of the threat of drugs through television and programs such as NACADA, a demand reduction organization focused on educating Kenyan citizens throughout the country of the dangers of drug and alcohol abuse. Public events, such as the widely publicized public destruction of 90 kilograms of cocaine in November 2019, are designed to keep the matter of drug trafficking and use at the forefront of the Kenyan public.

4. Corruption

Drug trafficking is both a source and a driver of corruption in Kenya, particularly official corruption. Although Kenya has long been plagued by high levels of public corruption, the government has taken concerted efforts to reduce the problem, both drug-related and non-drug related. The newly revitalized and strengthened Internal Affairs Unit of the National Police Service pays particular attention to possible drug-related corruption in police ranks, both in the NPS Anti-Narcotics Unit and in the force more broadly. Kenya's National Ethics and Anti-Corruption Commission also maintains oversight of drug-related corruption. Kenya law enforcement has supported U.S. investigations into drug related corruption, as well as conducted their own investigations into corrupt officials, directly or indirectly, involved in drug related crimes, such as money laundering and obstruction of justice.

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

The Government of Kenya is deeply committed to countering the flow of drugs through and into its territory, and its efforts have had some impact in deterring drug trafficking networks from exploiting its territory. With U.S. support, the Kenyan government is working to expand its liaison and communication with drug enforcement counterparts in East Africa, including by assigning Kenyan liaison officers to other drug enforcement agencies. The United States is also assisting the Kenyan government to expand its use of plea bargaining and alternative sentencing in drug-related cases to facilitate the investigation and prosecution of transnational narcotics networks.

The United States is committed to continuing its bilateral cooperation with Kenya to counter drug trafficking. Kenya has been very receptive to DEA mentoring programs offered and continues to support U.S. drug trafficking investigations on a regular basis. The United States has helped Kenya establish specialized drug investigative units and has provided advanced training and mentoring to these units.

D. Conclusion

Kenya continues to face the threat of drugs flowing to and through the country and the ancillary corrupt activities associated with drug trafficking. Kenya's government will need to remain vigilant and aggressively pursue drug traffickers and continue efforts at the grassroots level to reduce drug demand.

Kyrgyz Republic

A. Introduction

The Kyrgyz Republic lies along a significant transit route for illicit drugs moving north from Afghanistan to Russia and to a lesser extent, Europe. The Kyrgyz Republic's geographic location, limited resources, and weak criminal justice system make it a prime transshipment location. The 2019 UN World Drug Report noted a decline in opiate trafficking from Afghanistan through Central Asia to the Russian Federation. While the reason for this reported decline is not clear, the report speculated that the decline may be due to a shift in demand to synthetic drugs in destination markets, or successful regional law enforcement initiatives. However, the volume of opiate seizures in the Kyrgyz Republic is relatively small in comparison to the estimated volume of drugs transiting the country. The Kyrgyz Republic lacks accurate information on its domestic illicit drug use, and while anecdotal information indicates that plant-based drug use such as heroin is not a significant issue, the Kyrgyz Republic and other Central Asian countries are concerned about the rise in synthetic drug use. The Kyrgyz Republic has shown a commitment to fighting drug use. President Jeenbekov criticized what he identified as ineffectual judicial efforts on drug trafficking cases at the Congress of Judges in March 2019. In October, Prosecutor General Dzhamshtov stated publicly that the Kyrgyz Republic will continue to work on identifying new types of psychoactive substances and coordinate law enforcement activities to improve drug interdiction and enhance its border controls, despite resource and capacity constraints.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Kyrgyz Republic's national drug control strategy is codified under its 2014 National Anti-Drug Program and Action Plan to counter drug use and crime in the country. In 2016, the State Service on Drug Control of the Kyrgyz Republic (SSDC) and the Main Directorate on Combating Illicit Drug Trafficking under the Kyrgyz Ministry of Interior were merged into the Counter Narcotics Service (CNS) under the jurisdiction of the Kyrgyz Ministry of Interior (MOI). As a result, enforcement efforts against illicit drugs and their precursors now resides with the CNS, while responsibility for regulating licit narcotic drugs has been transferred to the Ministry of Health. In March, the CNS finalized its internal re-organization and received the status of a "separate legal entity" with financial autonomy under the MOI, though with a 20 percent shortfall in its budget. In April 2019, the CNS created a separate department for Mobile Operational Teams to be deployed throughout the country with a main operational location at the CNS premises in the southern city of Osh.

The Kyrgyz Republic is a member of the Central Asian Regional Information and Coordination Center (CARICC), which promotes regional information sharing and coordinates operations to combat transnational drug trafficking.

The Kyrgyz Republic does not have an extradition agreement with the United States, but is a signatory to multilateral legal instruments that can be used to facilitate cooperation.

2. Supply Reduction

Seizures of illicit drugs, particularly opiates, remain low as a percentage of the estimated volume of drugs transiting the Kyrgyz Republic. During the first nine months of 2019, there was an overall increase in the detection of drug-related crimes and in drug seizures compared to the same period in 2018. The country's law enforcement agencies registered 436 drug-related criminal cases versus 299 cases in 2018, and investigated 242 of these cases through October. The total volume of illegal drug seizures for all law enforcement agencies was approximately 16 metric tons (MT), including psychotropic substances and precursor chemicals (compared to approximately 15 MT in 2018). The MOI's Press Service reported the interdiction of approximately 15 MT of cannabis; one MT of precursor chemicals; 14 kilograms (kg) of heroin; three kg of opium; 170 kg of hashish; and 459 kg of marijuana.

3. Public Information, Prevention, and Treatment

The Kyrgyz Republic works to reduce demand for illicit drugs and rehabilitate drug users through cooperation with international partners, including the United States. U.S. assistance supports improving access to quality drug prevention and treatment services, and includes support for high-level advocacy meetings and technical expert groups; reviewing policy and legal documents; and building the capacity of health care workers and civil society organizations to assist key populations.

According to UNAIDS and a non-governmental organization, there were an estimated 18,000 to 25,000 injecting drug users in the Kyrgyz Republic in 2016. Most local stakeholders, however, dispute that estimate and believe the actual number of users to be lower.

4. Corruption

The government does not encourage or facilitate drug trafficking or related activities as a matter of policy, but there are instances of corruption among law enforcement agencies. There were no convictions of high-level officials involved or associated with drug trafficking in 2019, but some police officers were convicted of drug trafficking charges.

While Kyrgyz law provides criminal penalties for public officials convicted of corruption, the government does not implement the law effectively. The new criminal code established in 2019, however, introduced criminal liability of legal entities for bribery. The payment of bribes to avoid investigation or prosecution is problematic at all levels. Likewise, law enforcement officers, particularly in the southern part of the country, employ arbitrary arrest, detainee abuse, and the threat of criminal prosecution to extort cash payments from citizens.

Kamchybek Kolbayev, the leader of a notorious crime syndicate based in Central Asia who has been under U.S. Department of the Treasury sanctions since 2012, allegedly continues to live in the Kyrgyz Republic after he was released from prison in 2014 after serving only one year of an 18-year sentence for drug trafficking and other crimes.

The anticorruption branch of the State Committee for National Security is the only government body empowered to investigate corruption amongst high officials and corruption risks that threaten national security. The State Service for Combatting Economic Crimes (Financial Police) is empowered to investigate corruption in civil and economic areas. The Prosecutor General's Office is empowered to file corruption cases against state officials. It is not an independent government entity. The agency's cooperation with civil society is limited, and its investigations lead to very few prosecutions.

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

The MOI, the State Customs Service, and the State Border Service have demonstrated little willingness to engage U.S. authorities on counternarcotics efforts. A proposed memorandum of cooperation between the MOI and the U.S. Drug Enforcement Administration (DEA) to update a previous memorandum stalled in the approval process, and in May 2019, the DEA office in U.S. Embassy Bishkek closed. However, during the July 2019 Annual Bilateral Consultations and in the monthly bilateral Law Enforcement Working Group, MOI representatives requested assistance from the United States for counternarcotics programs. In 2019, a representative from the Kyrgyz CNS with U.S. funding attended the DEA-organized 36th International Drug Enforcement Conference in Baku.

D. Conclusion

The Kyrgyz Republic's need for international drug control cooperation will continue given its location on transnational drug trafficking routes. Demarcating the Kyrgyz Republic's borders with Tajikistan could help coordinate cross-border interdiction efforts and information sharing on drugs trafficked from Afghanistan. Further efforts are needed to tackle corruption and target transnational organized criminal networks operating the country. The State Border Service's inability to seize any significant amounts of heroin over the past two years is deeply concerning. The one positive development from 2019 is the MOI's increasing willingness to partner with neighboring countries and the international community to tackle drug-related problems.

Laos

A. Introduction

Laos is a major drug source country of illicit opium cultivation, and a significant transit hub and consumer of other illicit drugs, particularly amphetamine-type stimulants (ATS). Most of the opium grown in Laos is destined for export and refinement into heroin, with only a small percentage consumed in Laos. Laos is not a significant source of opiates trafficked to the United States. ATS production within Laos seems to be limited, but seizure data indicates that ATS trafficking into Laos from neighboring countries is increasing in frequency and volume, fueling rising drug use within the country. Laos shares approximately 3,000 miles of porous land and riverine borders with Burma, Thailand, China, Cambodia, and Vietnam. Although infrastructure remains rudimentary, improvements in roads, bridges, and communication networks in Laos increase opportunities for drug trafficking.

Poppy cultivation in Laos has decreased considerably as a result of aggressive government action and international cooperation, particularly through assistance from the United States. Although significant amounts of opium poppy are still grown in Laos, often in remote and difficult-to-access areas, overall cultivation appears to be declining. According to the most recent UN Office on Drugs and Crime (UNODC) Laos Opium Survey, Laos cultivated an estimated 6,200 hectares (ha) of opium poppy in 2014 and 5,700 ha in 2015. Another survey, completed by Lao and Chinese technical staff, found 5,328 ha of opium poppy in 2017, and in August, the Lao Bureau for Drug Control and Supervision (LBDC) stated that 4,925 ha of opium poppy were cultivated within Laos in 2018. The U.S. government's most recent partial estimate from 2016 indicated 4,200 ha of poppy under cultivation in Phongsali Province.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Since 1989, the United States has provided Laos approximately \$52 million in law enforcement and drug control assistance. The top policy-making body for drug control is the National Steering Committee to Combat Drugs (NSCCD), chaired by the prime minister. LBDC and the Counternarcotic Police Department (DCD), which fall under the Ministry of Public Security, are the main coordinating bodies for drug-related law enforcement activities. Lao drug police are organized into 18 provincial Counter Narcotics Units (CNUs), one for each province and Vientiane Capital.

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. While the Lao are receptive to training opportunities, bilateral cooperation with the United States on international drug trafficking investigations has been limited.

2. Supply Reduction

Lao drug control authorities have increased their cooperation over the past several years on border control and interdiction with counterparts in neighboring countries. In 2017, Laos joined other Association of Southeast Asian (ASEAN) member states in adopting the ASEAN Cooperation Plan to Tackle Illicit Drug Production and Trafficking in the Golden Triangle (2017-2019). The plan represents a concerted effort to reduce drug trafficking and production in the border region historically known as the Golden Triangle, and builds on both the Safe Mekong Joint Operation Project, which began in 2013, and the ASEAN Work Plan on Securing Communities Against Illicit Drugs (2016-2025). The Safe Mekong Joint Operation Project on Drug Control is specifically focused on disrupting the flow of drugs out of the Golden Triangle and intercepting the flow of chemical precursors into the Golden Triangle. The partner countries are China, Laos, Thailand, Vietnam, Burma, and Cambodia.

In August 2019, LCDC reported the following seizures for the first six months of 2019: 112.7 kilograms (kg) of heroin; 9.6 kg of opium; 1,043.5 kg of cannabis; 2.52 metric tons (MT) of crystal methamphetamine; 13,510,248 ATS tablets, and slightly over 10 MT of precursor chemicals. During this same period, DCD investigated 1,763 drug cases and arrested 2,607 people, including 49 foreign nationals. Statistics for the second half of the year were not available at the time of this report.

In 2016, the U.S. government launched a three-year, \$1.5 million alternative development program with the UNODC in Houaphan province. The project focus includes the development of coffee plantations and improved technology for livestock production. In 2018, the United States signed a Letter of Agreement (LOA) with the Lao Department of Customs focused on improving border security and disrupting the flow of illicit substances into Laos, and in 2019, the United States added an additional \$5.4 million to the LOA. The United States also has an LOA that allows capacity building training with Lao CNU.

3. Public Information, Prevention, and Treatment

The current Lao government, led by Prime Minister Thongloun Sisoulith, has made combating illicit drugs a top priority, and the Lao government has increased efforts to raise awareness of the risks and negative consequences of illicit drugs through mass media.

ATS use is thought to be concentrated among Laos' youth, mostly consumed as “yaba,” a mixture of methamphetamine and caffeine that is inexpensive and readily available. The Lao government figure of 40,000 consumers in Laos likely underestimates usage.

Government drug treatment facilities lack resources to provide evidence-based treatment and post-discharge follow-up. To support demand reduction, the United States advocates the adoption of community-based, voluntary treatment and has provided funding to the UNODC to establish and operate 28 community-based treatment centers providing screening and counseling services at district hospitals across six provinces; and to provide training for Lao National Trainers on the U.S.-developed Universal Prevention and Treatment Curriculums.

4. Corruption

The Lao 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, and the prime minister has made anticorruption efforts an important part of his administration. However, salaries for police, military and civil servants are low, and corruption in Laos remains endemic.

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

The Lao government approved a national drug control strategy document, the “National Drug Control Master Plan 2016-2020,” in May 2016. The master plan, developed with support from the United States and UNODC, articulates nine priorities for the Lao government, including:

- Formulation and improvement of legal instruments concerning narcotics;
- Data/Information collection and analysis;
- Education/Training/Dissemination of the laws and adverse consequences of drug abuse;
- Treatment and vocational training for drug addicts;
- Alternative development;
- Law enforcement;
- Precursor control;
- International cooperation; and
- Streamlining the organizational machinery of the national commission for drug control and supervision at the central and local levels.

The master plan implements the country’s national drug law and calls for a budget of \$18 million over five years. Funds for implementing the plan are expected to come from the Lao government and international donors.

The United States supports Laos’ goal to strengthen the rule of law by 2020 and to create a better environment for combating transnational crime. Most U.S. counterdrug assistance to Laos supports law enforcement, including training for the DCD, CNUs, and customs department.

D. Conclusion

Drug control cooperation between Laos and the United States is increasing and focuses on border security and improved law enforcement capacity. Drug trafficking networks across Southeast Asia span international borders, requiring strong regional law enforcement capacity and cooperation. Laos’ drug enforcement institutions lack resources necessary to counter the increased sophistication of drug-related crime that has accompanied the country’s economic integration into the global economy.

Liberia

A. Introduction

While Liberia is not a significant transit country for illicit narcotics, the country's nascent law enforcement capacity, porous border controls, and proximity to major drug transit routes contribute to trafficking to and through Liberia. Liberia is not a significant producer of illicit narcotics, though local drug use, especially marijuana, is common. Other drugs consumed within Liberia include heroin (mostly smoked) and cocaine (snorted). Local authorities report an increased prevalence of amphetamine-type stimulants and intravenous drug use. Due to poor transportation and communications infrastructure and a lack of capacity and interest within the Government of Liberia, there is no reliable data on drug consumption or overall trends within Liberia. Most locally consumed drugs enter Liberia via commercial aircraft and maritime vessels, and across land borders, by foot and vehicle traffic. Drug use among the country's youth is a growing public concern.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Liberia National Police (LNP), Coast Guard, National Security Agency, and the Liberian Drug Enforcement Agency (LDEA) share responsibility for combating drug trafficking within Liberia. Established Nigerian criminal networks operate within Liberia, some of which traffic drugs. Local authorities work with the United States and other international partners to combat transnational crime. With U.S. assistance, the LDEA developed a database to track investigations in 2019. The LDEA also expanded coordination with Interpol's West African Police Information System and the organizations plan to share regional information on trafficking networks. LDEA has also taken steps to improve internal standard operating procedures for international requests, and continues to increase its personnel administrative capacity through a new human resources development plan.

Liberian investigations and prosecutions of drug trafficking has improved since the 2014 LDEA Act and Controlled Drugs and Substances Act came into effect. Notably, in 2016, the LDEA facilitated the transfer and arrest of a Pakistani heroin dealer and U.S. designated kingpin wanted by the U.S. Drug Enforcement Administration, which resulted in his conviction in a U.S. court in May 2018. On November 5, 2019, this convicted trafficker received a 15-year prison sentence. The LDEA continues to improve its operational capacity and professionalism through using confidential sources; working with private businesses; initiating controlled deliveries; investigating international smuggling groups; and inter-agency coordination.

The U.S.-Liberia extradition treaty dates from 1939 and is in effect. While no mutual legal assistance treaty between Liberia and the United States exists, Liberia is a party to multilateral conventions that enable such cooperation.

2. Supply Reduction

Local marijuana production is not seen as a major concern by the public, and while there is little information on the extent of local cannabis cultivation, or on local trafficking networks, marijuana is clearly the most widely available drug in the country. In 2019, the LDEA eradicated four cannabis farms destroying five metric tons (MT) of cannabis.

The LDEA's growing effectiveness resulted in higher drug seizure totals in 2019. During the first ten months of the year, the LDEA seized approximately 7.43 MT of marijuana, 46 kilograms (kg) of heroin, 3.4 kg of cocaine, and 10 liquid liters and 20 cases of 50 ml tramadol. Also in 2019, the LDEA made significant progress to combat international drug trafficking by air couriers and successfully interdicted four foreign nationals and seized 24 kg of heroin at Roberts International Airport. In 2019, the LDEA presented eighteen cases that were successfully prosecuted, resulting in a total of 53 years of prison sentences. The LDEA also conducted twelve local trainings and participated in eight international trainings during the year, with 416 LDEA personnel receiving some form of training.

3. Public Information, Prevention, and Treatment

There is no recent data available on current drug use within Liberia, though anecdotal reports indicate that drug use has increased in the emerging middle class and is common in the expat and Lebanese communities.

Due to a lack of resources and capacity, the government has conducted very little drug prevention, rehabilitation or treatment since the 1970's (pre-civil war), with persons with substance use disorders referred to the only psychiatric hospital in Liberia or to one of the few non-governmental organizations working in the field. A bright spot was the June 26 event hosted by the LDEA to mark the International Day Against Illicit Drugs-World Drug Day. With U.S. support, the program achieved the largest public turnout since it was first held in 2003. The event promoted drug demand reduction and community engagement in fighting drug use, underscored enforcement efforts, and highlighted Liberian inter-agency cooperation to combat drug trafficking and transnational crime. This year's event culminated in the public destruction (burning) of seized drugs, an action widely covered in the media with LDEA demonstrating a new level of transparency. At this event the LDEA destroyed 2.32 MT of marijuana; 40.2 kg of heroin; 5.2 kg of cocaine; 265 kg of khat; 1.5 kg of methamphetamine; 20 cases of 50 milligram amphetamine-type stimulants; and 10 liquid liters of tramadol, all worth an estimated total street value of \$2.63 million.

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.

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

The United States is working with the Government of Liberia to fight international drug trafficking and reduce local demand. Among ongoing initiatives, the United States is funding a \$2.5 million project through the UNODC to enhance Liberian law enforcement capacity to counter transnational crime and trafficking of drugs and other contraband. U.S. assistance seeks to build the Government of Liberia's capacity to develop criminal cases against international trafficking organizations active in the country, and encourage judicial application and attorney understanding of anti-drug laws. Many of the seizures and successful cases recorded in 2019 are a direct result of U.S. support and international cooperation.

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. Despite significant constraints, the LDEA is also working with other regional drug enforcement entities to exchange intelligence and information – collaboration that has led to the successful arrest and prosecution of international traffickers within Liberia's borders. After years of effort to overcome institutional and political resistance, the LDEA has deployed to all of Liberia's official ports of entry. Given the increases in LDEA capacity, judicial acceptance, and successful prosecutions, it is anticipated that 2020 will see significant advancements in LDEA efforts. 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 not a significant source country or transit point for U.S.-bound illicit drugs. The country's illicit drug market has rapidly shifted from heroin to methamphetamine and transnational criminal organizations are attempting to expand crystal methamphetamine production within the country. Drugs smuggled into Malaysia include crystal methamphetamine, heroin, marijuana, MDMA (ecstasy), cocaine, and ketamine. The most commonly used new psychoactive substance in Malaysia remains ketamine and kratom, also known as ketum. In an attempt to counter this, the government is planning to amend the Poisons Act 1952. Authorities also note an increase in trafficking of the pharmaceutical drug nimetazepam. There is no notable cultivation of illicit drug crops in Malaysia and local demand and consumption is minimal.

Although the Royal Malaysian Police are effective in arresting drug offenders, Malaysian prosecutors have shown limited success in prosecuting and convicting drug traffickers in part due to legal constraints. Coupled with the high burden of proof required for a drug trafficking conviction, prosecutors are limited in their ability to charge and prosecute such cases. In June 2019, Malaysia proposed removing criminal penalties for possession and use of drugs in small quantities to better allocate resources targeting drug trafficking.

While Malaysian authorities believe heroin and MDMA trafficking through the country decreased in 2019, the volume of methamphetamine seized in the country continued to rise, continuing a multi-year trend and consistent with similar patterns across Southeast Asia. The growing availability of methamphetamine is attributed by authorities to increased production in Myanmar, as well as new smuggling methods and routes into Malaysia. Although there is no indication of a market for cocaine in Malaysia, the country is utilized as a transit point by criminal networks trafficking the drug to Australia. Malaysian authorities seized approximately \$216 million worth of drugs during the first eight months of 2019, according to the latest Malaysian government statistics available. Consistent with previous years, synthetic drugs transiting through Malaysia indicate that production increased year-over-year.

Malaysia has both extradition and mutual legal assistance treaties with the United States and is generally cooperative in these cases. The United States continues to send Malaysian police to counternarcotics training at the International Law Enforcement Academy in Bangkok. The U.S. Coast Guard continued its maritime law enforcement training program with the Malaysian Maritime Enforcement Agency. In 2020, the United States will seek to promote further coordination between Malaysian and U.S. law enforcement, including joint interdiction efforts, information sharing, and training to improve Malaysia's investigative and prosecutorial capacity.

Mali

Mali is a transit point for illicit drugs trafficked mostly to Europe. Historic socioeconomic and political tensions exacerbated by insecurity and poor governance, as well as widespread corruption, pose challenges to the government's modest drug interdiction efforts. Much of northern Mali is controlled by armed groups that engage in trafficking activity, including of illicit drugs. Drug trafficking in Mali is concentrated primarily along the country's northern and southern borders, with some activity along the western border as well. Mali's 4,500 miles of borders are mostly uncontrolled, and the movement of most goods is unregulated. Mali's government and traditional and religious leaders are increasingly concerned about the use of illicit drugs among the population, particularly among young people. Senior government officials have requested international assistance in both interdicting and combatting the growing use of illicit drugs in the country. In response, the United States supports several ongoing security and governance programs and continues to evaluate new opportunities for engagement.

Mali's Ministry of Internal Security and Civil Protection (MOS) has a dedicated office for drug control, the interagency Central Narcotics Office (OCS), with approximately 160 officers detailed from the National Police, the Gendarmerie, and the customs unit. Given their limited capacity and requests for support, the United States sponsored a drug investigation training course for 31 members of the OCS in September and plans to train all OCS members to the same baseline. Although the MOS maintains international liaison relationships, regional drug control cooperation is nascent at best. To enhance regional collaboration and advance coordination to combat drug trafficking, the United States supported a regional workshop in Bamako, Mali, which convened counternarcotics law enforcement leadership and operational commanders from across West Africa.

Mali and the United States share common goals of reducing the use and trafficking of illicit drugs and of denying extremists access to revenue from the sale of such contraband. However, recent reports indicate evidence of drug-related corruption and complicity among local government and law enforcement officials in some Malian communities. These findings underscore the need for broad institutional reform that extends from frontline officers through the MOS.

Mexico

A. Introduction

Mexico remains a significant source and transit country for cocaine, heroin, marijuana, methamphetamine, and synthetic opioids destined for the United States. Over 90 percent of the heroin seized and sampled in the United States comes from Mexico, and those samples have increasingly included fentanyl. Mexico is also a main transit country for cocaine from South America, a transit route and destination for fentanyl and associated precursors originating from China, and a source for fentanyl and fentanyl-laced counterfeit pills produced in Mexico and destined for U.S. markets. Transnational criminal organizations engage in drug trafficking and other illicit activities, aided by corruption and high levels of impunity. The United States works with Mexico to reduce the supply and trafficking of illegal drugs and precursor chemicals. Mexico's Office of National Drug Policy (ONPD) oversees counter drug efforts broadly and assists in the execution of several U.S. government-supported counternarcotics programs.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

President Andres Manuel Lopez Obrador assumed office on December 1, 2018. His administration has expressed a commitment to reducing crime and violence, including through the creation of a new National Guard and Civilian Public Security Ministry (SSPC). Mexico's proposed 2020 federal budget for justice and national security increased 7 percent compared to 2019. Effective investigations and implementation of an adversarial criminal justice system remain uneven while the majority of crimes go unreported. The Lopez Obrador administration is considering cannabis legalization and regulation as a purported crime-reduction measure. Mexico lacks a whole of government drug control strategy with goals for reducing drug production and trafficking.

The current U.S.-Mexico extradition treaty has been in force since 1980. A bilateral mutual legal assistance treaty in force since 1991 fosters a broad range of cooperation in criminal matters. Mexico actively engages with Canada and the United States in the North American Dialogue on Drug Policy (NADD) and the North American Maritime Security Initiative (NAMSI) to share information, improve response to transnational threats, and develop protocols for maritime interdictions.

2. Supply Reduction

Within the Office of the Prosecutor General (FGR), the National Center for Planning, Analysis, and Information to Combat Crime (CENAPI) publishes drug eradication and seizure statistics for civilian law enforcement agencies in Mexico. According to CENAPI, in calendar year 2018, Mexico eradicated 2,258 hectares (ha) of cannabis and 21,556 ha of opium poppy. During the first six months of 2019, Mexico eradicated 592 ha of cannabis and 6,150 ha of opium poppy. Also during the first six months of 2019, Mexico reportedly seized 6.3 metric tons (MT) of cocaine (a 14 percent increase compared to the same period in 2018); 91.2 MT of marijuana (18

percent decrease); 33.1 kg of opium gum (14 percent decrease); 9.6 MT of methamphetamine (52 percent increase); 315 kg of heroin (no change); 157.3 kg of fentanyl (94 percent increase); and 19 clandestine laboratories (18 fewer than during the same period in 2018).

Since Mexico does not have a reliable and centralized reporting system for eradication and seizure data, the majority of drug seizures go unreported. As a result, it is difficult to measure how interdiction efforts compare from year to year. The United States is working with the Government of Mexico to establish protocols for reporting all seizures to Mexico's central data repository for crime statistics in CENAPI to improve national data collection on illicit drug seizures. Meanwhile, the Mexican government supports a program with the United Nations Office on Drugs and Crime (UNODC) to measure poppy cultivation, opium yield, and morphine content, while a separate U.S.-supported UNODC program helps Mexico measure, verify, and plan its eradication of illicit crops. The Mexican Army (SEDENA – Secretaria de la Defensa Nacional) pursued continued engagement with U.S. government agencies to build its counternarcotics capacity in 2019. SEDENA conducted multiple synthetic drug seizures, including over 293,000 pills containing fentanyl since December 2018.

The United States collaborates with FGR and the Mexican Navy (SEMAR) to increase their ability to dismantle clandestine drug labs and to interdict precursor chemicals at seaports. Since June 2019, SEMAR's Naval Intelligence Unit (UIN) has operated an air base refurbished with U.S. support to conduct counternarcotics operations in Northwest Mexico. UIN took the lead role in coordinating clandestine lab seizures, and dismantled 46 clandestine labs and 24 precursor chemical storage facilities along with nearly 50 MT of methamphetamine during the first eight months of 2019. Still, methamphetamine production continues at an industrial level.

Canines donated by the United States to Mexico made significant seizures of illicit drugs in 2019, including fentanyl and its precursors. During the first six months of 2019, canines donated by the United States to the Federal Police, FGR, and the Mexican Tax Administration Service (SAT) assisted in the seizure of 1,550 kg of methamphetamine, 26 kg of fentanyl, and 8,850 illicit firearms, among other contraband. The United States sponsors exchanges and training on combating synthetic drugs to promote awareness of the opioid crisis and the increase in seizures of fentanyl, its analogues, and other precursor chemicals in Mexico.

3. Public Information, Prevention, and Treatment

Mexico's National Commission Against Addictions (CONADIC) conducted the most recent national drug use survey in 2018. The study showed overall marijuana use at 8.6 percent (up from 6 percent in 2011); cocaine use at 3.5 percent; inhalants at 1.1 percent; and amphetamine-type stimulants at 0.9 percent. Studies conducted by the National Institute of Public Health and the National Institute of Psychiatry suggest low levels of fentanyl use in Mexico. Mexican government survey data shows drug use among minors has more than quadrupled since 2002. Local security officials throughout Mexico report that retail drug sales, especially of methamphetamine, are becoming a major security problem nationwide.

In July 2019, President Lopez Obrador launched a federal addictions strategy ("Together for Peace") to reduce drug consumption in Mexico through education and treatment. The United

States supports 30 drug treatment courts in six Mexican states to facilitate court-supervised drug treatment and social reinsertion, and expansion of this system to other states.

4. Corruption

As a matter of government policy, Mexico does not encourage or facilitate illicit drug production or distribution. Nevertheless, corruption continues to significantly impede Mexico's drug control efforts. President Lopez Obrador has taken specific legislative and political actions to combat Mexico's endemic corruption, including new asset forfeiture regulations and legislation to convert the Office of the Attorney General (PGR) into the more independent FGR. Many Mexican stakeholders see the creation of the FGR as an opportunity to reset the prosecutorial system, combat corruption, and support rule of law.

A number of high-ranking officials faced corruption-related charges in 2019, including a former social development minister; a lawyer for former President Enrique Peña Nieto; a former Supreme Court judge; and the former head of state-run oil company PEMEX. The PEMEX case marks the FGR's first major anticorruption prosecution against a high-level official.

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

The Merida Initiative is the U.S. government's primary mechanism to implement civilian security assistance in Mexico and funding from this program plays a key role in addressing the opioid crisis through projects aimed at stopping narcotics production and trafficking. Merida Initiative projects build Mexico's capacity to attack the illicit drug supply chain, from production and distribution to illicit markets and revenue.

The governments of Mexico and the United States formed the U.S.-Mexico High-Level Security Group, which includes a Drug Policy Sub-Group to guide cooperation on counternarcotics issues. Both sides agreed to work on a comprehensive and holistic counternarcotics strategy for Mexico. In addition, the group agreed on three joint areas of focus: maritime container control; the mail-based fentanyl supply chain; and the tracking and safe destruction of precursor chemicals.

D. Conclusion

Despite collaboration and progress in some areas, the volume of dangerous drugs entering the United States from Mexico and violent crime within Mexico fueled by transnational criminal organizations remain alarmingly and unacceptably high. In response, Mexico needs to develop and implement a comprehensive strategy to reduce drug production and trafficking, particularly of synthetic opioids, and to deprive transnational criminal organizations of their assets and fire power. Both governments must define shared goals to reduce impunity for transnational criminal organizations and measure results in support of this strategy. Smart metrics should include the reduction of synthetic drug production, opium poppy cultivation, and heroin production. Performance metrics should also focus on increasing the number of investigations and prosecutions of transnational organized crime cases, as well as drug interdictions at all air, sea, and land ports of entry and exit, and through the mail system. To deprive transnational criminal

organizations of the ability to operate and profit, the United States will continue to work closely with the Government of Mexico to bolster its counternarcotics operations and demonstrate tangible results.

Morocco

Morocco remains one of the world's top cannabis-producing countries, with Europe being a primary market. Due to a marked increase in seizures by law enforcement and the deployment of X-ray scanners at the Port of Tanger-Med, traffickers appear to be decreasing their use of commercialized containers for smuggling activity and increasing their use of "go-fast" boats and non-commercial vessels to smuggle hashish into Spain. Moroccan hashish is also smuggled south into Mauritania, and then moved across Mali and Niger into Libya for onward transshipment and distribution. Moroccan hashish is also smuggled to South America and the Caribbean, where traffickers exchange the hashish for cocaine and transport the latter to Europe for distribution. Traffickers are expanding internal routes by moving hashish south and then west to Morocco's coast for non-commercial maritime shipment to Europe or overland shipment to African markets.

Over the last decade, Moroccan cannabis farmers have been replacing traditional seeds with hybrid strains capable of producing larger yields and higher THC levels. Yields obtained from the hybrid seeds and improved agricultural techniques are three to five times higher than those obtained from traditional cannabis farming methods. THC levels have increased from approximately 15 percent to an estimated 25 percent. Media reporting indicates that the switch to hybrid seeds was driven by market forces as European customers demanded a higher potency THC product. Accurate estimates for cannabis cultivation and hashish production cannot be obtained by using yield estimates associated with traditional Moroccan cannabis seeds.

Morocco remains a transit point for the maritime shipment of cocaine smuggled into Europe, but the country has made progress in countering trafficking activity. Moroccan authorities cite increased surveillance, border controls, and continued cooperation with U.S. and European partners as factors that have led to growing volumes of drug seizures. In December 2018, Moroccan authorities seized 1,004 kilograms of cocaine after a boat involved in the transfer of the cocaine broke down at sea. In August 2019, authorities seized approximately 879 kilograms of cocaine after an at-sea transfer of the cocaine failed, likely due to increased maritime patrols.

Although the United States and Morocco do not have a bilateral extradition treaty, they do have a bilateral mutual legal assistance treaty. Morocco is also a party to several multilateral law enforcement conventions that permit mutual legal assistance.

Mozambique

Mozambique is increasingly being exploited as a base of operations by transnational organized crime networks as a transshipment point for illicit drug trafficking and international money laundering. Transnational criminal networks from across West and East Africa as well as South Asia operate in Mozambique to facilitate maritime shipments arriving along the coast. Heroin from Southwest Asia, cocaine from South America, precursor chemicals and controlled pharmaceuticals from India, and methamphetamine from Nigeria frequently transit Mozambique destined for more lucrative destinations in Southern Africa, Northern Africa, Europe, Canada, and the United States. Heroin originating from Afghanistan arrives off the coast of Mozambique from launch sites along the Makran Coast in Pakistan and Iran on small boats called dhows for further transshipment inland. Mozambique has an extensive coastline with hundreds of miles of isolated and unpatrolled beaches and coastline where drugs are off-loaded daily.

Upon arrival in Mozambique, illicit drugs are stored pending further transport via Mozambique's regional highway system to its six neighboring countries (South Africa, Zimbabwe, Malawi, Tanzania, and Eswatini – formerly known as Swaziland). Several major international commercial air and cargo hubs within the region allow for further international drug distribution. Investigators suspect illicit cargo is also transiting Mozambique via containerized maritime shipments. Illicit drugs are normally warehoused and repackaged in Mozambique before being forwarded onward to other destinations.

Cocaine from South America, ephedrine and other precursor chemicals from Nigeria, India, and China enter Mozambique via commercial flights transported by human couriers or secreted in cargo. Mozambique is not a significant producer of illicit drugs and not a major producer of precursor chemicals. Drug production in Mozambique is limited to cannabis cultivation, and cannabis consumption is high throughout the country.

Enforcement efforts in Mozambique have been severely hampered by corruption and lack of capacity. As a result, there have been few significant drug seizures. The Government of Mozambique has accepted assistance from the United States and other international partners in the region focused on capacity building to increase border security, maritime awareness, and international cooperation. The U.S. Drug Enforcement Administration at post has established positive working relationships with the Office of the Attorney General (PGR), the National Criminal Investigations Service (SERNIC), and the Ministry of Interior. Additional U.S. assistance programs are currently under development that will seek to further expand bilateral cooperation and strengthen the efficacy of Mozambique's drug control efforts.

The Netherlands

The Netherlands is a significant transit country for illicit drugs, especially cocaine, entering through the port of Rotterdam. The Netherlands is also one of the largest sources of synthetic drugs for international markets.

The Dutch Opium Act prohibits the possession, commercial distribution, production, preparation of production, import, and export of all illicit drugs. The act distinguishes between “hard” drugs (e.g., heroin, cocaine, MDMA), and “soft” drugs (cannabis). Sales of less than five grams of cannabis products are “tolerated” (i.e. illegal but not prosecuted) in regulated establishments called “coffee shops.” Amsterdam is home to almost 30 percent of all Dutch “coffee shops.”

A study released by the police in 2018 estimated that the total revenue of synthetic drugs production in the Netherlands in 2017 was close to 20 billion euros. Criminal organizations involved in synthetic drug production engage in various other types of crime, including local government corruption, especially in the south of the Netherlands. Drug trafficking organizations show an increasing brazenness in public acts of violence, as evidenced by the September 18 murder of a lawyer representing a key witness in a national drug smuggling investigation.

The City of Amsterdam released in September 2019 a wide-ranging study on the city’s drug problem which, together with the assassination, has prompted the government to begin plans for a comprehensive upgrade and a proposed investment package to confront the narcotics problem.

Dutch police and mail delivery companies established a Mail/Parcel Intervention Team (PIT) in 2017 to intercept outbound envelopes and parcels containing small amounts of drugs. The port of Rotterdam is a European import hub for cocaine from South America. In 2017 (the most recent year for which data is available), authorities seized 18.9 metric tons (MT) of cocaine in the port of Rotterdam. There have been incidents of fraud and corruption within the port authority and associated businesses.

Historically, Dutch and U.S. law enforcement agencies have maintained close operational cooperation. Notable results include the coordinated take-down of multiple non-indexed online marketplaces (“Dark Web”). The United States and the Netherlands have fully operational extradition and mutual legal assistance agreements.

The Royal Netherlands Navy patrols the Dutch Caribbean for drug interdiction operations. The Netherlands has a memorandum of understanding with the United States, which enables the deployment of U.S. Coast Guard Law Enforcement Detachment Teams (LEDETs) and Airborne Use of Force Detachments on Royal Netherlands Navy vessels to suppress illicit trafficking in Caribbean waters. The Netherlands is a party to the Caribbean Regional Maritime Agreement and a partner in the U.S. Joint Interagency Task Force South. USCG LEDETs conducted 7 boardings from Royal Netherlands Navy vessels resulting in the removal of 6.14 MT of cocaine and the detention of 24 suspected drug traffickers in 2019. The Netherlands is a member of the Maritime Analysis and Operation Centre-Narcotics.

Nicaragua

A. Introduction

Nicaragua remains a transit route for drug trafficking organizations due to its long coastlines, porous border crossings, and limited resources to battle drug trafficking. Although the Government of Nicaragua publicly claims successes in combatting the smuggling of contraband, including drugs, weapons, currency, and people, the government's efforts remain under-resourced, without dedicated air assets, technical capacity, training, or accountability. Nicaragua's efforts to fight drug trafficking are also hindered by widespread corruption and the government's focus on disrupting its domestic political opposition. Marijuana and cocaine base are considered the most commonly consumed illicit drugs within the country.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

President Ortega claims his "retaining wall" strategy impedes drug trafficking through the country, which incorporates land-based, air, and maritime patrolling from bases at key border crossings and transit routes. The Nicaraguan National Police (NNP) and the Nicaraguan military are the primary institutions responsible for combatting drug trafficking. Ministry of Foreign Affairs (MINREX) officials highlight Nicaragua's limited interdiction capacity and inefficiency as primary challenges to the Ortega administration's ability to combat illegal trafficking.

Although Nicaragua's economy is in recession due to the country's ongoing socio-political crisis, budgets of Nicaragua's military and security forces do not appear to be impacted. The crisis diminished the government's standing with the international donor community and decreased financial assistance could impact Nicaragua's maritime interdiction capabilities. The government strengthened ties with its remaining allies, using, for example, a Russian-funded specialized training center, inaugurated in 2017, to provide the NNP and military with training to combat illicit drug trafficking. In 2019, the Nicaraguan Navy purchased several ships from a Dutch company and Taiwan donated five speed boats.

While the United States and Nicaragua are parties to the Inter-American Convention on Extradition, the Nicaraguan constitution bars the extradition of Nicaraguan nationals. Nicaragua typically requires an International Criminal Police Organization Red Notice for wanted individuals in order to cooperate with the United States in expelling non-Nicaraguan citizen fugitives. There is no bilateral mutual legal assistance treaty between the United States and Nicaragua. Both countries are parties to the Inter American Convention on Mutual Legal Assistance in Criminal Matters. Nicaragua generally satisfies U.S. requests for legal assistance, but rarely within requested timeframes.

2. Supply Reduction

Information sharing between the Government of Nicaragua and the United States on suspected drug flows and enforcement efforts continues to be a challenge compared to other countries in

the region. In the first nine months of 2019, the Government of Nicaragua reported conducting 4,786 operations that targeted local and international drug trafficking organizations. The Ortega government's focus on its ongoing political crisis and restoring order through extraordinary, repressive means redirected a significant number of resources away from counternarcotic operations. Prior to the crisis, Nicaraguan government reportedly conducted 7,833 operations in 2017.

MINREX reported 3.34 metric tons (MT) of cocaine seized in Nicaragua during the first nine months of 2019. As a result of an increase in the global production of cocaine, Nicaragua experienced a 30 percent increase from the 2.58 MT seized over the same period in 2018. Authorities seized 2.09 MT of marijuana during this period, up from 1.58 MT seized in 2018, destroyed 15,849 cannabis plants, and seized over \$8 million in currency and assets. Officials arrested 2,613 people for drug crimes including 30 foreigners. The Government of Nicaragua does not share information about their methods of destroying seized illicit drugs with any U.S. or other national or non-government entities.

Drug trafficking organizations use various methods of transport. The southern department of Rivas that borders Costa Rica appears to be the most active region, with shipments ranging between 100 and 300 kilograms. Most drug traffickers attempt to avoid Nicaragua's littoral waters. On the Pacific coast, this is due to the Nicaraguan Navy's willingness to deploy assets; on the Caribbean coast, local communities are willing and able to steal shipments from drug trafficking organizations.

3. Public Information, Prevention, and Treatment

Nicaragua implemented national and local strategies to combat drug use within its borders through various community-based approaches. MINREX officials report the NNP conducted 3,532 prevention-based activities in 2019, in coordination with the Ministry of Education, the Institute Against Alcoholism and Drug Addiction, rehabilitation centers, and other government institutions. The police's juvenile affairs unit carried out prevention programming for at-risk youth and reported reaching 15,766 youths in 111 schools in 2019. According to the Nicaraguan police, 140 individuals with substance use disorders were referred or transferred to 19 different organizations, hospitals, and rehabilitation centers for further treatment.

4. Corruption

As a matter of official policy, the Government of Nicaragua does not encourage or facilitate illegal activity associated with drug trafficking. In practice, widespread corruption in the justice sector cripples the government's ability to combat drug trafficking. In October, the Public Prosecutor's office brought charges for murder, drug trafficking, and organized crime against Francisco Sarria, a ruling party representative to the regional parliament.

In 2019, the U.S. Department of the Treasury sanctioned, among others, the President and Vice President's son, Laureano Ortega, for corrupt business dealings, and Nicaraguan bank BanCorp for corruption and money laundering for personal and regime gain under Executive Order 13851. Since 2017, 11 high-profile officials have been designated for corruption and human

rights abuses. Rampant corruption in the government and acts of repression by security forces continue to diminish foreign security assistance to Nicaragua from the international donor community.

Politicization and corruption within the police and other government institutions continue to hinder the effectiveness of criminal laws that address bribery, abuse of authority, influence peddling, and embezzlement. For example, laws previously applied for the prevention, investigation, and prosecution of organized crime, intended for the prosecution of drug traffickers, are now used to target political opponents.

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

Bilateral drug control cooperation between Nicaragua and the United States is limited and inconsistent. The Government of Nicaragua uses small amounts of intelligence provided by the U.S. Drug Enforcement Administration (DEA) and the Department of Defense's Tactical Analysis Team (TAT) to conduct complex investigations and occasionally shares resulting intelligence with DEA and TAT counterparts. With no formal cooperation, it is unclear if information provided by DEA contributed to Nicaraguan authorities' 2019 interdiction levels.

In previous years, U.S. security assistance was pivotal in helping Nicaraguan authorities achieve drug interdiction results through exchange of real time information, counternarcotics training, and equipment including maritime vessels for naval interdiction. U.S. aid to the Nicaraguan military ceased in 2018 due to the government's crackdown on pro-democracy protesters.

The United States maintains a bilateral agreement with Nicaragua to suppress illicit traffic by sea, which includes provisions regarding ship boarding, ship riders, pursuit, entry into territorial waters, overflight, order to land, and international maritime interdiction support.

D. Conclusion

The Ortega regime's ability to implement effective policies and programs to combat drug trafficking is limited while the country's political crisis remains unresolved. Democratic elections would allow for improved international cooperation and assistance necessary to conduct successful interdiction operations. Productive and more transparent efforts to combat organized crime would require extensive changes in government policy, a political commitment to fight corruption, and the professionalization of the police, as well as halting the counterproductive diversion of police resources to the repression of peaceful protesters.

Nigeria

A. Introduction

Nigeria is a significant source country of cannabis and methamphetamine and a major hub for transnational drug trafficking networks. Illicit drug production, trafficking, and use appears to be increasing within Nigeria. Nigerian drug trafficking organizations are entrenched throughout the world and supply cocaine to Asia and Europe, heroin to Europe and North America, and methamphetamine to South Africa and Southeast Asia.

The National Drug Law Enforcement Agency (NDLEA) is Nigeria's dedicated counternarcotic agency. NDLEA's mission is hampered by both a lack of political will to support the agency and endemic corruption, and the agency has declined considerably in effectiveness in recent years. In December 2018, Nigerian President Muhammadu Buhari launched the Presidential Advisory Committee on Elimination of Drug Abuse (PACEDA) to investigate the drug abuse problem and drug trafficking response in Nigeria. In October 2019, PACEDA submitted a comprehensive report to President Buhari with its findings and recommendations. Some notable recommendations are to move the NDLEA from within the Ministry of Justice to the Office of the Presidency and create a new National Drug Control Commission (NDCC) that would oversee Nigeria's drug control and drug abuse policy as well as govern the NDLEA.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Perennial funding challenges have hampered the NDLEA's institutional development. The exceptions to that are the U.S.- and UK-sponsored vetted units whose investigations consistently produce impressive results. However, these specialized units total approximately 50 trained investigators in an agency of approximately 5,000 personnel.

2. Supply Reduction

The NDLEA was unable to provide arrest and seizure statistics for 2019. Based on 2016, 2017, and 2018 reporting, NDLEA was detaining approximately 9,500 individuals on average per year and seizing approximately 300 metric tons of illicit drugs (mostly cannabis) annually. However, only 1,245 suspects from among the 9,824 "arrested" (detained) in 2018 were prosecuted. This was a marked decline in prosecutions from the 2,271 reported prosecutions in 2016 and 1,666 in 2017.

Those prosecuted are typically low-level street traffickers or couriers. On the rare occasion when major traffickers are arrested, they are granted bail and their cases are plea-bargained resulting in no further incarceration. The United States and other international partners continue to make efforts to assist in transitioning the NDLEA from a reactive agency to an intelligence-driven one. However, NDLEA leadership resists change to the status quo and declines opportunities to implement proactive policing models.

Both French and Canadian authorities report a marked increase in Nigerian drug trafficking organizations in their respective countries. French police report that Nigerian-based trafficking networks are establishing themselves in cities such as Marseilles and fighting over turf that has led to an increase in violence. Canadian authorities report an increase in Nigerian-based criminal groups trafficking drugs in Canada, and plan to open a Royal Canadian Mounted Police liaison office in Nigeria in 2020 to address the growing threat.

Nigeria is a major cultivator of cannabis and the leading producer of methamphetamine in Africa. Since 2011 NDLEA has seized 18 clandestine methamphetamine laboratories, two of which were dubbed “superlabs” for their capacity to yield multi-ton quantities of high purity methamphetamine. Following a series of successful raids by the Sensitive Investigation Unit (SIU) on eight such laboratories, illicit drug producers have relocated their operations to remote areas, far away from the SIU’s base of operations, and even abroad to countries such as Mozambique.

Since November 2017, the NDLEA SIU has seized approximately 800 million tramadol tablets. These tablets are manufactured in India in extremely high dosages exceeding legal limits in both India and Nigeria.

3. Public Information, Prevention, and Treatment

Drug abuse in Nigeria is on the rise. A January 2019 United Nations Office on Drugs and Crime (UNODC) report revealed that nearly 15 percent of Nigeria’s adult population consume a “considerable level” of psychoactive drugs, nearly three times the global average. The most abused drugs are cannabis, opioids (predominantly tramadol from India), and cough syrup with codeine; however, a wide array of both conventional drugs (e.g., cocaine and heroin) and unconventional drugs and intoxicants (e.g., inhalants and indigenous plants) are also abused, mainly by youths.

PACEDA has produced anti-drug public service announcements and is engaging with various sectors of society including governmental organizations and non-governmental organizations, religious and medical groups, traditional leaders, and institutions of higher learning. Since 2015, the Federal Ministry of Health (MOH), in collaboration with UNODC, has been collecting drug use data at 11 MOH-run and over 30 NDLEA-run counseling centers from patients accessing treatment in the centers.

The NDLEA has drug abuse counseling programs that target youth, sex workers, community leaders, and transport workers. However, the Government of Nigeria allocates negligible resources for counseling and rehabilitation for substance abuse disorders. NDLEA reports that in 2018 it counseled 1,236 individuals.

4. Corruption

Corruption is endemic in Nigeria. Due to low wages and benefits, government employees often resort to supplementing their incomes by accepting gifts of money or equipment from “friends of the agency.” As a result, NDLEA is vulnerable to outside influences. NDLEA’s Internal

Affairs unit is underfunded and not prioritized, which sends a message of impunity for wrongdoing to staff. There has been a steady decline in internal affairs disciplinary investigations. In 2015, 62 disciplinary investigations were conducted; in 2016 there were 36 investigations conducted and in 2017, the number dropped to 12.

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

U.S. assistance to enhance Nigeria's counterdrug capacity includes equipment donations and support of U.S.-sponsored vetted units. NDLEA's primary goal is to gain 10,000 additional personnel. President Buhari approved the agency's request for an increase in personnel in 2017 and the first tranche of 5,000 new recruits will begin training in 2020. The SIU has been NDLEA's greatest success story since the unit's creation in 2013 and the focal point of U.S.-Nigeria counternarcotics cooperation. The SIU has spearheaded many of NDLEA's landmark investigations to date, and the government's goal at the time of the unit's establishment was to eventually replicate the SIU model throughout NDLEA. However, there have been challenges in signing and executing the required memorandum of understanding.

Extradition between Nigeria and the United States is governed by the 1931 U.S.-U.K. Extradition Treaty. There is a bilateral mutual legal assistance treaty in force between Nigeria and the United States.

D. Conclusion

The Nigerian government will need to significantly increase funding and training to the NDLEA to improve its effectiveness. With the commissioning of PACEDA, the government signaled its intention to strengthen its response to the drug trafficking and drug abuse problems plaguing the country. President Buhari's ratification of the PACEDA Report, including the creation of the NDCC, would further signal a step in the right direction. The United States will continue to engage the government to combat drug trafficking, corruption, money laundering, and other criminal issues.

Pakistan

A. Introduction

Pakistan continues to be one of the world's top transit corridors for opiates and cannabis products, trafficked through the country's porous borders with Afghanistan and Iran. Pakistan's seaports, airports, postal services, and unpatrolled coastal areas allow illicit drugs to be distributed globally. The United Nations Office on Drugs and Crime (UNODC) estimates Pakistan is the transit country for 45 percent of the opiates produced in Afghanistan. Precursor chemicals used to produce heroin and methamphetamine also pass through Pakistan as a major transit point before global distribution.

A 2013 UNODC nationwide survey found Pakistan had 6.7 million drug users. Pakistan lacks the capacity to provide effective, non-residential substance use disorder treatment and to systematically incorporate a scientific-based approach to drug prevention education. Opium poppy cultivation continues in Pakistan's Khyber Pakhtunkhwa (KP) province and the areas formerly known as the Federally Administered Tribal Areas (FATA). Government officials publicly deny poppy cultivation in Pakistan and express a commitment to drug prevention and narcotics interdiction.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In February 2019, the Ministry of Narcotics Control (MNC) published a revision to its 2011 national anti-narcotics policy and outlined five pillars: supply reduction; demand reduction; international cooperation; inter-agency cooperation; and monitoring and evaluation. MNC updated its precursor control oversight mechanism and is developing an online database to monitor precursor movement.

The Anti-Narcotics Force (ANF) is Pakistan's lead drug enforcement entity. ANF's funding (approximately \$16.2 million in 2019) is insufficient; 66 percent of the budget covers the salaries of its 3,100 employees, who are thinly deployed across 40 stations and field offices. ANF chairs the Inter-Agency Task Force (IATF), comprising 32 Pakistani agencies. The IATF's effectiveness in improving inter-agency coordination is negligible; as of October, the IATF met only once at the federal level in 2019. ANF coordinated drug investigations with the United States, United Kingdom, Canada, South Africa, Belgium, China, and the United Arab Emirates in 2019. Pakistan hosts drug liaison officers from 35 countries as part of its Paris Pact obligations. ANF partners with the U.S. Drug Enforcement Administration and the UK's National Crime Agency to operate special investigation cells.

The United States and Pakistan do not have a bilateral treaty on mutual legal assistance in criminal matters, so requests are made on the basis of reciprocity or through the provisions of multilateral conventions. A lack of internal coordination, processes or a central authority results in delayed or, more frequently, unanswered requests from the United States. Pakistan acceded to the 1931 Extradition Treaty between the United States and the United Kingdom following

Pakistan's independence. Pakistani domestic law regarding extradition contains ambiguities regarding the nature of evidence required and these ambiguities are currently being litigated in the appellate courts. Multiple extradition cases are being held up while these issues are pending.

2. Supply Reduction

In Pakistan's main opium poppy growing areas, the former FATA and KP, insecurity and extremist activity prevent reliable ground surveying. The U.S. government's most recent estimate from 2016 indicated approximately 1,400 hectares of poppy under cultivation. Pakistan depends heavily on foreign assistance to implement and monitor alternative livelihood and development programs, which have discouraged poppy cultivation in some communities. The U.S. government has provided more than \$60 million to these programs since 1989, contributing to an estimated 87 percent decrease in poppy cultivation.

Most drugs trafficked through Pakistan are destined to global markets, and Pakistani forces are only able to interdict a fraction of that traffic. In 2019, Pakistan's law enforcement agencies claim to have disrupted 11 drug trafficking organizations. During the first 10 months of 2019, ANF reported seizures of approximately six metric tons (MT) of morphine and heroin; 7.9 MT of opium; 3.3 kg of cocaine; and 61.4 MT of hashish.

The ANF represents less than half of 1 percent of Pakistan's law enforcement personnel in the country. Other forces in Pakistan lack rigorous drug interdiction training and most do not address countering narcotics as part of their core mission. ANF's capacity to conduct complex drug investigations is limited. During the first 10 months of 2019, ANF registered over 1,000 drug arrest cases. ANF reports a conviction rate of 88 percent (an unsubstantiated statistic that media have questioned). Most prosecuted cases were low-level possession or small quantity courier trafficking. Pakistan has a conspiracy law, but it is rarely if ever used to successfully prosecute leaders of criminal organizations.

3. Public Information, Prevention, and Treatment

UNODC's 2013 survey classified 4.25 million Pakistanis age 15 to 64 as suffering from substance use disorders. For the 1.5 million female drug users, the majority reported misuse of opioid-based painkillers or synthetic tranquilizers and sedatives, while male drug abusers reported misuse of cannabis, heroin, and opium.

Pakistan continues to raise public awareness about the dangers of illicit drug use as the media reports increasing synthetic drug use in educational institutions. ANF officers lectured at schools and conducted 519 public awareness raising activities in 2019. ANF manages four drug treatment centers with a total bed capacity of 218 and provided free treatment to 922 individuals.

Pakistan's drug treatment capacity, with fewer than 100 clinics operating nationwide, is insufficient. Non-governmental organizations operate most of Pakistan's detoxification centers; most drug users receiving treatment are male. Pakistan could make better use of provincial-level institutions, such as hospitals and schools, to provide non-residential treatment options.

4. Corruption

The Government of Pakistan 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, but corruption remains a concern. The National Accountability Bureau (NAB) is Pakistan's anti-graft agency responsible for eliminating corruption. The NAB claims to have recovered more than \$2 billion since it was established in 2002, but the consequences for convicted perpetrators are rarely severe. Corruption undermines the government's ability to address illicit drugs, as bribed public servants may facilitate movement of contraband or otherwise interfere with arrests and prosecutions.

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

The United States remains committed to a comprehensive approach to counternarcotics assistance in Pakistan. To effectively counter illicit drug trafficking and transnational organized crime, the United States supports Pakistan in building collaborative, intelligence-driven, and corruption-free law enforcement. The United States helps Pakistan develop its capacity to conduct sophisticated operations, such as controlled deliveries, financial crime investigations, and container profiling. The U.S. government also supports multi-year comprehensive training programs and sponsors initiatives to promote Pakistan's cross-border cooperation with Afghanistan. The United States funds programs that provide alternative means for farmers to grow licit crops instead of poppy and science-based trainings to Pakistan's drug treatment and prevention professionals on internationally approved curriculums.

D. Conclusion

Pakistan continues to face economic and security challenges that often supersede drug trafficking in national security priorities. Pakistan could more effectively reduce drug trafficking by encouraging its law enforcement agencies to coordinate engagement, share information, focus on the financial aspects of the drug trade, and target high-level kingpins rather than low-level peddlers. Greater mobilization of provincial institutions could provide an important multiplier effect for interdiction, prevention, and service delivery. Pakistan also should continue to strengthen drug control cooperation with neighboring countries.

Panama

A. Introduction

Panama is not a major producer or consumer of illicit drugs, but its location and geography make it a prime sea and land transit route for drugs, primarily cocaine, flowing from South America to North America and Europe. Transnational criminal organizations use Panamanian waters, the border region joining South and Central America, and the Panama Canal to transport illicit drugs. Despite its geographical vulnerability as a transshipment point, Panama has repeatedly proven itself a willing and effective partner in confronting drug trafficking.

Panama's administration under recently elected President Laurentino Cortizo strengthened the government's commitment to combat the drug trade and transnational criminal organizations. The Cortizo government has continued U.S.-Panama projects and multilateral operations, particularly with Colombia and Costa Rica. Panama is a model for information sharing with the United States and regional partners, and the country continues to align its security objectives closely with those of the United States.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Developments

Panama has no standing military. Its Ministry of Public Security (MINSEG) oversees the principal law enforcement agencies responsible for counternarcotics: the Panamanian National Police (PNP); the National Aero Naval Service (SENAN); and the National Border Service (SENAFRONT). Other key institutions with a role in countering illicit drugs are the Public Ministry (Attorney General's Office), the Judiciary, and the Ministry of Government, which oversees national prisons.

While MINSEG's budget increased for an eleventh straight year in 2019, budgets for the Attorney General's office and the Judiciary continued to decline in a multi-year trend.

SENAN and the United States continue operational maritime collaboration on interdictions under the 2002 Salas-Becker Agreement, whose constitutionality the Supreme Court re-confirmed in a January 2019 decision. Panama and the United States continue robust cooperation under mutual assistance and extradition treaties. However, Panama only extradites third-country nationals, as its constitution does not permit extradition of Panamanian citizens.

2. Supply Reduction

During the first ten and a half months of 2019, Panamanian authorities seized more than 64 metric tons (MT) of illicit narcotics, on pace to surpass 80 MT by the end of the year, which would represent an 8.7 percent increase over 2018 and exceed 2017 as Panama's highest year on record. Over 86 percent of the seizures by weight were cocaine or cocaine base; the remainder were marijuana. U.S. assistance in the form of information, training, and tactical support has played a key role in Panama's expanding interdiction capacity.

Authorities seized most narcotics in connection with maritime trafficking, with SENAN interdicting more than 25 vessels containing approximately 28 MT of cocaine and six MTs of marijuana in 2019 through mid-October, resulting in more than 60 arrests. PNP seized another 23 MT of cocaine and nearly three MT of marijuana. SENAFRONT's seizure numbers are lower, since most of the drugs it interdicts are hand-carried across the roadless border with Colombia. However, SENAFRONT's role in controlling the Darien Gap – with 10,000 square miles of jungle where international and Colombia-based criminal and terrorist organizations operate – is essential in disrupting both narcotics traffic and human smuggling.

SENAN and PNP, as well as the Customs Authority, Maritime Authority, Intelligence Service (CONSEJO), and Canal Authority, work to mitigate the risk of drug trafficking via containerized vessels, but physical inspection of each container is challenging. The United States provides port authorities with specific training on precursor chemicals, with additional trainings and support planned for 2020. While authorities have yet to seize fentanyl or other synthetics, those drugs and their precursors remain a risk.

In 2018, four million containers transshipped at Panama's ports. Port authorities depend on three aging cargo scanners, based at three of the country's busiest ports with U.S.-bound shipments. Panama is considering several avenues to obtain additional scanners.

3. Public Information, Prevention, and Treatment

According to the OAS 2019 Report on Drug Use in the Americas, Panama has the third lowest rate of marijuana consumption and the lowest cocaine consumption of 15 Central and South American countries studied. However, drug trafficking organizations use drugs as payment and create vulnerable communities among indigenous and low-income coastal communities. Panama has not conducted a drug demand study since 2015 and has not updated its published strategy on demand reduction since 2012, making it difficult to assess current trends.

With U.S. support, PNP runs the Drug Awareness and Resistance Education (DARE) and the Gang Resistance Education and Training (GREAT) programs, as well as community policing initiatives to help at-risk youth. During the first eight months of 2019, more than 14,000 students participated in DARE and more than 39,000 in GREAT, both supported by the United States. PNP does not maintain data on the results of these programs.

4. Corruption

Panama does not, as a matter of government policy, encourage or facilitate illegal activity associated with drug trafficking, nor are senior government officials identified as being engaged in such activity. Although Panama's security forces have made progress over the past decade in reducing corruption, the country's judicial system remains ineffective in prosecuting powerful individuals. Most successful prosecutions are for lower-level offenders, and several high-profile cases of official corruption, money laundering, and drug trafficking have been dismissed or delayed, or have resulted in disproportionately light sentences.

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

The United States provides assistance to Panama through the Central America Regional Security Initiative (CARSI), consistent with the U.S. Strategy for Central America, which supports citizen security, law enforcement, and rule-of-law programs which expand Panamanian capabilities to interdict, investigate, and prosecute drug trafficking, money laundering, and other transnational crimes while strengthening Panama's justice sector.

In June 2019, Panama and the United States signed an Acquisition and Cross-Servicing Agreement (ACSA), under which each country earns credits for services rendered, redeemable for like-valued services by the other party. This agreement has been successfully utilized to support counterdrug operations. The two countries also signed an Amended Letter of Agreement transferring titles of six U.S.-owned helicopters to SENAN, increasing SENAN's fleet of helicopters. The donated helicopters support operations in the Darien and Caribbean Coast that are on the frontline for combating transnational criminal organizations. Plans are underway to use the helicopters to support counternarcotics operations as well. A maritime patrol plane purchased by Panama and equipped with radar and camera technology provided by the United States arrived in September 2019 and began counterdrug operations.

In February 2019, the United States initiated a task force that included multiple Panamanian port authorities to coordinate investigations and seizures that led to the seizure of 12.5 MT of illicit drugs through October, as well as six seizures in the United States and Europe based on leads passed to partner nations.

Panama and the United States hold an annual High-Level Strategic Dialogue to help the countries align their security strategies. The United States provides training, resources, and strategic support across all Panamanian agencies involved in anti-narcotics, including robust training programs for prosecutors, judges, and police. With U.S. support, Panama's DNA and Questioned Documents forensics labs received international accreditation in 2019, with other labs, including a controlled substances forensics lab, on track for accreditation in 2020. PNP credits its U.S.-developed intelligence-based policing software and real-time crime centers with a 7 percent drop in homicides since 2016.

D. Conclusion

Panama is a willing partner in the fight against narcotics and transnational criminal organizations, and its government continues to improve the interdiction capacity of all three of its security forces.

To build upon this progress, Panama should: 1) increase anticorruption efforts to promote rule of law and transparency; 2) pass an asset forfeiture law to deter drug trafficking, money laundering and sustain future law enforcement activities; 3) work to reform its justice system to reach beyond minor operatives to higher-level criminals, including transnational organized crime and the white-collar criminals who finance and facilitate the narcotics trade; and 4) provide sufficient budget and manpower to maintain its capital assets.

Paraguay

Paraguay made significant progress in interdicting cocaine and securing drug trafficking convictions in 2019. The volume of cocaine seized by Paraguayan authorities during the first nine months of the year increased by 536 percent over the same period in 2018, while the number of convictions increased by 216 percent. Nevertheless, Paraguay remains among the largest source countries for marijuana in the Western Hemisphere and a transit country for Andean cocaine. Traffickers exploit the country's porous borders, clandestine airstrips, lack of airspace control, extensive internal waterways, and under-resourced, often corrupt law enforcement and judicial officials to transit cocaine, mainly to Brazil or through Brazil to overseas markets, primarily in Europe. Transnational criminal organizations, many from Brazil, engage in drug trafficking and other illicit activities, aided by corruption and legal impunity.

During the first nine months of 2019, the National Anti-Drug Secretariat (SENAD) seized and destroyed 325 metric tons (MT) of marijuana and eradicated 1,364 hectares (ha) of cannabis. During the first nine months of 2019, SENAD seized and destroyed approximately 3.83 MT of cocaine, a significant increase from the 714 kilograms (kg) seized over the first ten months of 2018. This includes a 2.2 MT seizure in February 2019, the largest known cocaine seizure in Paraguayan history. During the first nine months of 2019, the Paraguayan National Police (PNP) seized and destroyed 34 MT of processed marijuana, eradicated 194 ha of cannabis, and seized 17 kg of cocaine, all representing decreases from the previous year.

There were 270 convictions for drug trafficking charges during the first nine months of 2019, compared to 125 over the same period in 2018. The increase in arrests and convictions is a result of SENAD's focus on combatting micro-trafficking and arresting street level dealers of controlled substances. Nevertheless, law enforcement officials estimate the amount of cocaine entering Paraguay remained consistent with the previous year. The failure to convict high profile figures such as Congressional representative Ulises Quintana, arrested in September 2018 on cocaine trafficking charges, underscores Paraguay's ongoing legal challenges.

The United States and Paraguay are parties to a 2001 extradition treaty that remains in force. There is no bilateral mutual legal assistance treaty, though both countries are party to multilateral conventions providing for cooperation in criminal matters.

Paraguay's National Civil Aviation Authority (DINAC) has yet to fully implement a radar system it acquired from a U.S. firm in 2018 to monitor illicit air travel. DINAC and the firm are in a dispute over the system's performance, pending a final test of the system.

Peru

A. Introduction

Peru was the world's second-largest producer of cocaine and coca, with an estimated 52,100 hectares (ha) under cultivation in 2018, the most recent year for which data is available. Potential pure cocaine production in Peru rose slightly to 509 metric tons (MT). At the direction of President Martín Vizcarra, Peru began eradication operations for the first time on November 1, 2019 in the Valley of the Rivers Apurímac, Ene, and Mantaro (VRAEM), the source of two-thirds of Peru's potential cocaine.

Peruvian cocaine is trafficked throughout South America, for shipment to Europe, East Asia, Mexico, and the United States. Peru is also a major importer of precursor chemicals for cocaine production. President Martín Vizcarra's government continues to implement Peru's 2017-2021 drug control strategy. In 2019, Peru's coca eradication force (CORAH) eradicated 25,526 ha, exceeding its annual goal of 25,000 ha. There is a small but growing domestic drug consumption problem in the country.

The military and the Peruvian National Police's (PNP) anti-drug unit (DIREJANDRO) conducted joint counter-drug operations in the VRAEM and throughout the country during 2019. The terrorist group Shining Path (Sendero Luminoso), which remains active in the VRAEM, produces and traffics cocaine. In 2019, the group killed four military personnel through October.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Peru's 2017-2021 drug control strategy includes goals for interdiction, eradication, and alternative development. It also addresses precursor chemicals, organized crime, money laundering, and the rule of law. In 2019, the Peruvian government appropriated \$136 million to implement the strategy, roughly the same amount as 2018.¹ Peru's budgeted \$33 million for eradication and concomitant aviation support in 2019 was \$11.5 million more than in 2018.

Peru continues to implement its 2018-2021 Anti-Money Laundering and Terrorist Financing National Plan. With U.S.-provided technical assistance, Peru approved in February 2019 regulations to implement its civil asset forfeiture regime.

The Ministry of Justice is implementing the new criminal procedure code, which transitions the legal system from an inquisitorial to an accusatory system to increase transparency and reduce corruption. In 2019, 32 of 34 judicial districts operated under the accusatory system.

¹ Due to exchange rate adjustments, the amount allocated by the Government of Peru increased from \$134 million to \$136.4 million in 2018.

The United States and Peru enjoy a strong extradition and mutual legal assistance relationship.

2. Supply Reduction

The U.S. government estimates that 52,100 ha of coca were cultivated in Peru in 2018, a 4.6 percent increase from the 2017 estimate of 49,800 ha. The U.S. estimate for pure cocaine production potential increased from 486 MT in 2017 to 509 MT in 2018.¹

In 2019, CORAH eradicated 25,526 ha nationwide and started eradication in the VRAEM for the first time. The VRAEM accounts for an estimated 64 percent of Peru's total potential cocaine production and often has been the site of deadly clashes between security forces and coca growers.

DIREJANDRO's budget was \$9.4 million in 2019, \$2.3 million less than in 2018.² During the first nine months of 2019, this unit seized 49.5 MT of narcotics, including 12.7 MT of cocaine base and 21.3 MT of cocaine hydrochloride; seized 51.2 MT of coca leaf; and destroyed 336 cocaine base and hydrochloride labs. Authorities increased destruction of clandestine runways – 86 runways in 2019, compared to 65 runways in 2018.

Traffickers continue to ship cocaine to Europe, East Asia, Mexico, the Caribbean, the United States and other Western Hemisphere countries. Small aircraft moving cocaine from Peru to Bolivia and Brazil remain a significant concern. Peru and the United States undertake joint maritime operations that permit U.S. authorities to board Peruvian-flagged vessels in international waters.

Peru sustained reductions in coca cultivation in regions where alternative development followed eradication, including in the Monzón Valley, where coca cultivation has fallen by 90 percent since 2011. With U.S. assistance, Peru's anti-drug agency (DEVIDA) invested \$30 million in 2018 toward alternative development. In 2018, U.S.-supported alternative development efforts generated \$54.7 million in sales of licit products.

During the first nine months in 2019, PNP and customs officials at air and sea ports and other strategic checkpoints seized 9.7 MT of narcotics.

PNP investigations resulted in the seizure of financial assets. For example, the Anti-Money Laundering Unit seized 25 properties valued at an estimated \$11 million following the arrest of four persons in the Panama Papers with alleged drug trafficking links.

Peru is not a significant source of synthetic drugs.

¹ Due to adjustments, U.S. estimates of potential pure cocaine went from 491 MT to 486 MT in 2017.

² Due to budget and exchange rate adjustments, DIREJANDRO's budget went from \$12.3 million to \$11.8 million in 2018

3. Public Information, Prevention, and Treatment

DEVIDA estimates 200,000 Peruvians are addicted to illicit substances, including 60,000 cocaine users, 130,000 marijuana users, and 10,000 users of other illicit substances. Substance abuse is rising among youth.

DEVIDA implemented its “Protected Schools” drug prevention program in 36 schools, reaching almost 19,000 students in 2019. DEVIDA and the United States also initiated an adolescent drug treatment court pilot project and supported the launch of a school-based drug prevention project.

DEVIDA’s budget for drug abuse prevention and treatment decreased from \$15.2 million in 2018 to \$4.5 million in 2019, due to internal budget transfers to support coca eradication in the VRAEM. Simultaneously, the Health Ministry expanded its community mental health center program, which includes treatment for substance abuse, from 55 community health centers in 2018 to 104 centers as of September 2019. Peru has only 24 private therapy centers that meet public health legal standards.

The United States supports the Guiding the Recovery of Women (GROW) Training Program for specialized drug treatment for female patients, and the Sexual Orientation and Gender Identity (SOGI) Training Program for treatment of Peru’s LGBTI community. In total, 6,365 healthcare professionals have received GROW training and over 500 received SOGI training.

4. Corruption

The Peruvian government does not encourage or facilitate the illicit production or distribution of drugs. However, corruption is widespread, eroding faith in Peru’s institutions and damaging Peru’s generally positive investment climate. Corruption scandals have ensnarled many of Peru’s political figures, including former presidents.

Peru has a 2018-2021 National Plan on Integrity and Combating Corruption. It also has a specialized court system to adjudicate corruption-related crimes. According to 2019 polling, 95 percent of Peruvians identified corruption as a serious problem.

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

U.S. assistance supports Peru’s drug control strategy through training, technical assistance, capacity-building, intelligence, and provision of equipment. The United States and Peru jointly finance manual coca eradication and alternative development efforts. The United States provides aviation support to eradication and interdiction activities that led to increased seizures of illicit drugs and precursor chemicals in 2019. U.S. support to the PNP has enhanced law enforcement capabilities and supported citizen security.

The United States also supported the PNP’s wire intercept program through facilities upgrades. Peru published a regulation in January 2019 allowing authorities to collect passenger data from air carriers that enables authorities to better target smugglers and other criminals.

The United States continued to support Peru's transition to the accusatory system, as well as efforts to increase asset forfeiture convictions. In 2019, Peru created 22 courts specialized in asset forfeiture, with over \$22 million in seized assets under judicial process in 2019.

D. Conclusion

President Vizcarra continues to demonstrate the political will to address illicit drug production, trafficking, and use. The anticorruption court handed down its first Odebrecht-related conviction in 2019, sentencing a former Peruvian governor to eight years and three months for accepting bribes. Peru increased the number of mental health centers to treat substance use disorders. Peru should sustain coca eradication operations in high-yield areas such as the VRAEM.

Philippines

A. Introduction

The Philippines is a regional transshipment and destination point for illicit drug trafficking in Southeast Asia. The Government of the Philippines continues to pursue an anti-illegal drug campaign aimed at disrupting international drug trafficking flows, bolstering substance use treatment, and curtailing domestic consumption. Illegal drug use in the Philippines persists with primarily two preferred substances: methamphetamine hydrochloride (locally known as ‘shabu’); and cannabis, which is largely cultivated and processed locally. In 2019, U.S. law enforcement assessed the majority of methamphetamine available in the Philippines arrived in the country as finished product from Southeast Asia (mainly Burma), likely due to increased efforts by Philippine law enforcement to dismantle clandestine laboratories. Transnational criminal organizations continue to exploit the Philippines’ vast coastlines, multiple international airports and seaports, and the mail and parcel services as entry and exit points for controlled drugs and precursors into the country. Additionally, the government is struggling to combat a rise in cocaine smuggling through the country, originating from Latin America and destined for other countries in the region.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Instituted by President Rodrigo Duterte after his 2016 election, the Philippines’ anti-illegal drug campaign continues to receive domestic and international criticism due to accusations of human rights abuses and killings associated with police antidrug operations. Official statistics report more than 1.4 million individuals have surrendered to government authorities under the campaign, leading to congestion in pre-trial detention, the court system, and government-accredited drug treatment facilities. Nonetheless, the government’s drug campaign remains popular due to public perceptions that general insecurity and drug-related criminality has diminished. The campaign has also led to increased awareness and urgency on the part of national-level agencies and local government to implement counterdrug programming.

A perennial roadblock hindering effective drug policy development and coordination is the Philippines’ outdated drug control act, known as the Comprehensive Dangerous Drugs Act of 2002 (or Republic Act 9165). The law outlines strict criminal penalties for the possession, trafficking, and consumption of illicit drugs ranging from 12 years to life in prison. However, the law’s emphasis on law enforcement actions to combat drug use limits opportunities for public health interventions and generates backlogs in other areas of the criminal justice system. Additionally, the use of plea bargain agreements as a method of obtaining testimony and cooperation against higher-level subjects is limited. As of August, 526,057 drug cases were pending in regional trial (second level) courts, up from 481,824 pending cases in December 2015. To deal with this challenge, the Philippine Supreme Court collaborated with the Dangerous Drugs Board (DDB), the Philippines’ lead policymaking and strategy formulating body, to host an October 3 National Summit on the Dangerous Drugs Law. The summit

convened all three branches of government to discuss gaps in the law and recommend proposals for legislative change.

The Philippine Anti-Illegal Drugs Strategy (PADS), formally approved by President Duterte in October 2018, aims to provide the Philippines with a cohesive and balanced strategy for drug control and prevention for the 61 national agencies implementing counterdrug programs. The DDB began formally implementing the PADS in 2019 through outreach campaigns and roundtable discussions. Due to budget timing issues, most other government agencies did not have funding for the PADS at the conclusion of 2019.

Restrictions imposed by the 1965 Anti-Wiretapping Act, which bars the use of intercepted criminal and consensually monitored communications in court, remain in place. The Philippines has extradition and mutual legal assistance treaties with the United States, and regularly coordinates extradition and mutual legal assistance requests. Cooperation with the Philippines Department of Justice is very good, although bureaucratic and judicial procedures slow completion of U.S. extradition requests to the Philippines. The Philippines maintains a cooperative relationship with international partners, including the United States, on transnational drug interdictions and demand reduction.

2. Supply Reduction

During the first nine months of 2019, the Philippine Drug Enforcement Agency (PDEA) conducted 25,310 counternarcotic operations resulting in the arrest of 38,048 individuals and the seizure of 1,185 kilograms (kg) of shabu and 341.7 kg of cocaine. Chinese-based drug syndicates dominate the illegal drug trade and continue as the principal conduit of methamphetamine precursors into the Philippines. According to PDEA, drug cartels from Mexico and Colombia expanded their operations in 2019, seeking to use Philippine territory to transship illicit narcotics into other parts of Asia. During the year, press reported extensively on significant quantities of cocaine bricks discovered along Philippine shores, with laboratory analysis concluding the cocaine originated from Latin America. Additionally, PDEA reports West African-linked drug syndicates continue to have a smaller, but significant presence in the Philippines.

3. Public Information, Prevention, and Treatment

The DDB's "2015 Nationwide Survey on the Nature and Extent of Drug Abuse in the Philippines" estimated approximately 1.8 million drug users resided in the Philippines. The government has subsequently declared that 4.8 million individuals are involved in either the use or trafficking of drugs. In a directive under Executive Order 66, the DDB and the Philippine Statistics Authority will officially update the 2015 nationwide survey in 2020, and every three years thereafter.

The availability of rehabilitative services in the Philippines does not meet the demand. This is partially due to the limited number of Department of Health-accredited treatment facilities (61 at the end of 2019), the small number of physicians approved to administer a drug dependency evaluation (roughly 1,160 physicians for a population of 104 million), and the lack of official

nationwide standards for evidence-based community treatment interventions. However, government demand reduction initiatives have steadily increased over the past years with multiple agencies of government at both local and national levels implementing drug awareness and prevention campaigns.

4. Corruption

As a matter of public policy, the Government of the Philippines does not encourage or facilitate illegal activity related to drug trafficking, and the Comprehensive Dangerous Drugs Act outlines penalties for government officials and members of the security forces involved in drug trafficking. Nonetheless, systemic corruption remains and elected politicians and other government officials are sometimes connected to the illegal drug trade. In 2019, there have been public accusations linking high-profile government officials to drug trafficking, prompting Senate hearings and calls for reform. Due to the high prevalence of political corruption, unverified allegations are sometimes weaponized against political opponents.

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

The United States, along with other bilateral and multilateral partners, continue to support the Philippine government's efforts to reduce drug demand and pursue transnational drug trafficking cases. Core U.S. engagements have included work with law enforcement to enhance understanding of substance use disorder as a disease requiring health interventions, with developing national standards for community-based treatment protocols for local government implementation, and on policy development and advocacy initiatives. During the year, the United States collaborated with the Philippine government to implement additional prevention initiatives, with a focus on utilizing evidence-based techniques. The United States continued rule of law assistance aimed at enhancing access to and the provision of justice.

D. Conclusion

The prioritization of the counternarcotic campaign has led to a whole-of-government approach to address the Philippines' illicit drug problem. However, the government is still working to synchronize the various efforts under one framework and fully implement its antidrug strategy, the PADS. The national discussion convened by the Philippine Supreme Court and the DDB outlined avenues for future counterdrug and rule of law initiatives, and the United States will examine ways to better link ongoing rule of law assistance to its growing demand reduction programs. The United States will also work with the Philippine government to stem growing transnational drug trafficking through the country.

Russia

Russia remains a major destination country for heroin and other Afghan opiates, although Russian authorities believe both the availability of and demand for opiates appear to be declining. Smuggled opiates are primarily trafficked into Russia from Afghanistan through Central Asian countries. Cocaine abuse is mostly limited to Moscow, Saint Petersburg, and a small number of other big cities. Russian authorities believe there was a slight increase in cocaine trafficking into the country in 2019, typically through Saint Petersburg, Kaliningrad, and Black Sea ports by crewmembers or concealed within maritime shipments originating largely in the Caribbean region and South America.

Russian authorities note that synthetic drugs are rapidly replacing more traditional plant-based drugs. Most of these drugs are smuggled in from China via postal shipments or produced in clandestine drug laboratories within the country. According to the Ministry of Internal Affairs, 108 such laboratories were dismantled in 2018.

The demand for marijuana and hashish is consistently high, especially among the Central Asian migrant population. Most marijuana is supplied from the Russian Far East and the North Caucasus, and the majority of hashish is smuggled in from Northern Africa.

While the government has been cracking down on the sale of illicit drugs via non-indexed internet sites (“Dark Web”), more than 80 percent of drug distribution and related transactions are still conducted via this method. Russian law enforcement reported approximately 13,000 packages of drugs (usually small size) trade daily on one of the most notorious such websites. Payment for drugs is increasingly made online in cryptocurrencies.

The Ministry of Internal Affairs (MVD) and the Federal Security Service (FSB) are Russia’s two federal agencies responsible for drug-related investigations. Minister of Internal Affairs Vladimir Kolokoltsev is the Chair of the State Anti-Drug Committee, which coordinates Russia’s drug control policy. The Ministry of Health is the primary government body responsible for drug user rehabilitation. The Ministry of Health, Ministry of Education, MVD, and a number of other agencies and public organizations administer drug abuse prevention programs.

Drug addiction in Russia is typically not treated according to evidence-based modern protocols, and is often treated with “cold turkey” abstinence-focused programs or antipsychotic drugs suited to treat schizophrenia. Civil society experts have criticized Russian addiction treatment and rehabilitation programs due to poor interagency and inter-sectoral cooperation, as well as for the lack of a cohesive national rehabilitation program.

The U.S. Drug Enforcement Administration has a well-established relationship with all host-country counterparts, including the MVD, FSB, Federal Customs Services, and Moscow City Police.

Senegal

Historically, Senegal's location and transportation infrastructure have made it a transit point on the transatlantic cocaine route from South America to Europe. International trafficking networks have utilized Senegalese fishing vessels to smuggle cocaine shipments into and through the country, according to law enforcement reports. Senegalese authorities seized significant quantities of cocaine in 2019, though cumulative data was unavailable at the time of this report. In October 2019, the Senegalese Navy seized 750 kilograms (kg) of cocaine off the coast of Dakar. In June, two large cocaine seizures occurred at the Port of Dakar totaling 1,036 kg.

According to UNODC, Senegal is the third largest cannabis producing country in West Africa behind Nigeria and Ghana. Cannabis is cultivated in the southern Casamance region for domestic use and to supply markets across West Africa. Large seizures of marijuana continued in 2019, with the bulk of these actions occurring in the northern part of Senegal and involving truck-borne cannabis shipments from southern Mali.

Senegal's 1997 Drug Law was amended in 2007 with tougher penalties for drug trafficking. At the end of 2019, discussions were underway within the inter-ministerial committee against drug trafficking (OCRTIS) to modify and reinforce the legal framework, including to strengthen the powers of OCRTIS and criminalize other types of drugs (khat and new psychoactive substances). The number of arrests due to drug related offenses increased during the latter half of 2019. Senegal's national strategic plan against drug trafficking (2016-2020) aims to reduce the cultivation, production, and trafficking of illicit drugs, inform the population of the dangers of illicit drug use, and promote the rehabilitation of persons with substance use disorders. The Senegalese government has only achieved partial success in implementing this plan.

Senegalese officials lack sufficient forensic capacity to reliably identify and seize illicit drugs. Senegal is working to improve its law enforcement capacity and professionalism by participating in multilateral efforts with partners from the Economic Community of West African States (ECOWAS) to combat cross-border drug trafficking. In September 2018, the Senegalese National Police and the Drug Law Enforcement Agency of The Gambia signed a memorandum of understanding to increase coordination and collaboration on drug enforcement issues. During December 2018, with the support of international partners, Senegalese law enforcement officials participated in the operation "Open Roads" with Gambia and Guinea-Bissau, which resulted in the seizure of cannabis and other drugs based on successful information sharing and coordination efforts.

In 2019, the United States continued to provide assistance to strengthen the capacities of the Gendarmerie, the Navy, and the Senegalese National Police to monitor, detect, and interdict drug traffickers in Senegal's maritime approaches and territory. The United States and Senegal do not currently have a bilateral mutual legal assistance treaty or an extradition treaty. Senegal is a party to multilateral law enforcement conventions that have mutual legal assistance provisions.

The Government of Senegal has the political will to fight drug trafficking, but limited infrastructure and funding impede its efforts. Incremental improvement is taking place, but continued support from the United States and other international partners remains critical.

Spain

Spain is the leading transit point in Europe for cocaine originating from South America and for hashish from Morocco. Cocaine arrives in Spain in large containerized maritime shipments and in lower-volume shipments via recreational boats and within parasitic devices attached to cargo ships. Transnational criminal organizations frequently ship cocaine in raw form mixed within cargo to avoid detection. Traffickers have begun shipping methamphetamine to Spain through express mail services. Domestic drug production is minor, although there are a small number of indoor cannabis cultivation operations, as well as clandestine labs involved in producing methamphetamine and cutting, mixing, and reconstituting cocaine and heroin.

Spanish law enforcement's counternarcotics efforts have resulted in significant drug seizures, utilizing strong border control and coastal monitoring, sophisticated geospatial detection technology, domestic police action, internal affairs investigations, and international cooperation. In 2018, the most recent year for which data is available, seizures of cocaine increased by 40 percent from 2017, totaling 43 metric tons (MT). Spanish Customs reported seizures of 13.8 MT of cocaine during the first six months of 2019, compared to 19.1 MT for the same period in 2018.

In October 2019, for the first time in recent years there were significant seizures of methamphetamine both in Spain and destined for Spain, the majority of which originated in Mexico. Four seizures of Spain-bound methamphetamine (totaling 245 kilograms) were made by the U.S. Department of Homeland Security and Spanish Customs at express mail centers in the United States and Madrid. The U.S. Drug Enforcement Administration and the Spanish National Police cooperated to seize another 100 kilograms of methamphetamine during an undercover delivery in Madrid. Spanish authorities also dismantled a clandestine lab used to process methamphetamine.

The Spanish government continued to implement its 2017-2024 national strategy to fight addiction. The strategy prioritizes equal access to treatment for minors, women, and the elderly. Spanish authorities estimate that 9.5 percent of Spaniards consume cannabis and 2 percent consume cocaine.

Spain continued to enjoy excellent bilateral and multilateral law enforcement cooperation with international partners in 2019. Cooperation on EU operations in the Mediterranean continued, and U.S. law enforcement agencies maintained strong working relationships with Spanish authorities, leading to significant drug seizures and arrests. In October 2018, Spain's Council of Ministers issued a decree banning certain small high-speed watercraft, which are frequently used to smuggle narcotics and people, especially in the vicinity of the Strait of Gibraltar. The decree permits Spanish Customs to seize unregistered vessels regardless of whether narcotics or other contraband are found onboard.

Suriname

A. Introduction

Suriname is a transit country for South American cocaine en route to Europe, Africa, and, to a lesser extent, the United States. Cargo containers carry most illicit drugs smuggled through Suriname, but smaller fishing vessels, commercial and private air transport, and human couriers also conceal smuggled cocaine. Suriname's sparsely populated coastal region and isolated jungle interior, together with weak border controls and infrastructure, make illicit drug detection and interdiction efforts difficult.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Government of Suriname is officially opposed to illicit drug trafficking, but Suriname's practical ability to apprehend and prosecute drug traffickers remains inhibited by drug-related corruption, bureaucratic hurdles, and the lack of financial and material resources. The Suriname Police Force (KPS) is responsible for the detection and combating of drug-related activities with four units having specific drug control responsibilities. The KPS Narcotics Brigade investigates and arrests individuals involved in trafficking illicit drugs. At the airport, the Combating International Drug Trafficking Unit (BID) screens airport passengers on outbound flights. Assisting the BID team is the canine unit (honden brigade) for inspecting luggage.

The Container Control Unit (CCP) is the fourth unit with specific drug control responsibilities. It uses risk analysis and other proactive techniques to systematically target high-risk containers. The Unit's operating protocol requires permission and oversight of Surinamese Customs authorities during inspections.

Suriname hosted the 21st High Level Meeting of the European Union and Community of Latin American and Caribbean States Coordination Mechanism on Drugs in June 2019. Justice and Police Minister Stuart Getrouw acknowledged the importance of halting the drug trade and combatting other drug related offenses at the meeting, and announced that President Bouterse has decided to raise the problem to the level of a national security concern because of increasing drug transit through Suriname. The participating Caribbean countries called on their European counterparts to stem the demand for drugs, arguing that the supply is fueled by the demand.

On January 18, 2019, the Minister of Health installed a new board for the National Anti-Drug Council (NAR). The goal of the NAR is coordination, consultation, and advice, working toward a society that is free of drugs, drug addiction, drug trafficking, and drug related crime. On January 31, the NAR submitted a draft National Drug Master Plan (NDMP) to the Department of National Security (DNV). The Director of the DNV submitted the plan to the President of Suriname on September 19, 2019.

Suriname is a party to the Inter-American Convention against Corruption and Migrant Smuggling and the Inter-American Convention on Mutual Assistance in Criminal Matters. Since

1976, Suriname has shared drug-related information with the Netherlands as part of a mutual legal assistance agreement among former Dutch colonies to exchange crime-related data. Suriname has also signed bilateral agreements to combat drug trafficking with Brazil, Venezuela, and Colombia. In 1999, the United States and Suriname completed a comprehensive bilateral maritime counternarcotics enforcement agreement that remains in force. Suriname does not have a mutual legal assistance agreement or extradition treaty with the United States.

2. Supply Reduction

Suriname is not a source country for illegal drugs or precursor chemicals, but it continues to be a transshipment point for illicit drugs. In January 2019, the U.S.-funded CCP at the Jules Sedney Port identified suspicious containers that contained 2.3 metric tons (MT) of cocaine, Suriname's largest-ever narcotics seizure. The CCP contributed to the seizure of more than 4.5 MT of cocaine since 2016. Beyond the January seizure, the Government of Suriname was unable to provide statistics regarding arrests, seizures, or court cases pertaining to 2019.

3. Public Information, Prevention, and Treatment

Illicit drug use is relatively rare in Suriname, with marijuana being the primary drug consumed locally. The government's National Antidrug Council (NAR), in collaboration with the Pan American Health Organization, held a two-day workshop in June on substance abuse prevention and treatment.

4. Corruption

As a policy matter, the Government of Suriname does not encourage or facilitate illegal activity associated with drug trafficking. Nevertheless, widespread and credible allegations suggest corruption pervades many government offices, and that corruption has impacted some drug cases the government investigated. Suspects in major drug cases have been able to avoid custody and leave the country. In the case of the January CCP seizure of 2.3 MT of cocaine, the owner of the cargo container in which the drugs were discovered was later found with a fatal gunshot wound to the head in neighboring Guyana. In 2018, the primary suspect in a 488-kilogram drug seizure was able to travel to the Netherlands two days after the drugs were seized. He is still appealing his extradition to Suriname.

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

The United States supports a range of efforts designed to address crime and violence in Suriname, 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 support to Suriname includes training and equipment, primarily to the KPS and justice sector actors, to prevent and interdict drug trafficking, enhance border enforcement capabilities, and combat money laundering. Recent changes to weaken the structure of KPS support for counternarcotics efforts present challenges. For example, the unscheduled rotation of police officers hinders

measurement of U.S.-Suriname bilateral efforts. In certain cases, U.S.-funded specialized training to police officers is not put into practice because the trained officers have rotated out.

D. Conclusion

Suriname continues to be a transit country for illicit drugs originating in South America. The United States encourages the Government of Suriname to combat corruption and take further steps to increase the effectiveness of drug interdiction efforts within the country, as well as subsequent investigations and prosecutions.

Tajikistan

A. Introduction

Tajikistan sits astride one of the main illicit drug trafficking routes for opiates and cannabis leaving Afghanistan en route to markets in Russia and Eastern Europe, and, to a lesser extent, other countries in Central Asia. Known as the “Northern Route,” a 2018 United Nations Office on Drugs and Crime (UNODC) report estimates that between 2011 and 2015, 44 to 74 metric tons (MT) of heroin transited the route annually, the bulk of which is believed to have passed through Tajikistan to the Kyrgyz Republic and Kazakhstan. During that same period, Tajikistan accounted for 34 percent of all opiate seizures in Central Asia.

During the first nine months of 2019, Tajik law enforcement agencies seized slightly over 1.5 MT of illicit drugs, including 760 kilograms (kg) of opium, 136 kg of heroin, and 7,099 tablets of unidentified synthetic drugs. The total volume of seized narcotics decreased compared to the same period of 2018. The number of registered drug users in the country (primarily heroin users) remained at similar levels as previous years. These official statistics may not reflect the actual number of drug users in the country given that not all drug users will register because of potential personal and employment repercussions.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Tajikistan’s drug enforcement activities focus on combating the sale and distribution of illicit drug sold locally for domestic consumption. Tajik law enforcement and border protection authorities are less effective at interdicting drugs transiting Tajikistan to foreign markets. Tajikistan does not have an extradition or mutual legal assistance treaty with the United States, though Tajikistan is party to multilateral conventions that enable law enforcement cooperation.

Tajikistan is a member of the Central Asian Regional Information and Coordination Center for Combatting Illicit Trafficking of Narcotic Drugs, Psychotropic Substances and Their Precursors (CARICC). Tajikistan’s assumption of the CARICC Directorship in 2019 was delayed pending its candidate’s formal approval by member states in early 2020. In May, the Government of Tajikistan hosted a conference on “International and Regional Cooperation on Countering Terrorism and its Financing through Illicit Drug Trafficking and Organized Crime” that brought together leaders from the Central Asian region, Europe, and Asia.

2. Supply Reduction

According to statistics provided by the Drug Control Agency under the President of the Republic of Tajikistan (DCA), the total volume of illicit drugs seized by all Tajik law enforcement agencies during the first nine months of 2019 was approximately 1.5 MT, 46 percent less than the same period of 2018. The total amount of opium seized by the Tajik government reduced by 58 percent to 760 kg and the total amount of synthetic tablets seized reduced by 45 percent to 7,099 tablets. While the amount of synthetic tablets seized reduced significantly in 2019,

anecdotal reporting indicates domestic consumption may be increasing. While local authorities speculate that seizures of drugs from Afghanistan diminished in 2019 because traffickers have been deterred by more effective Tajik border-control measures, UNODC and other reporting suggest that the northern drug smuggling route from Afghanistan remains active amid continued high levels of illicit drug production in Afghanistan. Some drug precursor chemicals bound for Afghanistan are likely trafficked through Tajikistan as well.

The DCA addressed 363 incidents of drug trafficking in the first nine months of 2019. Data for the number of drug trafficking incidents addressed by all Tajik law enforcement agencies is not available. The DCA reports that in the first nine months of 2019, it cooperated with law enforcement agencies of the Islamic Republic of Afghanistan and the Russian Federation on three operations that resulted in the seizures of 52 kg of heroin.

3. Public Information, Prevention, and Treatment

During the first nine months of 2019, 5,623 Tajik citizens (of a 9.3 million population) registered their substance use with the government, down by 22 percent (6,888 in 2018) from the same period of 2018. Individuals can elect to register as drug users for five years, and this registration allows intravenous drug users to receive methadone through internationally-funded HIV prevention projects. However, registration as a drug user denies the user government employment, a driver's license, and, because a marriage permit requires a drug test, the ability to marry. These costs to registration may lead to an undercount of actual drug use in the country.

The DCA has joint drug use prevention plans with the Ministry of Education, Ministry of Culture, Ministry of Defense, Committee for Youth and Sports, Committee for Women and Family Affairs, Committee for Religion, and the Ministry of Interior's Juvenile Delinquency Prevention Service. In the framework of the National Strategy for Combating Drug Trafficking for 2013-2020, the DCA organized 150 media appearances, 266 meetings and discussions, 19 seminars, 24 round tables, and 49 cultural and sports events to promote healthy lifestyles and reduce drug demand.

4. Corruption

In stated policy, the Tajik Government does not encourage or facilitate illegal activity associated with drug trafficking. Tajikistan has enacted anti-corruption legislation, but enforcement is selective and generally ineffective in combating corruption of public officials. There was no reporting on significant arrests, prosecutions, or convictions related to corruption involving illicit drugs in 2019. Extremely low salaries for state workers, the profitability of illegal drugs, and the dearth of profitable licit business options contribute to corruption within the country's counterdrug forces.

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

The U.S. government has a letter of agreement in place with the Tajik government that outlines U.S. support for projects designed to enhance the counternarcotics and law enforcement capability of the DCA and the Border Forces under the State Committee for National Security

through the provision of equipment and training. The U.S. government has effective relationships with both agencies and has provided drug control assistance to support these agencies with training, equipment purchases, and infrastructure projects.

D. Conclusion

Seizures of opium, heroin and synthetic tablets declined in 2019 from 2018 and remain low as a percentage of the estimated volume of drugs transiting Tajikistan. A deeper assessment is necessary to understand why seizures in Tajikistan have been steadily declining over the years; it is unclear whether this trend reflects a decrease in the flow of illicit drugs from Afghanistan through the Northern Route or if it can be attributed to other reasons.

Tajik authorities emphasize concern about domestic drug problems and prioritize action to combat synthetic drugs. Their increased attention to combatting the inflow and transit of synthetic drugs may prompt the Tajik government to provide additional resources for drug enforcement. While the government's seizures of synthetic drugs decreased in 2019, anecdotal reporting of a possible increase in domestic consumption could pose a significant risk to the Tajik population if not addressed.

In 2020, it will be important for Tajikistan to use its Directorship of CARICC to ensure close coordination with Afghanistan and facilitate greater intelligence sharing among the countries of Central Asia to make regional counternarcotics efforts more effective, which could lead to an increase in interdictions.

Tanzania

Tanzania is a significant transit country for illicit drugs. Domestic drug use is also increasing. Tanzania-based trafficking organizations and courier networks operate globally and play a prominent role in the Southwest Asian heroin trade. Tanzania's location, porous borders, and persistent corruption present challenges to drug interdiction. Traffickers exploit Tanzania's 854-mile coastline and inadequate port security. Heroin is transported by small vessels southward along Africa's east coast to Zanzibar and the mainland and in large quantities via land borders from Kenya, through Tanzania, and onward to Mozambique for transshipment to Europe and North America. Smaller quantities are trafficked to Europe, India, and North America largely via commercial air. South American cocaine enters Tanzania by air for further international distribution. Tanzania produces cannabis and khat for domestic consumption and regional distribution.

In 2019, Tanzanian authorities continued to seize significant volumes of drugs acting on real-time intelligence. In February, Tanzania's Drug Control and Enforcement Agency (DCEA) arrested prominent businessman, Abdul Nsebo and his wife Shamim Mwasha for alleged heroin trafficking. In October, DCEA destroyed a total 120.9 kilograms of seized heroin and cocaine.

The United States supports efforts by the Tanzanian government to enhance its drug interdiction capacity, combat corruption, and enact justice sector improvements. In August 2019, a U.S. federal court sentenced ten Tanzanian citizens for their part in a transnational heroin trafficking ring, including Ali Khatib Haji Hassan, an international drug kingpin designated and sanctioned by the U.S. Department of the Treasury who was extradited to the U.S. with two associates in 2017.

DCEA, the Tanzania Intelligence and Security Service, the Tanzanian Police Service's Anti-Narcotics Unit, the Tanzanian Peoples Defense Force, and Tanzanian Maritime Police contribute to Tanzania's fight against illicit drug trafficking in coordination with international law enforcement partners. Regional cooperation on drug interdiction is improving. There is no bilateral mutual legal assistance treaty between Tanzania and the United States, though both countries are parties to several multilateral conventions with provisions for assistance.

During 2019, the DCEA took steps to combat increasing domestic drug use, including using popular local musicians in public campaigns against drug abuse and to expand awareness of its methadone treatment program. Tanzania has taken some steps to implement legislative reforms to stiffen penalties and expand the powers of law enforcement to address drug trafficking.

The Government of Tanzania does not encourage the production or trafficking of illicit drugs, but corruption and lack of training remain barriers to effective enforcement. Drug traffickers influence politicians and law enforcement officers, and many investigators and prosecutors are not sufficiently trained to develop complex cases targeting higher level defendants.

Thailand

Thailand does not cultivate or produce significant quantities of opiates, methamphetamine, or other illicit drugs. Thailand is not a significant source or transit country for drugs entering the United States. However, it does play a major role in the illegal drug market for the Southeast Asia region and the interconnected markets in East Asia and Oceania.

Thailand's foremost drug-control challenge is addressing the surging inflow of methamphetamine, both in crystal and tablet form, from neighboring Burma. A portion that enters Thailand is intended for local markets, but the majority transits through to other markets. A significant amount of methamphetamine is trafficked south through Thailand into Malaysia. Heroin continues to be the second most frequently trafficked drug in Thailand, although several indicators point to decreased demand as the methamphetamine market expands. In 2019, Thailand became the first country in Southeast Asia to legalize medical marijuana.

During the first nine months of 2019, Thailand seized approximately 4.05 metric tons (MT) of crystal methamphetamine; 4.65 MT of methamphetamine powder; 43.6 million methamphetamine tablets ("yaba"); 229 kilograms (kg) of heroin; 6.6 kg cocaine; 365 kg of ketamine; 18,320 MDMA pills; and 1.74 MT of marijuana.

Criminal penalties vary by narcotics classification, generally ranging from monetary fines to life imprisonment. The death penalty exists but is rarely imposed; the last reported execution of a drug offender was in 2009.

Substance abuse has been a high-profile social and public health problem in Thailand for decades. "Yaba," a tablet containing methamphetamine, caffeine and other stimulants, is the most widely abused drug in Thailand. Thailand carries out demand reduction, drug treatment, and rehabilitation programs.

Thailand has well-developed drug control institutions and policies. The Office of the Narcotics Control Board (ONCB) has overall responsibility for the prevention and suppression of illegal drug use. The Royal Thai Police Narcotics Suppression Bureau work with ONCB to enforce drugs laws in Thailand.

The United States and Thailand enjoy a close relationship on law enforcement, including through bilateral extradition and mutual legal assistance treaties. Thailand is an effective and cooperative partner of the United States, with U.S. assistance facilitating and enhancing that cooperation. The U.S. Drug Enforcement Administration works closely with Thai counterparts on investigations, providing specialized training through its Sensitive Investigative Unit program. The United States provides additional training and equipment through the International Law Enforcement Academy and other assistance programs.

Trinidad and Tobago

A. Introduction

Trinidad and Tobago's proximity to Venezuela, porous borders, vulnerabilities at ports of entry, and air and marine transportation routes make it an ideal location for the transshipment of illicit drugs – primarily marijuana and cocaine – to North America and Europe. The government continues to make progress in its ability to investigate drug networks, but remains challenged by insufficient resources, capacity, and entrenched corruption. Through August, law enforcement seized significantly more marijuana and a similar amount of cocaine in 2019 compared to the prior year. Though there remains a lack of comprehensive data regarding drug use and treatment capacity is under-resourced, the government remains committed to drug demand reduction.

B. Drug Control Accomplishments/Policies and Trends

1. Institutional Development

Trinidad and Tobago's drug control institutions remain challenged by deficiencies in staffing, interagency coordination, and funding. There are ongoing efforts to break down existing silos within the intelligence community, the military, law enforcement, and other agencies, though distrust continues to impede coordination. The country's judicial system suffers from lengthy delays, and drug-related prosecutions can take years to be resolved.

The Trinidad and Tobago government introduced legislation in November to decriminalize the possession of small amounts of marijuana. A separate draft law would create a new licensing authority to issue permits for the import and export, cultivation, and sale of marijuana, primarily for medical purposes but also for religious or scientific uses.

The Trinidad and Tobago Police Service created a Special Investigations Unit, which combined multiple units including the primary unit dedicated to countering narcotics trafficking, to better suppress criminal gang activity, which is linked to high levels of drug trafficking and violent crime. The police service also announced its intention to stand up a coastal patrol unit to complement the Trinidad and Tobago Coast Guard and Customs and Excise Division's Maritime Interdiction Unit. The government's budget for 2020 includes a 15 percent increase for the National Drug Council, which is responsible for coordinating the implementation of the country's national drug policy. The effectiveness of the government's drug control institutions and the scope of their international cooperation did not materially change in 2019.

In collaboration with the Organization of American States, Trinidad and Tobago continues to offer training via a Regional Counterdrug Intelligence Training School to serve the English-speaking Caribbean.

Trinidad and Tobago has mutual legal assistance and extradition treaties with the United States, which are used periodically. The country is also party with the United States to a drug control and law enforcement letter of agreement; a maritime law enforcement agreement that enables the United States to patrol Trinidad and Tobago's waters and detain vessels suspected of trafficking

drugs; a ship rider agreement that allows U.S. Coast Guard law enforcement detachments aboard Trinidad and Tobago Coast Guard vessels; and a customs mutual assistance agreement.

2. Supply Reduction

Marijuana is the only known illicit drug produced locally in Trinidad and Tobago. The government's eradication efforts against cannabis, which is grown primarily for local consumption, remained robust in 2019. Traditionally, local producers compete with imports from other Caribbean countries that are perceived to be of higher quality. Some marijuana also enters via Venezuela, as part of a trend of increased trade of illicit goods between the two countries. In December, Trinidad and Tobago decriminalized the possession of small amounts of marijuana. A separate draft law still under consideration would create a new licensing authority to issue permits for the import and export, cultivation, and sale of marijuana, primarily for medical purposes but also for religious or scientific uses.

Other illicit drugs, primarily cocaine but also small amounts of heroin, MDMA, and related psychoactive substances, are trafficked through the country by local and transnational organized crime groups. The main destination for these drugs continues to be the European market, often via Africa, but some also reach the United States and Canada. Criminal groups utilize commercial airlines, courier services, cargo ships, and small boats to transport illicit drugs.

Law enforcement entities seized approximately 2.89 metric tons (MT) of marijuana and 320 kilograms (kg) of cocaine during the first eight months of 2019, compared to seizures totaling approximately 1.24 MT and 321 kg, respectively, for the same period in 2018. The Coast Guard had multiple cocaine seizures of more than 50 kg at sea, and law enforcement seized approximately 63 kg from luggage bound for the United States.

3. Public Information, Prevention, and Treatment

Information on illicit drug abuse is anecdotal. The primary drug used is marijuana, followed by cocaine. The government has expressed concern about perceived increasing usage, particularly by youth, of MDMA and synthetic drugs, much of which enters the country via courier services. In response, the government is working to amend its Dangerous Drugs Act to add MDMA, ketamine, similar synthetic substances, and additional precursor chemicals to the schedules of prohibited substances.

There are several drug treatment programs in Trinidad and Tobago supported by the government – primarily the health ministry – as well as programs administered and privately funded by non-governmental organizations, religious groups, and hospitals. One center that provides programs for women, and children's courts introduced new methods in 2018 to manage youth in conflict with the law, including with respect to drug matters.

Government prevention efforts include school-based education programs, training for educators, anti-drug media campaigns, and special outreach events. The United States supported adolescent drug intervention training in 2019 on the island of Tobago for police officers, social services counselors, and others who interact with young people.

4. Corruption

The country neither encourages nor facilitates, as a matter of government policy, illegal activity associated with drug trafficking, including by senior government officials. Media and anecdotal reports of drug-related corruption, however, in the ranks of the government's security services, and port and airport employees, are common.

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 drug trafficking, advance public safety and citizen security, and promote justice. Assistance from the United States contributed to the increase in drug seizures in 2019 and included continued law enforcement cooperation and training on narcotics investigations and the use of drug-detecting canines.

In 2019, the United States provided training to the Customs and Excise Division's Maritime Interdiction Unit. A U.S. Customs and Border Protection advisor embedded with the Customs and Excise Division and funded by the Trinidad and Tobago government also provided continued guidance on the use of mobile cargo scanners provided by the United States. The U.S. Drug Enforcement Administration and Trinidad and Tobago law enforcement maintain a cooperative relationship, and Trinidad and Tobago also has a Coast Guard liaison seconded to the Joint Interagency Task Force – South.

D. Conclusion

The United States and Trinidad and Tobago enjoy a cooperative relationship against drug trafficking and transnational organized crime. The individuals and units working to combat drug trafficking in Trinidad and Tobago, however, continue to face considerable institutional challenges. The Trinidad and Tobago government should continue to implement reforms and provide sufficient resources to improve the capacity of its law enforcement and criminal justice institutions to detect drug trafficking and effectively investigate, arrest, and prosecute suspected drug traffickers in a timely manner.

Turkey

Turkey remains a transit country for illicit drug trafficking. Heroin, opium, and cocaine are generally trafficked through Turkey to European markets, and amphetamine-type stimulants (ATS) are trafficked to markets in the Middle East and Southeast Asia. Turkish authorities continue to seize large amounts of opiates and hashish in Turkey. U.S.-Turkish counterdrug cooperation is inhibited by the Government of Turkey's ongoing prosecution of a U.S. Drug Enforcement Administration (DEA) local staff member on spurious charges related to his official duties.

The Turkish National Police Counter Narcotics Department is the country's most proactive counterdrug force. The DEA works with the Counter Narcotics Department. Components of the Ministry of Interior also have some drug control responsibilities, and the Ministry of Health is responsible for regulating pharmaceutical products and the importation of chemicals for legitimate use. The Department of Homeland Security's Customs and Border Protection (CBP) and Homeland Security Investigations (HSI), work with Turkish Customs, which falls under the Ministry of Customs and Trade. The United States offers regional training opportunities to Turkish officials to provide additional skills to combat the illicit drug trade, although no Turkish official participated in trainings in 2019.

Most heroin trafficked via Turkey is destined for Western Europe. Turkey is also a transit route for opiates smuggled from Afghanistan via Iran. Turkish smugglers are frequently involved in both heroin sales and transport, as well as the production and smuggling of synthetic drugs. Transnational criminal networks reportedly have interests in heroin conversion laboratories operating in Iran near the Turkish border. The government strictly controls licit opium poppy cultivation and pharmaceutical morphine production, with no apparent diversion into the illicit market.

Turkey is a transit route for methamphetamine smuggled from Iran and bound for Southeast Asia, as well as ATS from Eastern Europe destined for the Middle East. Cocaine is trafficked from South America through Turkey to Europe. Hashish is imported or grown domestically for local consumption.

According to Turkish authorities, during the first nine months of 2019, Turkish authorities seized more than 48 metric tons (MT) of marijuana; approximately 13 MT of heroin; more than one MT of cocaine; and approximately six million MDMA (ecstasy) tablets in more than 87,000 operations across the country.

Illegal drug use in Turkey is relatively low, compared to other countries in the region, but there seems to be an increase in the number of people seeking treatment. No Turkish government officials were charged in 2019 with complicity in drug trafficking or the laundering of drug proceeds. Turkish law enforcement authorities did not accept invitations from DEA to cooperate on potential drug trafficking or money laundering investigations in Turkey, and they did not accept offers of information that would have enabled Turkish authorities to pursue these potential investigations on their own.

Turkmenistan

A. Introduction

Turkmenistan is a transshipment route for opiates originating in Afghanistan and destined for Turkish, Russian, and European markets, trafficked through Turkmenistan either directly from Afghanistan 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.

Turkmenistan has intensive cooperation with international organizations and bilateral partners, but its law enforcement agencies continue to require increased resources, training, and equipment.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Government of Turkmenistan directs the bulk of its law enforcement resources and personnel toward stopping the flow of drugs directly from Afghanistan, Iran and other neighboring states. Common methods of illegal drug transshipment include concealment in cargo and passenger vehicles, deliveries by pedestrian couriers, and in some cases, by concealment in the stomach or body cavities of human couriers and animals. Commercial truck traffic from Iran remains a vulnerability and Caspian Sea ferry traffic from Turkmenistan to Azerbaijan and Russia continues to be an opportune smuggling route.

Turkmenistan does not have an extradition treaty or mutual legal assistance agreement with the United States.

2. Supply Reduction

Compared to previous years, the number of drug seizures reported in the media decreased in 2019. It is possible this reflects the impact of improved drug enforcement in the country, which may be deterring some trafficking networks. According to local authorities, the street-level prices of heroin, opium and marijuana remain among the highest in the region, though this cannot be independently verified. The government holds two "drug burn" ceremonies per year in winter and summer in order to destroy seized drugs and tobacco products. However, at recent drug burning events the amounts of destroyed contraband were not disclosed.

There is no evidence of synthetic drug production in Turkmenistan. Official news sources and the official daily newspaper "Neytral'nyy Turkmenistan" continue to report law enforcement activities combating drug-related crimes, but the number of articles published has decreased.

3. Public Information, Prevention, and Treatment

In 2019 President Berdimuhamedov continued to stress the fight against drugs should be a consistent and uncompromising priority for the government and called upon relevant ministries, organizations and elders to focus their efforts on drug prevention-related education among youth and the population in general.

The Ministry of Health operates six drug treatment clinics, and one out-patient facility for persons suffering from substance use disorders in Ashgabat, as well as a Psychological and Narcological Hospital in the Ilyaly district of Dashoguz province, and one in each of the other four provincial administrative centers. Patients can receive free detoxification treatment at these clinics without revealing their identity, as clinic visits are kept confidential. Additionally, each of the hospitals has fee-based treatment facilities that cost approximately \$10 per day.

The Government of Turkmenistan has not published any drug-abuse related statistics since 2006.

Local law enforcement entities possess broad authority to initiate drug-related cases and send individuals to rehabilitation. The government maintains a rehabilitation center for the treatment of drug, tobacco and alcohol abusers in the Altyn Asyr district of Ahal province that can accommodate approximately 120 patients.

4. Corruption

The Government of Turkmenistan does not encourage or facilitate the illicit production or distribution of narcotics or other controlled substances. President Berdimuhamedov has issued official declarations that the fight against corruption will be one of the priorities for the government and will continue until its complete eradication. Nevertheless, law enforcement officials' low salaries and broad powers allegedly contribute to an environment conducive to corruption. 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. In 2019, 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 January 2019, six officers from the Ministries of Defense (2), National Security (2), Internal Affairs (1) and General Prosecutor's Office (1) attended the Computer and Network Intrusion Course held at the International Law Enforcement Academy (ILEA) in Budapest. In April 2019, five officers from the State Border and two from the State Customs Services of Turkmenistan attended a weeklong International Border Interdiction Training course at the ILEA.

The United States continues to finance a project implemented by the United Nations Office on Drugs and Crime (UNODC), that will help the Forensics Lab of the Ministry of Health of Turkmenistan obtain accreditation in accordance with International Organization for Standardization standards. The United States also funds a UNODC project that provides English language trainings for law enforcement personnel. The United States further provides funding

for the UNODC Container Control Program to improve security and interdiction efforts at the Turkmenbashi seaport.

D. Conclusion

President Berdimuhamedov's regular public statements calling for greater international cooperation and increased efforts against illegal narcotics make clear the importance the Government of Turkmenistan places on its counternarcotics efforts. Law enforcement efforts targeting drug cultivation and drug trafficking receives high profile coverage in state-controlled media. Government of Turkmenistan statements at all levels indicate a desire for enhanced cooperation with international partners.

U.S. engagement with Turkmenistan's drug enforcement agencies remains important to promoting further reform efforts. U.S. assistance will continue to focus on supply reduction through various types of drug interdiction training, law enforcement institutional building, the promotion of regional cooperation, and the exchange of drug-related intelligence. The United States will also encourage the Government of Turkmenistan to intensify long-term demand reduction efforts and to continue its partnership with international organizations such as UNODC and regional bodies such as the Central Asian Regional Information and Coordination Center.

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. The Russia-instigated conflict in eastern Ukraine has created a vulnerable area for the transportation of drugs and other black-market activities.

Heroin from Afghanistan is trafficked through Iran, Russia, the Caucasus, and Turkey, before passing through Ukraine. South American cocaine is moved through Ukrainian seaports and airports for both domestic use and further transit to Russia and EU countries. In 2019 police intercepted 925 kilograms (kg) of heroin from Iran, and 657 kg of cocaine from Colombia. These drugs were transiting the country, and suspects from seven countries were arrested during the operations.

The use of synthetic drugs and psychotropic substances, especially amphetamines, has been rapidly increasing in Ukraine over the past decade, following international trends. Synthetic drugs are trafficked to Ukraine primarily from China, Poland, Lithuania, and the Netherlands, but are also produced locally in small clandestine labs. Domestic seizures are usually found in small quantities, ranging from several grams to several hundred grams.

During the first nine months of 2019, Ukrainian law enforcement agencies detected and disrupted 32 international drug trafficking routes, dismantled 129 clandestine labs and eliminated 60 organized criminal drug trafficking groups. Accordingly 9.9 metric tons (MT) of narcotics, psychotropic drugs, and other controlled substances were seized, most of which were classified as other than hard drugs, but also including 1.39 MT of cocaine; 1.1 MT of heroin; 5.33 MT of poppy straw; 856.6 kg of cannabis; and 56.6 kg of methadone and other drugs.

The United States provides assistance to help Ukraine bring its law enforcement institutions up to Western standards and to facilitate Ukraine's integration into Euro-Atlantic institutions. The U.S. Drug Enforcement Administration has established good working relationships across the Ukrainian law enforcement sector, and ongoing training programs have deepened these relationships. The United States is providing training, equipment, and technical advice in furtherance of the ongoing reform efforts of the police, border guards, prosecutors, and the courts.

The United States and Ukraine are parties to a bilateral mutual legal assistance treaty. While Ukraine and the United States are not parties to a bilateral extradition treaty, Ukraine extradites non-Ukrainian nationals to the U.S. pursuant to their domestic legislation.

United Kingdom

Although the United Kingdom is not a source country for illicit drugs, it is a major consumer and transshipment country. Consumption rates for cocaine and heroin are among the highest in Europe. The purity of Class A drugs, specifically cocaine and heroin, has increased, though “street level” prices for these drugs remain stable.

Drug-related deaths in the United Kingdom – which account for one-third of all drug deaths in Europe – surged 16 percent from 2017 to their highest level ever in 2018, setting records for deaths attributed to opioids, cocaine, and MDMA. In July 2019, Scotland released its annual report on drug-related deaths, which numbered 1,187 in 2018, representing a 27 percent increase from 2017. Despite comprising only eight percent of the United Kingdom’s population, Scotland’s per capita rate of drug-related deaths is nearly three times higher than the rest of the United Kingdom and among the highest in the world.

The United Kingdom has seen an increase in cannabis arriving via mail or express consignment shipping, particularly from states in the United States that have legalized cannabis. Additionally, the United Kingdom has received large container shipments of cannabis from Canada since it was legalized there in 2018. UK-wide criminal organizations continue to engage in drug trafficking, as well as additional criminal activity including violent and financial crimes via gang networks that have expanded from their traditional urban bases. Crack cocaine continues to be a problem, and its purity has also risen, suggesting that the conversion of cocaine into “crack” likely takes place domestically.

Use of fentanyl and fentanyl analogues is on the rise, though not on the same scale as fentanyl abuse in the United States, and UK authorities are highly aware of its threat to the public. Recent UK law enforcement reporting indicates that compared to 2017, the number of fentanyl and fentanyl-related seizures decreased in 2018 and 2019. UK law enforcement sources attribute this decrease to several factors, including the disruption of a large fentanyl laboratory in 2017 and the arrest of individuals involved. Following this operation, there was a significant decrease in fentanyl-related seizures. There may also be some technical barriers to reporting fentanyl encounters. Differences in testing and standards of seized samples among various UK law enforcement agencies, forensic providers, and coroners’ offices lessen the reliability of reporting on fentanyl in the United Kingdom.

The United States and the United Kingdom enjoy an excellent bilateral relationship and cooperate closely on multilateral drug enforcement efforts. The United States continues to conduct coordinated drug trafficking and money laundering investigations with the UK National Crime Agency, the Metropolitan Police Service, 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 United Kingdom, including couriers, parcels, and containerized cargo. The U.S. Coast Guard routinely deploys Law Enforcement Detachments aboard Royal Navy vessels in the Caribbean to conduct counter drug operations, and these operations have led to the seizure of nearly four metric tons of cocaine over the past three years.

Uzbekistan

A. Introduction

While not an important source of drug production, Uzbekistan is a significant transit country for Afghan opium and heroin destined for Russian and EU markets. Drug traffickers take advantage of Uzbekistan's underdeveloped border security infrastructure, rugged border terrain, and corruption. Both the logistical challenges of managing 85-mile and 815-mile borders with Afghanistan and Tajikistan, respectively, and the government's efforts to intensify cross-border trade by easing border crossings, increase the country's vulnerability to exploitation by drug traffickers. Although data is largely unreliable, government officials believe that internal opium and heroin usage is falling while the use of new psychoactive substances is rising. The government considers countering drug trafficking a top priority and has strengthened border cooperation and engagement with neighboring countries, though it is largely unwilling to share intelligence information.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

Illicit misuse of pharmaceutical drugs emerged as an issue of widespread public concern in 2019, partly due to a controversial media report on the subject. This concern prompted the government to pass legislation limiting the sale of 78 drugs, including zaleplon, pregabalin, and tropicamide, to specially licensed pharmacies. The Ministry of Interior and regional offices of the Ministry of Health will oversee audits to suppress illicit retail sale of such medications.

Uzbekistan exchanges drug enforcement information with neighboring countries via the Central Asian Regional Information and Coordination Center (CARICC) and participates in annual international anti-drug exercises conducted by the Collective Security Treaty Organization and the Shanghai Cooperation Organization. Officials from CARICC and the United Nations Office on Drugs and Crime (UNODC) note that countries in Central Asia typically are unwilling to share sensitive counternarcotics intelligence via CARICC. The European Union (EU)'s Border Management Program in Central Asia (BOMCA) organized a number of training courses on drug supply reduction and border control for customs and border officers and Uzbekistan participates in several UNODC training programs related to border security and drug interdiction.

Uzbekistan is covered by DEA's regional office in Almaty, Kazakhstan. DEA maintains largely dormant Memorandums of Understanding with the Ministry of Interior, the Prosecutor General Office's (PGO) Financial Intelligence Unit, and the National Information and Analytical Center for Drug Control (NCDC).

2. Supply Reduction

There is no significant drug production in Uzbekistan, though government authorities note that domestic criminals and transnational organized criminal groups from Afghanistan, Tajikistan,

and Kyrgyzstan attempt to use Uzbekistan's territory for moving drugs from Afghanistan to Russia and Europe.

Uzbekistan conducts an annual "Black Poppy" drug eradication campaign. According to the latest available data from 2018, the NCDC identified 904 cases of illicit cultivation, a 1 percent increase from 2017, and eradicated a total area of 0.26 hectares (ha), a decrease of almost 0.07 ha from 2017.

In 2018, the authorities registered 4,779 drug-related offenses, a 12 percent drop from 2017. According to media reports, 46 foreign nationals were arrested for drug smuggling, 15 of whom were Afghan nationals. The authorities registered a total of 2,036 drug-related crimes in the first six months of 2019. The number of foreign citizens detained for drug-related crimes tripled to 57 in the same period, according to the NCDC.

According to preliminary statistics from NCDC, more than 388 kilograms of various narcotics were seized in the first half of 2019, but no official seizure data pertaining was available at the time of this report. Law enforcement agencies seized over 1,172 kilograms (kg) of narcotics in 2018, a 41 percent drop from 2017, according to the NCDC. The government reported the seizure of 20.6 kg of heroin, 254.7 kg of opium, 600.8 kg of marijuana, 61.4 kg of hashish, and 7.5 kg of tramadol. The amount of heroin seized in 2018 was approximately 160 percent higher than in 2017, while seizures of opium and marijuana fell by 68 percent and 35 percent in volume respectively. The NCDC believes that drug use in Uzbekistan is shifting from Afghan-origin opiates to new psychoactive substances (NPS) and smoking blends, though there is little data available.

3. Public Information, Prevention, and Treatment

The number of registered drug-addicted persons in dispensaries dropped to 6,142 in 2018, from 8,036 in 2017 according to NCDC statistics. The number of registered abusers of pharmaceutical substances, synthetic cannabinoids, and NPS was 299. The majority of patients undergo treatment at narcological centers and clinics. According to the authorities, a total of 2,438 people underwent specialized treatment in drug treatment facilities in 2018, a ten percent increase from 2017, including 1,853 people who received in-patient treatment and 585 who were treated at outpatient clinics. The actual number of drug abusers is considered to be significantly higher than the number registered.

Uzbekistan implements drug demand reduction and treatment programs through the Ministry of Public Education, Ministry of Health, NCDC, and other government agencies. Such activities include meetings with students and teachers, at sports events and art competitions, and through videos on social media. Specialists from narcological centers participate in community-based prevention by holding lectures, workshops, and media appearances.

The EU and international organizations provide capacity-building and training on prevention techniques to local government employees. UNODC trained 25 specialists from the public education sector in two pilot schools in Tashkent in 2019. EU's Central Asia Drug Action

Program (CADAP) organized 15 events focused on demand reduction in the first six months of 2019.

4. Corruption

Uzbekistan introduced a new State Anti-Corruption Program for 2019-2020 but it does not specifically target drug trafficking. While senior officials have previously been convicted of drug-related corruption, there were no such cases in 2019. Despite media reports of pervasive corruption at multiple levels in the government, high-profile convictions of senior officials typically do not involve drug-related crimes.

As a matter of public government policy, Uzbekistan does not encourage or facilitate illegal activities related to drugs nor is there any available evidence that senior government officials are engaged in such activity.

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

Uzbekistan's drug control strategy aims to strengthen the institutional capacities of Uzbek law enforcement and criminal justice institutions through professional training. A 2001 letter of agreement between the United States and Uzbekistan describes bilateral goals as enhancing the government of Uzbekistan's law enforcement capability to detect and interdict illegal drug shipments through its borders and strengthening the conduct of criminal investigations.

The United States is funding the UNODC to conduct anti-money laundering training as well as a drug use assessment survey that aims to establish baseline data on drug use in Uzbekistan. Counternarcotics authorities have requested training to address limited capabilities and expertise in cybercrime investigations, digital forensics, DNA analysis, and law enforcement research. The United States has provided equipment and training for state forensic laboratories and is working to provide additional training in the aforementioned areas.

D. Conclusion

The lack of reliable data on drug use and drug-related prosecutions within Uzbekistan complicates any assessment of its government's drug control efforts. Uzbekistan's resistance to sharing data and/or information on operational activities also hinders international cooperation. Robust anti-corruption practices, stronger engagement with donors and implementers on programmatic and operational cooperation including the mutual exchange of data and information, and further exposure to international best practices are necessary to improve Uzbekistan's ability to counter transnational drug trafficking.

Venezuela

A. Introduction

Venezuela continues to be a major drug-transit country and is a preferred trafficking route in the Western Hemisphere for illegal drugs, predominately cocaine. On January 10, 2019, the dictator Nicolas Maduro began an illegitimate second term as president, following the 2018 presidential elections widely condemned as neither fair nor free. Juan Guaidó, as president of the National Assembly, invoked the Venezuelan constitution on January 23 to assume the role of Interim President. Maduro refused to cede power, preventing President Guaidó from exercising his constitutional authorities within Venezuela.

Guaidó has condemned the regime's complicity with illegally armed narco trafficking groups, including the National Liberation Army (ELN) and dissident members of the Revolutionary Armed Forces of Colombia (FARC). He has warned that the Maduro regime has lost control of its borders and territory, running the risk of turning Venezuela into a "failed state" and a "sanctuary for organized crime." The regime's practically nonexistent international drug control cooperation, usurpation of the judicial system and military/security services for its own illicit ends, public corruption, and cooperation with criminal elements have provided ideal conditions for drug trafficking operations and associated violence.

The regime took no action against officials, individuals, and companies designated as Specially Designated Narcotics Traffickers by the U.S. Department of the Treasury for playing a significant role in international drug trafficking, and there was widespread impunity for such crimes. Designees and those indicted for drug trafficking include members of the regime's cabinet.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

The Maduro regime is not committed to narcotics control, and its economic mismanagement has sapped the capabilities of its law enforcement and judicial apparatus.

On June 3, 2019, Alberto Matheus was appointed the head of the regime's National Anti-Narcotics Office (ONA), replacing Juan Grillo. Matheus reports to Justice and Interior Minister Nestor Reverol, who is indicted in the United States for international cocaine trafficking. In 2013, the regime's ONA developed a National Anti-Drug Plan for 2015-2019 that sought to reduce drug consumption and increase prevention activities.

The United States and Venezuela are parties to an extradition treaty that entered into force in 1923, and a mutual legal assistance treaty that entered into force in 2004. The 1999 Venezuelan Constitution bars the extradition of Venezuelan nationals. There have been initial discussions of information-sharing for investigative purposes between the United States and the Guaidó interim government.

2. Supply Reduction

Venezuela remains a major transit country for cocaine shipments via aerial, terrestrial, and maritime routes. Most flights suspected of trafficking drugs depart from Venezuelan states bordering Colombia, mainly from Zulia state. There was an alarming increase in recorded illicit air tracks originating in Venezuela during the first six months of 2019, with a sharp and continuous increase over the past two years. Conflicting and unreliable statistics make it difficult to assess 2019 regime seizures. On August 20, the regime's ONA reported 23.34 metric tons (MT) of total drugs seizures during the first six months of 2019. The United States Coast Guard seized 11 MT of cocaine from vessels claiming Venezuelan registry in 2019 (up from 7.5 MT in 2018).

Trafficking by maritime conveyance includes the use of large cargo containers, fishing vessels, and "go-fast" boats. There are signs of connections between drug trafficking groups and human smuggling operations, particularly on the maritime routes between Venezuela and the islands of Aruba, Bonaire, and Curacao. There are media reports that in southern Venezuela on the border with Brazil, Venezuelan gangs are working with Brazilian armed groups to traffic drugs. In Bolivar and Amazonas states, there are credible reports of Colombian terrorist groups active in illegal mining and drug and arms trafficking, forcing displacement of indigenous communities.

Illicit drugs that transited Venezuela in 2019 were largely destined for the Caribbean, Central America, the United States, West Africa, and Europe. Colombian drug-trafficking organizations – including FARC dissident factions, the ELN, and other criminal groups – facilitate the shipment of illicit drugs through Venezuela.

The Maduro regime occasionally reports drug seizures, arrests, and destruction of airstrips publicly. Venezuela is not a member of the Cooperative Situational Information Integration System through which countries predetermine information to share automatically with the United States. Authorities of the Maduro regime similarly do not share evidence about destruction of illicit drugs with U.S. officials.

3. Public Information, Prevention, and Treatment

The consumption of illicit drugs within Venezuela, especially cannabis and cocaine, remained a problem in 2019, but recent statistical data is unavailable. The regime's gross economic mismanagement and corruption has deeply complicated all medical care in Venezuela, given shortages of professionals as well as basic services.

4. Corruption

Public corruption, including among senior regime officials, military, judicial, and security services, is endemic in Venezuela, facilitating drug-trafficking organizations' operations. Armed gangs originating in Venezuela's prison system as well as the regime's armed "colectivos" – pro-regime armed groups – are linked to drug trafficking, as are the regime's military and security services.

In 2019, several criminal actions were announced by U.S. authorities against Venezuelan regime officials at the highest levels. In March, regime Minister of Industry and Production and former Vice President, Tareck El Aissami, was charged with violations of the Foreign Narcotics Kingpin Designation Act (El Aissami was designated under the Kingpin Act in 2017). In November 2019, an appellate court in Spain found the evidence sufficient to support the U.S. request for the extradition of former Military Intelligence Chief Hugo Carvajal so that he can stand trial for narcotics-related charges. He remains at large. In June 2019, Luis Alfredo Motta, former minister of state-owned electricity company Corpoelec, pleaded guilty to money laundering. The Maduro regime failed to act against these or other government and military officials charged with similar crimes.

Previously, two nephews of former Venezuelan first lady Cilia Flores, Efrain Campo Flores and Francisco Flores de Freitas, were arrested in Port-au-Prince, Haiti, in November 2015 and expelled to the United States. In December 2017, a U.S. federal court sentenced both nephews to 18 years in prison following their convictions on drug trafficking charges.

The U.S. Department of the Treasury has imposed sanctions on at least 22 individuals and 27 companies linked to Venezuela by designating them as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act. These designations include a number of current and former Venezuelan officials.

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

Drug control cooperation between Venezuela and the United States has been limited since 2005, when former regime officials refused to sign a negotiated addendum to the Memorandum of Understanding to improve anti-drug cooperation.

D. Conclusion

In 2019, the illegitimate Maduro regime failed to make concerted efforts to combat illegal drug activity and prosecute corrupt officials or suspected drug traffickers, including those sanctioned by the U.S. government. Regime officials demonstrated a complete lack of will to address pervasive corruption, criminality, and drug trafficking. The interim Guaidó government has repeatedly condemned the close relationship between armed criminal elements and the regime and has called on democracies in the region and internationally – particularly in the Lima Group and the European Union – to work together to prosecute and sanction the regime’s criminal activities.

Vietnam

A. Introduction

Vietnam is not a significant source or transit country for illegal drugs entering the United States, but remains a significant transshipment point for international criminal organizations that traffic heroin, amphetamine-type stimulants (ATS), and cocaine to markets throughout East Asia and the Pacific. Historically, the cultivation and production of illegal drugs within Vietnam was uncommon. However, in 2019, for the first time in Vietnam's history, the police seized a large-scale clandestine methamphetamine laboratory capable of producing hundreds of kilograms (kg) of methamphetamine per month.

The Government of Vietnam still reports that approximately 90 percent of the illicit drugs seized in the country originate in Laos, Cambodia, Burma, Thailand, and China and are smuggled into the country via overland routes. Lesser volumes of illegal drugs are smuggled through Vietnam via sea and air routes by use of human couriers, sea freight, and commercial cargo services. Vietnam's drug interdiction capacities are limited by poor equipment and training, as well as by the rugged and remote terrain that defines much of the country's borders.

Heroin remains the most commonly used illicit drug in the country, with persons addicted to heroin accounting for approximately 85 percent of the country's registered users. ATS, which is available in both pill form and as crystal methamphetamine, is the most widely trafficked drug through the country and the second most commonly used illicit drug in Vietnam. Cocaine trafficking continues to increase in Vietnam, and 2019 saw the largest cocaine seizure on record in Vietnam.

B. Drug Control Accomplishments, Policies, and Trends

1. Institutional Development

In 2017, Vietnam's prime minister allocated \$95 million through 2020 to support drug control and drug prevention, and the country continued to implement its 2011 comprehensive anti-drug strategy. Vietnam works with neighboring countries to carry out interdiction operations, with border liaison offices situated along the country's borders with Vietnam and Cambodia. The United States promotes counternarcotics information sharing, coordination of operations, and capacity building with Vietnam's Ministry of Public Security.

Despite this, several factors still significantly inhibit Vietnam's ability to effectively investigate and prosecute drug trafficking organizations. Vietnam's counternarcotics police receive little to no formal training, and lack the resources necessary for conducting complex investigations. Furthermore, Vietnam's penal code lacks a conspiracy statute and prohibits the introduction of many types of evidence normally used to prosecute complex organized crime cases.

Vietnam does not have a bilateral mutual legal assistance or an extradition treaty with the United States, although it has acceded to multilateral conventions that enable such cooperation. The decision to engage bilaterally with the United States on international drug trafficking

investigations is made on a case-by-case basis in accordance with a memorandum of understanding between the U.S. Drug Enforcement Administration (DEA) and Vietnam's Ministry of Public Security. Information sharing on a police-to-police basis increased dramatically in 2019 when the Ministry of Public Security allowed the Vietnamese police and DEA to begin exchanging information with one another without the use of formal, written correspondence. Currently, DEA is the only U.S. law enforcement agency given this privilege in Vietnam.

2. Supply Reduction

According to the Government of Vietnam, in 2018, the most recent year for which complete data is available, Vietnamese police investigated approximately 24,552 drug-related cases and arrested 37,842 people involved in drug-related crimes, representing an approximate 9.5 percent increase from 2017 in both investigations and arrests. In the same year, Vietnamese police seized 1,762 kg of ATS and other synthetic drugs, more than four times the amount seized in 2017; 1.36 million ATS tablets, almost three times the number seized in 2017; 1,584 kg of heroin and 197 kg of opium, almost twice the amount of both drugs seized in 2017; 137 kg of cocaine, a thirty percent increase from 2017; 254 kg of cannabis; and 2,500 kg of khat.

In the past, synthetic drug production in Vietnam was rare. However, in August 2019, Vietnamese police seized a large-scale clandestine methamphetamine lab capable of producing hundreds of kilograms of crystal methamphetamine per month. In addition, there is a readily available and dramatically increasing supply of synthetic drugs entering Vietnam from neighboring countries.

3. Public Information, Prevention, and Treatment

The Government of Vietnam promotes and funds drug abuse and awareness programs as part of its comprehensive anti-drug strategy. However, the willingness of Vietnamese citizens to seek drug abuse treatment is limited by the fear of involuntary incarceration in "drug rehabilitation centers," which, in reality, are no different than prisons and provide minimal treatment for addiction. The Government of Vietnam reports that the total number of registered heroin and ATS users is 224,690 people, which represents a less than one percent increase from the previous year. The Government of Vietnam also estimates that approximately 25 percent of new HIV infections in 2017 resulted from intravenous drug abuse.

4. Corruption

Corruption is endemic in Vietnam and plagues almost every sector of the government. However, Vietnam's Ministry of Public Security and other agencies involved in counternarcotics operations continue to pursue an aggressive drug control agenda, as evidenced by the year-to-year increases in drug-related investigations, arrests, and seizures.

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

Vietnamese police continued to expand their cooperation with foreign governments in 2019 to combat regional drug trafficking, particularly with China, Laos, Thailand, and Cambodia. The Vietnamese police also collaborate closely with Australian and U.S. law enforcement authorities to target international drug trafficking organizations. In 2019, Vietnam's Ministry of Public Security renewed its memorandum of understanding with DEA and eliminated the need for Vietnamese police and DEA to use formal, written letters to share information with one another. As a result, in 2019, both information sharing and the number of joint U.S.-Vietnamese investigations increased significantly.

In 2017, the United States began a comprehensive, four-year assistance program intended to strengthen the capacity of Vietnam's counternarcotics police. The program is designed to create a cadre of 100 subject matter experts on drug trafficking investigations within the Vietnamese police force. This program continued through 2019, and remains on track for completion in 2020.

D. Conclusion

Vietnam continues to struggle with controlling drug trafficking and abuse, but maintains an aggressive posture against drug trafficking organizations. Senior law enforcement officers continue to maintain support for increased engagement with the United States on both investigations and capacity building. The United States encourages the Government of Vietnam to consider taking additional steps to modernize and expand its capacity to provide treatment and rehabilitation programs for those suffering from substance use disorders.



United States Department of State

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

**International
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Volume II

Money Laundering

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Common Abbreviations

1988 UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BMPE	Black Market Peso Exchange
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
FinCEN	Department of the Treasury's Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FTZ	Free Trade Zone
GABAC	Action Group against Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America

GDP	Gross Domestic Product
GIABA	Inter Governmental Action Group against Money Laundering
IBC	International Business Company
ILEA	International Law Enforcement Academy
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CI	Internal Revenue Service, Criminal Investigations
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
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
MSB	Money Service Business
MVTS	Money or 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
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control
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

TTU	Trade Transparency Unit
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNGPML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	United States Agency for International Development

Definitions

419 Fraud Scheme: An advanced fee fraud scheme, known as “419 fraud” in reference to the fraud section in Nigeria’s criminal code. This specific type of scam is generally referred to as the Nigerian scam because of its prevalence in the country. Such schemes typically involve promising the victim a significant share of a large sum of money, in return for a small up-front payment, which the fraudster claims to require in order to cover the cost of documentation, transfers, etc. Frequently, the sum is said to be lottery proceeds or personal/family funds being moved out of a country by a victim of an oppressive government, although many types of scenarios have been used. This scheme is perpetrated globally through email, fax, or mail.

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 to fight the threats of money laundering and terrorism financing.

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 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 drug traffickers repatriate and exchange illicit profits obtained in the United States without moving funds across borders. In a simple BMPE scheme, a money launderer collaborates with a merchant operating in Colombia or Venezuela to provide him, at a discounted rate, U.S. dollars in the United States. These funds, usually drug proceeds, are used to purchase merchandise in the United States for export to the merchant. In return, the merchant who import the goods provides the money launderer with local-denominated funds (pesos) in Colombia or Venezuela. 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 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.

Egmont Group of FIUs: The international standard-setter for 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.

Free Trade Zone (FTZ): A special commercial and/or industrial area where foreign and domestic merchandise may be brought in without being subject to the payment of usual customs duties, taxes, and/or fees. Merchandise, including raw materials, components, and finished goods, may be stored, sold, exhibited, repacked, assembled, sorted, or otherwise manipulated prior to re-export or entry into the area of the country covered by customs. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to customs. FTZs may also be called special economic zones, free ports, duty-free zones, or bonded warehouses.

Funnel Account: An individual or business account in one geographic area that receives multiple cash deposits, often in amounts below the cash reporting threshold, and from which the funds are withdrawn in a different geographic area with little time elapsing between the deposits and withdrawals.

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: A 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, association, 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 virtual value.

Natural Person: In jurisprudence, a natural person is a real human being, as opposed to a legal person (see above). 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. This includes the heads of international organizations.

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.

Unexplained Wealth Order (UWO): A type of court order to compel someone to reveal the sources of their unexplained wealth. UWOs require the owner of an asset to explain how he or she was able to afford that asset. Persons who fail to provide a response may have assets seized or may be subject to other sanctions.

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.

Virtual Currency: Virtual 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. Virtual 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. Virtual 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, virtual currency operates like traditional currency, but does not have all the same attributes; i.e., it does not have legal tender status.

Legislative Basis and Methodology for the INCSR

The 2020 volume on *Money Laundering* is a legislatively-mandated section of the annual International Narcotics Control Strategy Report (INCSR), in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the “FAA,” 22 U.S.C. § 2291).¹

The FAA requires the State Department to produce 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)).

In addition to identifying countries in relation to 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 volume is the section of the INCSR that reports on money laundering and country efforts to address it.

The statute defines a “major money laundering country” as one “whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking” (FAA § 481(e)(7)). The determination is derived from the list of countries included in INCSR Volume I (which focuses on narcotics) and other countries proposed by U.S. government experts based on indicia of significant drug-related money laundering activities. Given money laundering activity trends, the activities of non-financial businesses and professions or other value transfer systems are given due consideration.

Inclusion in Volume II is not an indication that a jurisdiction is not making strong efforts to combat money laundering or that it has not fully met relevant international standards. The INCSR is not a “black list” of jurisdictions, nor are there sanctions associated with it. The U.S. Department of State regularly reaches out to counterparts to request updates on money laundering and AML efforts, and it welcomes information.

The following countries/jurisdictions have been identified this year:

Major Money Laundering Jurisdictions in 2019:

Afghanistan, Albania, Algeria, Antigua and Barbuda, Argentina, Armenia, Aruba, Azerbaijan, Bahamas, Barbados, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Burma, Cabo Verde, Canada, Cayman Islands, China, Colombia, Costa Rica, Cuba, Curacao, Cyprus, Dominica, Dominican Republic, Ecuador, El Salvador, Georgia, Ghana, Guatemala, Guyana, Haiti, Honduras, Hong Kong, India, Indonesia, Iran, Italy, Jamaica, Kazakhstan, Kenya, Kyrgyz Republic, Laos, Liberia, Macau, Malaysia, Mexico, Morocco,

¹ This 2020 report on Money Laundering 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, Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance; Department of Homeland Security’s Immigration and Customs Enforcement and Customs and Border Protection; Department of Justice’s Money Laundering and Asset Recovery Section, Office of International Affairs, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance, and Training. Also providing information on training and technical assistance is the independent Board of Governors of the Federal Reserve System.

Mozambique, Netherlands, Nicaragua, Nigeria, Pakistan, Panama, Paraguay, Peru, Philippines, Russia, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Senegal, Sint Maarten, Spain, Suriname, Tajikistan, Tanzania, Thailand, Trinidad and Tobago, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan, Venezuela, and Vietnam.

Overview

Money laundering remains a serious global threat. In 2019, increasingly sophisticated criminal organizations, terrorists, kleptocrats, and other illicit actors continued to seek out the weak links in global anti-money laundering and countering the financing of terrorism (AML/CFT) countermeasures. 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. New technologies, growing diversification of and linkages between 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 increased sophistication of global money laundering networks amplifies the need for jurisdictions to develop and implement effective AML/CFT regimes consistent with international standards. The ability to meet evolving challenges is vital to the maintenance of solvent, secure, and reliable financial, commercial, and trade systems. This report gives many examples of the determination of jurisdictions to dismantle illicit activities. To that end, the United States, a founding member of the Financial Action Task Force (FATF), has worked within the organization, and with partner countries and FATF-style regional bodies, to promote compliance with FATF recommendations. It has also supported, through technical assistance and other means, the development and implementation of robust AML regimes in jurisdictions around the world.

The 2020 edition of the Congressionally-mandated “International Narcotics Control Strategy Report, Volume II: Money Laundering” focuses on the exposure to this threat in the specific context of narcotics-related money laundering. The report provides a review of the AML legal and institutional infrastructure of jurisdictions, highlights the most significant steps each has taken to improve its AML regime, describes key vulnerabilities and deficiencies, and identifies each jurisdiction’s capacity to share information and cooperate in international investigations. The report also highlights the United States government’s provision of AML-related technical assistance.

The opacity of beneficial ownership has long been of serious concern to the AML community, enabling criminals to hide illicit funds behind layers of secrecy. Shell companies are used by drug traffickers, criminal organizations, corrupt officials, and some regimes to launder money and evade sanctions. “Off-the-shelf” international business companies (IBCs), often purchased via the internet, remain a significant concern by creating a vehicle through which nominee directors from a different country may effectively provide anonymity to the true beneficial owners. While the 2020 report demonstrates that beneficial ownership transparency remains a vulnerability in many jurisdictions, it also highlights a number of significant steps that have been taken on the issue. For example, the UK and British Virgin Islands have implemented registers of beneficial owners, and St. Lucia has new beneficial ownership registers for IBCs and international trusts. Panama and Senegal are finalizing legislation to create similar registers. Trinidad and Tobago passed amendments to its Companies Act, improving the adequacy and accuracy of beneficial ownership information, and the Ukrainian parliament passed in the first reading a new bill that would improve disclosure of beneficial owners.

Another long-standing area of concern is trade-based money laundering (TBML). Trade-based systems act as a kind of parallel method of transferring money and value around the world. Systems such as hawala, the black market peso exchange, and the use of commodities such as gold and diamonds are not captured by many financial reporting requirements. These systems pose tremendous challenges for law enforcement around the world. TBML, often based simply on the alteration of shipping documents or invoices, is frequently undetected unless jurisdictions work together to share information and compare documentation. The growing network of Trade Transparency Units (TTUs), now numbering close to 20, has revealed the extent of transnational TBML through the monitoring of import and export documentation. The TTUs focus on detecting anomalies in trade data—such as deliberate over and under-invoicing—that can be a powerful predictor of TBML.

In addition to the continuing widespread use of traditional laundering methods, new technologies continue to gain popularity. The growth of mobile payments has exploded in parts of Africa, introducing people to financial services they previously were not able to access. In Africa, South Asia, and other parts of the world, the use of mobile telephones to send and receive money or credit has surpassed bank account ownership. In Kenya, roughly 225,000 mobile money agents are operating. One large mobile lender has over 22 million registered subscribers, with 5 million active users. While they are useful in expanding banking services to formerly unbanked populations and in reducing the volume of cash transactions, they also create opportunities for exploitation by criminals and terrorists. The ability to transfer funds between parties without involving banks or other financial institutions severely restricts the transparency of mobile payments and raises the risk criminal and terrorist organizations will co-opt these payment services.

Similarly, virtual currencies are growing in popularity and expanding their reach. Their rapid development poses policy, legal, and enforcement challenges. While many jurisdictions continue to study the phenomenon, some governments are beginning to respond to the growing use of digital systems. Italy enacted a decree law to clarify virtual currency treatment under AML statutes, and the Cayman Islands adopted new legislation to cover virtual service providers. Canada published regulatory amendments requiring virtual currency dealers to register as money service businesses (MSBs) and comply with legislative AML/CFT obligations. Canadian financial institutions will be prohibited from establishing and maintaining accounts for unregistered virtual currency businesses. The Colombian congress introduced a bill that seeks to regulate virtual currency exchanges. Conversely, India drafted legislation calling for possible prison sentences for those holding, selling, or dealing in crypto-currencies.

FATF's recent focus on money laundering methodologies used by human trafficking networks has led members of FATF and the FATF style-regional bodies to reinforce their efforts in these areas. In this age of economic disparity, regional wars, and violent criminal organizations, human trafficking and migrant smuggling have expanded globally. The transnational nature of the activity means national boundaries pose few, if any, barriers to criminal enterprises, and rapid and far-reaching digital payments or internationally-recognized currencies work as much to the benefit of crime syndicates, by easing associations and transfers and providing rapid movement, as they do for legitimate enterprises. Jurisdictions are beginning to focus on these activities. Turkish authorities reported uncovering the largest human smuggling ring in Europe,

and Thailand exercised its authority to seize assets in a number of suspected human trafficking cases.

Corruption is a significant by-product, and facilitator of, the international drug trade and transnational organized crime. While corruption risks occur in any country, the risks are particularly high in countries where political will may be weak, institutions ineffective, or the country's AML infrastructure deficient. The 2020 report highlights actions several governments are taking to more effectively address corruption and its links to money laundering. As with money laundering, while legislative and institutional reforms are an important foundation, robust and consistent enforcement is also key. The ability to identify and seize the assets of corrupt politically exposed persons (PEPs) is a vital function. Argentina, Mexico, and Trinidad and Tobago established non-conviction-based forfeiture frameworks, and Argentina has negotiated tax information exchange agreements with several countries. Georgia expanded its law to extend enhanced due diligence measures to domestic PEPs and the heads of intergovernmental organizations. Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission before the officials can open a foreign bank account. Ecuador, Guatemala, and Malaysia have investigated and prosecuted high-level government officials for bribery, embezzlement, illicit enrichment, and organized crime, including a former president, former prime minister, former vice president, congressman, and former minister.

As political stability, democracy, and free markets depend on solvent, stable, and honest financial, commercial, and trade systems, the continued development of effective AML regimes consistent with international standards is vital. The Department of State's Bureau of International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important agenda, promoting compliance with international norms and strengthening capacities globally to combat money laundering.

Training Activities

During 2019, the United States continued its endeavors to strengthen the capacity of our partners in the fight against money laundering. U.S. law enforcement and regulatory agencies shared best practices and provided training and technical assistance on money laundering countermeasures, financial investigations, and related issues to their counterparts around the globe. The programs built the capacity of our partners and provided the necessary tools to recognize, prevent, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. U.S. government agencies supported courses in the United States as well as in the jurisdictions of the program beneficiaries. U.S. agencies provided instruction directly or through other agencies or implementing partners, unilaterally or in collaboration with foreign counterparts, and with either a bilateral recipient or in multijurisdictional training exercises. The following is a representative, but not necessarily exhaustive, overview of the capacity building provided and organized by sponsoring agencies.

Board of Governors of the Federal Reserve System (FRB)

The FRB conducts a Bank Secrecy Act (BSA) and 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 for BSA and OFAC compliance.

Internationally, during 2019, the FRB conducted training and provided technical assistance to banking supervisors on AML topics during three seminars: one in Pretoria, South Africa; one in San Salvador, El Salvador; and one in Washington, D.C. Participants in these FRB initiatives were from the following countries: Armenia, Belize, Brazil, Canada, Curacao, Czech Republic, El Salvador, Germany, Ghana, Guatemala, Hong Kong, Italy, Jamaica, Kuwait, Lebanon, Malawi, Nigeria, Sri Lanka, Zambia, and Zimbabwe.

Department of Homeland Security

Customs and Border Patrol (CBP)

From April 21-May 4, 2019, international officers from CBP's Office of International Affairs traveled to Port au Prince, Haiti to conduct CBP's first ever Capacity Building and Assistance training on the ground. Two courses were provided back to back: Border Enforcement Training and Fraudulent Document Training. The newly created Haitian National Border Police Unit received in-depth training on fraudulent documents and border enforcement techniques such as defensive tactics, arrest and interview techniques, and how to properly conduct a vehicle search. These training courses were designed to build Haitian Border Police capacity to deter and investigate drug trafficking and transnational crime at the Haiti-Dominican Republic land border, as well as at Haitian seaports and airports. These courses also advance U.S. Congressional interests in strengthening border security across the Haiti-Dominican Republic land border. The class was comprised of 25 students from the four main ports of entry in Haiti.

Department of Justice

Drug Enforcement Administration (DEA)

The Office of Domestic Operations, Financial Investigations Section (ODF) at DEA Headquarters serves as DEA's lead body for coordinating DEA's efforts across domestic and foreign offices with respect to the targeting of the financial aspects of drug trafficking organizations (DTO). ODF works in conjunction with DEA field offices, foreign counterparts, and the interagency community to provide guidance and support on financial investigations and offers a variety of investigative tools and oversight on DEA's undercover financial investigations. ODF also liaises with the international law enforcement community to further cooperation between countries and investigative efforts, to include prosecution of money launderers, the seizure of assets, and denial of revenue. ODF regularly briefs and educates United States government officials and diplomats, foreign government officials, and military and law enforcement counterparts regarding the latest trends in money laundering, narcoterrorism financing, international banking, offshore corporations, international wire transfer of funds, and financial investigative tools and techniques.

ODF also conducts training for DEA field offices, both domestic and foreign, as well as for foreign counterparts, in order to share strategic ideas and promote effective techniques in financial investigations. During 2019, ODF participated in and led a number of workshops and strategy sessions focused on money laundering trends, TBML, private sector engagement, guidance and overview on undercover money laundering operations, virtual currency, and investigative case coordination.

DEA has prioritized the financial aspects of investigations and has made this a key element of Priority Target Investigations, the Domestic Cartel Initiative, and Organized Crime Drug Enforcement Task Force investigations. DEA has dedicated financial investigative teams across its domestic offices as well as foreign-based DEA teams in Mexico, Peru, Panama, and Colombia. During 2019, DEA has participated in money laundering training courses and workshops with a number of international partners, to include but not limited to: Canada, Mexico, France, the Netherlands, United Kingdom, Australia, and Colombia.

Federal Bureau of Investigation (FBI)

The FBI provides training and/or technical assistance to national law enforcement personnel globally. Training and technical assistance programs enhance host country law enforcement's capacity to investigate and prosecute narcotics-related money laundering crimes. The FBI has provided workshops introducing high-level money laundering techniques used by criminal and terrorist organizations. The training may focus on topics such as a foundational understanding of drug trafficking investigative and analytical techniques and tactics, money laundering and public corruption, or terrorism financing crimes and their relationship to drug trafficking as a support for terrorism activities. In 2019, the FBI provided financial crime and money laundering training

to Argentina, Ghana, Iraq, Mongolia, Panama, Saudi Arabia, and Vietnam. Canada, Germany, Netherlands, Switzerland, and the UK participated in a regional workshop on international mass marketing fraud; and Armenia was provided training in money laundering and hidden asset investigation training.

Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT)

In 2019, with funding from INL, OPDAT provided expert AML assistance throughout the world consistent with international standards and in furtherance of U.S. national security:

Africa

OPDAT and FBI provided regular AML and asset forfeiture training and mentoring to investigators and prosecutors in Ghana. This engagement contributed to the success of *Operation Rewired*, an FBI-led operation resulting in the seizure of nearly \$3.7 million and the recovery of approximately \$118 million in fraudulent-wire transfers. OPDAT and DHS also assisted The Gambia on financial investigations to retrieve money illicitly laundered by the former president. Finally, OPDAT and INL have established a West Africa Financial Crimes and Kleptocracy Program to coordinate future AML work.

Asia and the Pacific

OPDAT-Indonesia developed the capacity of prosecutors and investigators to effectively investigate and prosecute money laundering cases. OPDAT-Philippines conducted four AML programs for 148 officials, and OPDAT-Bangladesh supported counterparts in developing best practices in investigating and prosecuting money laundering cases. OPDAT-Timor Leste provided AML capacity building to 60 officials. OPDAT-Nepal conducted three financial crimes programs for 140 officials and an AML study visit to the United States. OPDAT-Burma conducted a series of AML and financial crimes workshops for members of the Transnational Crime Program.

Europe

Through regional and bilateral workshops, OPDAT developed the forensic accounting skills of police and prosecutors throughout the Western Balkans, including Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia. OPDAT also conducted five AML programs to provide skills development training to prosecutors, investigators, and FIU officials in Romania and Latvia. Additionally, OPDAT intensified financial investigations and AML technical assistance to Serbia's economic crime and anticorruption task forces, prosecutors, and the Serbian FIU.

Western Hemisphere

OPDAT continued to build Mexico's AML capacity by providing case-based mentoring as well as support to the Mexican Congress, leading to the passage of a new asset forfeiture law. OPDAT helped Honduran counterparts develop and implement an AML regime compliant with international standards and provided regular AML and asset forfeiture assistance and mentoring to Guatemalan and Salvadoran prosecutors, investigators, judges, and AML units. OPDAT's

Judicial Studies Institute hosted an asset forfeiture course for 24 judges from Colombia, Costa Rica, the Dominican Republic, Honduras, Mexico, and Peru.

Department of State

The DOS' INL works to keep Americans safe by countering crime, illegal drugs, and instability abroad. INL does this by strengthening criminal justice systems and law enforcement agencies around the world. Through its international technical assistance and training programs, in coordination with other DOS bureaus, U.S. government agencies, and multilateral organizations, INL addresses a broad range of law enforcement and criminal justice areas, including developing strong AML regimes around the world.

INL and its partners design programs and provide AML training and technical assistance to countries that demonstrate the political will to develop viable AML regimes. The strategic objective is to disrupt the activities of transnational criminal organizations and drug trafficking organizations by disrupting their financial resources. INL funds many of the regional training and technical assistance programs offered by U.S. law enforcement agencies, including those provided at the INL-managed International Law Enforcement Academies.

Examples of INL sponsored programs include:

Global: INL implements multilateral projects that build and enhance our partners' ability to address financial crime within the broader security sector and increase partners' agility to address emerging threats. Current projects are focused on improving effective interagency and international coordination on money laundering cases, including complex money laundering cases involving cryptocurrencies and TBML with the objective to yield higher numbers of investigations, prosecutions, seizures, and confiscations worldwide.

Afghanistan: INL, DOJ, and the UK National Crime Agency (the donors) completed a train-the-trainer program on AML/CFT for Afghan judges, prosecutors, and investigators. This training effort, launched in 2018, was designed to build the capacity of Afghan police detectives, investigators, and financial analysts to better utilize Afghanistan's AML/CFT legislative framework and financial investigative tools. Following a pre-training workshop in Kabul, the donors held a round of trainings in February 2019 in Indonesia. The program concentrated on complex issues and obstacles that Afghan officials face in combatting transnational criminal organizations and terrorist financing. In June 2019, the donors selected 15 of the trained officials for a train-the-trainer program. Participants in this training program included a diverse range of AML/CFT stakeholders, including the Major Crimes Task Force, Financial Transactions and Reports Analysis Center of Afghanistan, National Directorate of Security, Anti-Corruption Justice Center, Counter Narcotics Justice Center, Office of Asset Recovery, Attorney General's Office, and the Ministry of Interior Affairs Intelligence and Investigation Unit.

Central America: In El Salvador, Guatemala, and Honduras, INL supports the deployment of Department of Justice resident legal advisors who focus on financial crimes. INL also works with specialized units in the offices of the attorneys general in each of these countries to provide mentoring, advice, and the skills needed to investigate and prosecute crimes with a money laundering nexus. INL support to U.S. Immigration and Customs Enforcement-vetted Transnational Criminal Investigative Units in El Salvador, Guatemala, Honduras, and Panama helps disrupt and dismantle transnational criminal organizations and investigate crimes,

including money laundering. INL support to the Salvadoran government's anti-extortion unit led to the government's first investigation into MS-13 financing networks, resulting in convictions and the disruption of significant financial assets. These efforts also led to the arrest of the leader of an MS-13 cell with significant reach in the United States, who has since been sentenced to prison on various charges, including specific money laundering charges.

Colombia: The program in Colombia focuses on the Attorney General's Office (AGO), the Colombian National Police, and the judiciary with the following objectives: improve AGO professional and complex money laundering investigations and prosecutions, increase TBML seizures and investigations in port of entry chokepoints, and develop judicial capacity to adjudicate money laundering cases.

Eastern Caribbean: Under the Caribbean Basin Security Initiative, INL's Caribbean Anti-Crime Program empowers subject-matter experts to develop partner-country capacity to forfeit illicitly-obtained assets and build investigative capacity. Targeted efforts include standing up and mentoring dedicated asset recovery divisions in St. Vincent and the Grenadines and Grenada; promoting mutual legal assistance and information sharing between Caribbean countries; promoting international best practices for seized asset management, and building Caribbean partners' investigative and prosecutorial capacity through forensic accounting.

Ecuador: INL funded several AML-related training activities for Ecuador in 2019, which included sending 10 Ecuadorian government officials to attend two AML-related courses at INL's International Law Enforcement Academy.

Jamaica: INL helps officials develop skills to investigate and prosecute lottery scams, money laundering, and organized and financial crime. INL-provided analytic software helps the Financial Investigation Division of the Ministry of Finance interact with international and Jamaican financial institutions.

Kazakhstan: INL and Kazakhstan's team of National Instructors from the Regional Hub on Combating Transnational Threats of the Prosecutor General's Office's Law Enforcement Academy and the Justice Academy of the Supreme Court conducted a financial crime and recovery of stolen assets workshop for judges in June 2019. The 35 participating judges noted their appreciation for the course, which allowed them to examine practices on non-conviction-based asset forfeiture that became available in Kazakhstan in 2018.

Mexico: INL supports AML programming with a variety of Mexican agencies focused on four key areas: case-based mentoring of federal AML prosecutors; specialized financial crime investigation training; fostering collaboration among the Mexican agencies involved in money laundering investigations, including regulatory institutions; and expanding INL's assistance beyond the federal level to those Mexican states demonstrating the requisite political will to tackle this problem. INL also is supporting Mexico's implementation of its updated asset forfeiture law.

Suriname: INL is supporting Suriname's efforts to complete an AML/CFT national risk assessment. Other key activities include building capacity to monitor non-financial institutions

at risk for money laundering and training on investigating and litigating financial crimes. The project is implemented by the OAS's Department against Transnational Organized Crime.

Trinidad and Tobago: INL supports Trinidad and Tobago's efforts to prevent the use of the country's financial markets for money laundering. INL provides training and equipment for the FIU and the Police Service's new White Collar Crimes Unit. INL conducted AML investigation and civil asset forfeiture workshops for the Office of the Director of Public Prosecutions. An INL regional asset forfeiture advisor also provided input into new relevant legislation adopted in 2019.

Uzbekistan: Within the framework of a pilot project aimed at combating drug trafficking-related illicit financial flows, in February 2019, UNODC experts trained 40 Uzbek professionals—including officers from the Financial Intelligence Unit of the Prosecutor General's Office, law enforcement, and bank and stock exchange specialists—on international AML/CFT standards. Trainers from Austria, Ukraine, France, and Kazakhstan shared best practices in AML operational and strategic case analysis, financial investigations, and building effective compliance systems. The Uzbek participants highlighted the importance of closer international cooperation on AML/CFT and requested additional training on virtual currencies.

West Africa: In support of West African efforts to combat money laundering, INL funded a UNODC program to provide training, including instructor development, to assist legal, financial, and law enforcement authorities. The program is designed to develop the skills necessary to effectively identify, investigate, prosecute, and disrupt money laundering and terrorism financing. The countries included in the project are Benin, Burkina Faso, Cote d'Ivoire, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

Department of the Treasury

Financial Crimes Enforcement Network (FinCEN)

FinCEN is the United States FIU, administrator of the Bank Secrecy Act, and primary regulator of AML/CFT activity. FinCEN conducts bilateral and multilateral training and assistance with foreign counterpart FIUs and various domestic and international agencies and departments. This work includes, but is not limited to: multilateral information sharing projects focused on specific topics of interest among jurisdictions; analyst exchange programs and trainings; and programs that enhance analytic capabilities and strengthen operational collaboration to identify, track, and develop actionable operational intelligence.

Internal Revenue Service, Criminal Investigations (IRS-CI)

IRS-CI provides training and technical assistance to international law enforcement officers in detecting and investigating financial crimes involving tax, money laundering, terrorist financing, and public corruption. With funding provided by the DOS, DOJ, and other sources, IRS-CI delivers training through agency and multi-agency technical assistance programs.

IRS-CI participated in training at the International Law Enforcement Academies (ILEAs) located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; Accra, Ghana; and San Salvador, El Salvador. Programs included Financial Investigative Techniques training, Financial Investigations for Public Corruption, and Inter-Agency Cooperation in Financial Investigations. Nine specialized courses were delivered at the ILEAs. In addition, instructors participated in OPDAT Anti-Corruption and Asset Recovery Courses delivered at ILEA Budapest, ILEA Gaborone, and ILEA Bangkok, and a TBML workshop in Mexico City for Mexican investigators and prosecutors from the Ministry of Finance agencies and Attorney General's Office.

Financial Investigative Techniques courses were delivered in Panama City, Panama and in Valetta, Malta. Funding was provided by INL and the Department of Defense European Command. Training in Buenos Aires, Argentina for the Finance and Tax Crime Academy of the OECD was attended by law enforcement officials from countries including Argentina, Brazil, Columbia, Mexico, Panama, and Peru. A Financial Investigations for Public Corruption course was delivered to participants from Guyana, Palau, and Thailand. Funding was provided by INL and the International Law Institute.

IRS-CI provided Money Laundering/Cryptocurrency training at the Asset Recovery Inter-Agency Network for the Caribbean and Cryptocurrency Investigations training to the Regional Security System in Antigua and law enforcement in the British Virgin Islands. IRS-CI Cyber Crimes Unit (CCU) partnered with the Swedish Economic Crime Authority – Ekobrottsmyndigheten) and delivered a cybercrime/cryptocurrency workshop in Stockholm, Sweden about the efforts/capabilities in fighting cybercrime and money laundering. Finally, the

CCU worked with the Icelandic Tax Directorate (ITD) to provide a course on case selection, gathering/handling evidence, and documenting money laundering cases.

Office of the Comptroller of the Currency (OCC)

The U.S. Department of Treasury's OCC charters, regulates, and supervises all national banks and federal savings associations in the U.S. The OCC's goal is to ensure these institutions operate in a safe and sound manner and comply with all laws and regulations, including the Bank Secrecy Act, as well as consumer protection laws and implementing regulations. The OCC also sponsors several initiatives to provide AML/CFT training to foreign banking supervisors. These initiatives include its annual AML/CFT School, 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 2019 AML School was attended by foreign supervisors from Aruba, Austria, Belize, Canada, Germany, Hong Kong, India, Latvia, Netherlands, Philippines, Saudi Arabia, Singapore, South Korea, and Suriname. Additionally, OCC officials met with representatives from foreign law enforcement authorities, FIUs, 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.

Office of Technical Assistance (OTA)

Each of OTA's five teams – Revenue Policy and Administration, Budget and Financial Accountability, Government Debt and Infrastructure Finance, Banking & Financial Services, and Economic Crimes – focuses on particular areas to establish strong financial sectors and sound public financial management in developing and transition countries. OTA works side-by-side with counterparts through mentoring and on-the-job training, which is accomplished through co-location at a relevant government agency. OTA's activities are funded by a direct appropriation from the U.S. Congress as well as transfers from other U.S. agencies, notably the U.S. State Department and the U.S. Agency for International Development.

The mission of the OTA Economic Crimes Team (ECT), in particular, is to provide technical assistance to help foreign governments develop and implement internationally compliant AML/CFT regimes. In this context, the ECT also addresses underlying predicate crimes, including corruption and organized crime. ECT engagements are based on express requests from foreign government counterparts and the results of an onsite assessment by ECT management, which considers the jurisdiction's noncompliance with international standards and the corresponding needs for technical assistance, as well as the willingness by the counterparts to engage in an 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 and/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 a range of AML/CFT stakeholders; improvements to an AML/CFT legal

framework, including legislation, regulations, and formal guidance; and improvement of the technical competence of stakeholders. The range of on-the-job training provided by the ECT is equally broad and includes, among other topics, supervisory techniques for relevant regulatory areas; analytic and financial investigative techniques; cross-border currency movement and TBML; asset seizure, forfeiture, and management; and the use of interagency financial crimes working groups.

In 2019, following these principles and methods, the ECT delivered technical assistance to Angola, Argentina, Belize, Botswana, Cabo Verde, Dominican Republic, the Eastern Caribbean Central Bank, Iraq, Liberia, the Maldives, Mongolia, Paraguay, Sierra Leone, Sri Lanka, St. Vincent & the Grenadines, and Trinidad & Tobago.

Comparative Table Key

The comparative table following the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2019, that jurisdictions have, or have not, taken to combat drug 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. **For those questions relating to legislative or regulatory issues, "Y" is meant to indicate legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.**

Glossary of Terms

- “Criminalized Drug Money Laundering”: The jurisdiction has enacted laws criminalizing the offense of money laundering related to illicit proceeds generated by the drug trade.
- “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 (KYC/CDD) programs for their customers or clientele.
- “Report Suspicious Transactions”: By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions (STRs) to designated authorities.
- “Maintain Records over Time”: By law or regulation, banks and other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- “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.
- “Financial Intelligence Unit is a Member of the Egmont Group of FIUs”: The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to competent authorities disclosures of financial information in order to counter drug money laundering, and the FIU has become a member of the Egmont Group of FIUs.
- “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.
- “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 drug money laundering activities.
- “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.

- “Information Exchange Agreements with Non-U.S. Governments”: The country/jurisdiction is a member of the Egmont Group of FIUs or has in place treaties, MOUs, or other agreements with other governments to share information related to drug-related money laundering.
- “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.
- “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.
- “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.
- “Financial Institutions Transact in Proceeds from International Drug Trafficking That Significantly Affects the U.S.”: The jurisdiction’s financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency; currency derived from illegal drug sales in the United States; or illegal drug sales that otherwise significantly affect the United States.

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	Know-Your-Customer Provisions	Report Suspicious Transactions (YVN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Albania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Algeria	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Antigua and Barbuda	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Armenia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Aruba²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Benin	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

² The Netherlands extended its application of the 1988 UN Drug Convention to Aruba, Curacao, and Sint Maarten and the UN Convention against Transnational Organized Crime to Aruba.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
British Virgin Islands³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Cabo Verde	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cayman Islands³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
China	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Curacao²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Cyprus⁴	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

³ The UK extended its application of the 1988 UN Drug Convention to British Virgin Islands and Cayman Islands. The UNCAC has been extended to British Virgin Islands. The UNTOC has been extended to British Virgin Islands and Cayman Islands.

⁴

Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	N	N	Y	N	N/A	N/A	N/A	N/A	N
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Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Int'l Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Dominica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Dominican Republic	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Guatemala	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Guyana	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Haiti	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Hong Kong⁵	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	Y	N/A
Italy	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N

⁵ The People's Republic of China extended the 1988 UN Drug Convention, the UNTOC, and the UNCAC to the special administrative region of Hong Kong.

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Int'l Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Kenya	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N
Laos	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Macau⁵	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Morocco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Pakistan	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y
Panama	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
St. Kitts and Nevis	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	N
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N

Actions by Governments	Criminalized Drug Money Laundering	Know-Your-Customer Provisions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Cross-Border Transportation of Currency	Financial Intelligence Unit is a Member of the Egmont Group of FIUs	Int'l Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Information exchange agreements with non-U.S. govts	States Party to 1988 UN Drug Convention	States Party to UNTOC	States Party to UNCAC	Financial Institutions transact in proceeds from international drug trafficking that significantly affects the U.S.
Govt/Jurisdiction														
Senegal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sint Maarten²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Suriname	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
United Arab Emirates	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Vietnam	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y

Afghanistan

OVERVIEW

Terrorist and insurgent financing, money laundering, bulk cash smuggling, Afghanistan's inability to collect exact customs' revenue, fraud, and abuse of informal value transfer systems continue to threaten Afghanistan's security and development. Afghanistan remains the world's largest opium producer, and methamphetamine production is rising. Corruption remains a significant obstacle to the nation's progress. The Afghan government has enacted laws and regulations to combat financial crimes but faces a significant challenge in implementing and enforcing existing laws and regulations. Political uncertainty in the coming year stemming from a twice-delayed presidential election could further complicate AML efforts.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The illicit narcotics trade, corruption, illegal mineral extraction, and fraud are major sources of illicit revenue. Afghanistan's underdeveloped banking sector faces significant enforcement and regulatory challenges. Traditional payment systems, particularly hawala networks, provide a range of financial and non-financial business services in local, regional, and international markets and are used to circumvent government oversight. The Afghanistan-Pakistan and Afghanistan-Iran borders are porous, enabling smugglers to cross between countries with relative ease.

KEY AML LAWS AND REGULATIONS

Afghanistan has a comprehensive AML law. Significant provisions include the criminalization of money laundering; KYC and STR provisions; establishment of the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), Afghanistan's FIU; and asset seizure and forfeiture authority, to include establishment of an asset recovery/sharing fund. Fit and proper regulations help ensure financial institutions are well managed and persons who own or control them meet certain criteria. Cash courier regulations, as amended, establish a cross-border currency reporting requirement and ensure seizure or restraint of funds is authorized where there is a suspicion of money laundering.

Although Afghanistan's legislation allows for extradition based upon multilateral arrangements, Article 28 of the Afghan Constitution requires reciprocal agreements between Afghanistan and the requesting country. The United States does not have an extradition treaty with Afghanistan and cannot reciprocate under the multilateral treaties. There is no bilateral MLAT between the United States and Afghanistan, but both countries are parties to multilateral conventions that provide a legal basis for assistance.

Afghanistan is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/a-c/afghanistan/documents/mutualevaluationofafghanistan.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The poor security environment, endemic corruption, and a lack of investigative and prosecutorial capacity impact central bank supervision and FIU regulation of MSBs and money exchanges. Nevertheless, FinTRACA should devise new ways to expand supervision and implementation of the MSB/hawala licensing program, including by improving its outreach program to educate covered entities. The central bank should continue to enhance its AML/CFT supervision capabilities. Regulators and enforcement officers need adequate security and resources, political support, and continued training to supervise the financial sector and investigate financial crimes. Afghanistan should fully enforce market manipulation and counterfeiting as predicates for money laundering, and should strengthen AML supervision of financial institutions and DNFBPs.

Lack of supervision and regulation of precious metals and stones dealers, lawyers, accountants, and real estate agents remains a significant challenge.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Afghanistan's Attorney General's Office (AGO) and law enforcement authorities are hampered by limited resources, lack of technical expertise, poor coordination with counterpart agencies, lack of full independence, and poor infrastructure. Law enforcement officers, prosecutors, and judges continue to need training on effective, lawful asset seizure, and the Afghan government should work with international partners to implement procedures for money laundering seizures. Afghanistan should continue to improve seizure and confiscation procedures in cases involving narcotics and drug trafficking.

Many hawalas use the formal banking sector for day-to-day operations and to settle balances with other hawalas, both domestically and abroad. However, hawalas generally fail to file STRs because of a history of opacity, lack of technical capacity, and an unwillingness to implement CDD requirements, which they view as overly burdensome.

Insurance companies and securities dealers are also required to file STRs, but the government does not fully enforce this requirement.

FinTRACA, when working with the AGO, often faces administrative hurdles regarding prosecution, possibly due to corruption, which limit further cooperation. The AGO's management team, seated in the second half of 2016, has yet to effectively grapple with weak prosecutorial capacity to pursue money laundering cases and asset seizures. Additionally, the Afghan government has yet to implement fully a recovery mechanism for the value of assets seized, and, therefore, no entity, including the police and courts, has responsibility for post-conviction asset recovery or for the use or equitable sharing of the assets.

Despite these obstacles, FinTRACA's leadership is dynamic and eager to pursue the organization's objectives. In 2019, FinTRACA's compliance fines surpassed the 2018 total, and it conducted its first of many AML/CFT review examinations of the largest hawala. The FinTRACA team, along with interagency counterparts, looked for unregistered hawalas and

conducted AML/CFT reviews of the books of registered hawalas. In late 2019, FinTRACA successfully executed an MOU with the AGO to increase information-sharing and FinTRACA's ability to provide its subject matter expertise in support of financial crimes investigations.

Kabul International Airport continues to demonstrate ineffective currency controls for all passengers and cargo, although recent efforts to reform Afghanistan's customs service and its operations have shown promise in reducing currency smuggling by air passengers and cargo. Afghanistan should strengthen inspection controls and enforcement of the currency declaration regime at airports and borders.

Albania

OVERVIEW

The Government of Albania made little progress toward thwarting money laundering and financial crimes in 2019. Albania remains vulnerable to money laundering due to corruption, organized crime networks, and weak legal and government institutions. The country has a large cash economy and informal sector, with significant remittances from abroad. Major proceeds-generating crimes include drug trafficking, tax evasion, and smuggling. Albanian organized crime organizations are known to have links with networks operating in Europe and South America. Ongoing judicial reforms, to include the vetting of judges and prosecutors and the creation of multiple specialized police units targeting financial and economic crimes, have improved Albania's prospects for addressing money laundering. These efforts, however, are still hamstrung by the capacity challenges of recently established justice institutions and the pervasive corruption that undermines existing rule of law.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotics trafficking and illegal business dealings of organized crime gangs are the major sources of illicit funds. Albania's proximity to Europe and the presence of Albanian organized crime in Western Europe and South America make it more vulnerable to money laundering. Investing in real estate and business development projects are among the most prevalent methods of hiding illicit proceeds.

As of January 1, 2019, Albanian law prohibits all sports and electronic betting games, closing more than 4,500 betting establishments. While legal loopholes still allow gambling in casinos of five-star resorts as well as online betting, the law eliminates a significant brick-and-mortar mechanism that allowed criminals to launder or hide illicit funds.

KEY AML LAWS AND REGULATIONS

Albania has CDD and STR requirements in place. Legal reforms in 2016 and 2017, aimed at tackling corruption and organized crime, include justice system reforms, vetting of judges and prosecutors for unexplained wealth, and a revamped law governing asset confiscation. More

than 60 percent of judges and prosecutors vetted to date have failed due to unexplained wealth or personal ties to questionable entities.

Albania completed its second updated money laundering/terrorist financing national risk assessment in June 2019. A draft action plan to address identified risks was also approved.

The Albanian State Police's dedicated Economic Crime Unit is tasked with AML efforts. The Albanian FIU is undergoing leadership changes and seeking international technical assistance.

Albanian law requires annual asset disclosure by public officials (extending to beneficial ownership of assets), including a requirement that officials declare preferential treatment. Provisions prohibiting officials from keeping substantial cash outside of the banking system also exist.

Albania and the United States do not have a MLAT, but cooperation is possible through multilateral conventions.

Albania is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/albania>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Albania has a substantial black market for smuggled goods, facilitated by weak border controls and customs enforcement. Ineffective cross-border control of currency movement remains a problem, although a new unit to enhance detection, established in 2018, has increased cash seizures at the borders.

Albanian courts often refuse to convict for money laundering absent a conviction for a predicate offense, even though this is not specifically required by law. General Guidance No. 6 requires prosecutors to conduct parallel financial investigations and confiscate criminal assets when dealing with corruption, organized crime, illegal trafficking, money laundering, and other listed offenses. When implemented properly, the legal and policy changes result in better enforcement of money laundering and financial crime laws.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Albania must implement existing laws effectively and continue to develop the capacity of its police and prosecutors to focus on corruption, money laundering, and economic crimes. The Prosecutor General's Office (PGO) and Ministry of Interior have entered into a cooperation agreement to tackle organized crime and corruption. A specialized prosecution office was established in December 2019, and in 2020, a specialized investigative unit will be established to work in partnership with the new prosecutors. Known as the Special Structure for Anti-Corruption and Organized Crime, the two offices will work together to form Albania's first independent agency to target these two activities. Further specialization in investigating and prosecuting financial crime will be established within district offices.

Implementation of the substantial criminal code reforms of 2016 and 2017 is still a challenge. Despite a sizeable number of money laundering investigations in recent years, the number of related prosecutions remains low. In 2019, 129 new money laundering investigations were opened by the PGO; 31 defendants were tried in court, of which 13 were convicted. Additionally, the Albanian State Police investigated 322 money laundering crimes and 2,446 financial crime cases in 2019, leading to over \$78 million in sequestered cash and property. The comprehensive, centralized collection of statistics relating to investigations, prosecutions, convictions, and seizures should be improved.

Albania had some success against organized crime figures in 2019. High-profile drug kingpin, Klement Balili, dubbed the “Pablo Escobar of the Balkans,” is a former Albanian local government official accused of trafficking drugs into Greece. Greece convicted him *in absentia* for narcotics smuggling, but he had been in hiding in Albania for two years. Using the civil Anti-Mafia law, prosecutors temporarily sequestered Santa Quaranta, Balili’s luxury hotel, and 19 other properties in Albania in 2017, which put financial pressure on Balili. He eventually surrendered in early 2019 and was sentenced to 10 years in prison on charges of drug trafficking, organized crime, money laundering, and concealing of assets.

Algeria

OVERVIEW

The extent of money laundering through Algeria’s formal financial system is understood to be minimal due to stringent regulations and a banking sector dominated by state-owned banks. Algerian authorities monitor the banking system closely. The Algerian financial system is highly bureaucratic and provides for numerous checks on all money transfers. The continued prevalence of archaic, paper-based systems and banking officials not trained to function in the modern international financial system further deter money launderers, who are more likely to use sophisticated transactions. However, a large informal, cash-based economy, estimated at 40 percent of GDP, is vulnerable to abuse by criminals. The real estate market is particularly vulnerable to money laundering.

Notable criminal activity includes trafficking, particularly of bulk cash, drugs, cigarettes, arms, and stolen vehicles; theft; extortion; and embezzlement. Public corruption and terrorism remain serious concerns. Porous borders allow smuggling to flourish.

The country is generally making progress in its efforts to combat money laundering and financial crimes. Over the past several years, the government has updated its criminal laws on terrorist financing and issued new guidelines for the Bank of Algeria and the Ministry of Finance’s Financial Intelligence Processing Unit (CTRF), Algeria’s FIU.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The restricted convertibility of the Algerian dinar enables the Central Bank of Algeria to monitor Algerian banks’ international financial operations. Money laundering in Algeria occurs

primarily outside the formal financial system, through tax evasion, abuse of real estate transactions, and commercial invoice fraud. Cases of customs fraud, the use of offshore tax havens, and incidences of TBML increasingly concern Algerian authorities. Algeria's extensive informal economy and nearly exclusive use of cash heighten the risk of financial crimes.

Al-Qaida in the Islamic Maghreb, which operates in parts of Algeria, raises money through drug trafficking and trading, extortion, fees imposed on smugglers, and hostage taking. Instability in neighboring Libya threatens the security of Algeria's borders and provides openings for extremist organizations and transnational criminal networks to gain strength.

KEY AML LAWS AND REGULATIONS

There were no legislative changes noted in 2019. The following laws are applicable to money laundering in Algeria: Executive Decree no. 06-05, addressing STR requirements; Executive Decree no. 13-157, on the creation, organization, and functioning of the CTRF; Executive Decree no. 15-153, fixing the thresholds for payments that must be made through the banking and financial systems; and Law no. 16-02, establishing rules for the application of the penal code to AML/CFT. AML provisions in Algeria impose data collection and due diligence requirements on financial institutions processing wire transfers, with stricter requirements for cooperation with law enforcement authorities, upon request, for transfers exceeding U.S. \$1,000. In addition, Algerians must use the formal banking system to complete all payments for certain purchases in excess of the following amounts: approximately \$44,200 for real estate and approximately \$8,800 for goods and services. Noncompliance with these provisions could result in sanctions against the individual and/or financial institution for money laundering or terrorist financing.

Algeria has an MLAT with the United States but not a bilateral extradition treaty. Algeria is a party to several multilateral law enforcement conventions that also permit mutual legal assistance with the United States.

Algeria is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-peoples-democratic-republic>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Challenges remain in implementation of Algeria's AML regime. Following the ouster of the long-serving president in 2019, an anticorruption campaign was announced, and while some initial actions to investigate financial crime commenced, the sustainability of these efforts and results remain to be seen. Indeed, some restrictions on foreign currency deposits and accompanying CDD measures were loosened.

A self-analysis by the CTRF continues to identify a need to increase the quality of banks' reporting, although CTRF has noted recent improvements. While the CTRF has provided some information on the number of cases it is processing, additional information is needed to evaluate implementation.

Only foreign PEPs are covered under enhanced due diligence requirements.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The CTRF actively analyzes STRs, compiles and disseminates money laundering trends and typologies to banks, and engages in quantitative and qualitative self-analysis. A CTRF report for the first half of 2019 indicates the number of STRs filed in 2019 were approximately the same as 2018.

In the first six months of 2019, the Ministry of Justice reported 61 total investigations of money laundering involving a total of 162 legal persons and 414 individuals. During the same period, the ministry reported nine scheduled cases of money laundering involving a total of 17 individuals. The courts reached verdicts in six cases, resulting in a total of 11 counts of guilty and three counts of not guilty.

Antigua and Barbuda

OVERVIEW

Antigua and Barbuda has made some progress on its AML regime. The country finalized a National Risk Assessment (NRA) in 2018, but has yet to implement all the recommendations. As of December 2019, the financial sector includes six domestic banks, nine international banks (offshore banks), 18 insurance companies, eight international insurance companies, four MSBs, one development bank, 37 citizenship by investment agents, and six credit unions. There are eight online gaming and sports betting businesses. As of December 2016, the offshore sector hosted 5,102 IBCs, of which 3,635 were active.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Antigua and Barbuda reports the major sources of illicit funds as corruption, drug trafficking, and fraud. Most corruption cases addressed by law enforcement are responsive to Letters of Request received from foreign jurisdictions. Front operations, wire transfers, and structuring deposits are the main money laundering methods.

Antigua and Barbuda has one small FTZ. AML experts identify international banks, MSBs, the insurance sector, real estate, attorneys, accountants, car dealerships, and particularly, car rentals and gaming arcades, which are cash intensive, as the most vulnerable sectors. In December 2019, the government reported three internet gaming companies and four casinos; and the number of active IBCs is less than 1,300.

Following legislative changes in 2017, corporate management and trust service providers now submit annual attestations of changes to beneficial ownership, including ultimate beneficial owners (natural persons) of IBCs to supervisors.

The Citizenship by Investment Unit (CIU) receives citizenship applications through local licensed agents. Authorities are implementing changes to the program after international experts rated the money laundering/terrorist financing risk to the program as medium-high due to a lack of compliance supervision; lack of formal requirements to conduct money laundering/terrorist financing risk assessments; limited audit functions; and a lack of documented policy. Agents must be citizens of Antigua and Barbuda, resident in-country for at least seven years, and hold a place of business in Antigua and Barbuda. The Money Laundering (Prevention) Act 1996 (MLPA) covers agents as financial institutions; therefore, agents are subject to AML obligations. Authorized representatives, based locally and abroad, market the citizenship by investment program and may be the first point of contact for applicants. Authorized representatives do not have the same citizenship and residency requirements as authorized agents.

Applicants for citizenship undergo a vetting process, including due diligence background checks. Citizens of Afghanistan, Iraq, Iran, North Korea, Sudan, Somalia, and Yemen are ineligible unless they emigrated from those countries before the age of 18 or lawfully demonstrate permanent residency for 10 years or longer in the UK, the United States, Canada, the United Arab Emirates, New Zealand, Saudi Arabia, or Australia. Applicants must also demonstrate they no longer maintain economic ties with the restricted country. Applicants can obtain citizenship for themselves, their spouses, dependent children up to 25 years old, and dependent parents aged 58 or older. Fees start at \$125,000 for a family of four, plus due diligence vetting and passport fees. Canada requires visas for Antigua and Barbuda passport holders due to security concerns with some CBI passport holders.

KEY AML LAWS AND REGULATIONS

The MLPA, the Money Laundering (Prevention) Regulations 2017, and the Money Laundering & Financing of Terrorism Guidelines form the country's legal AML framework. It imposes obligations on financial institutions and DNFBPs to create AML policies and internal controls, implement KYC recordkeeping and STR reporting procedures, and develop staff vetting and training programs. The statutes also outline law enforcement measures to include investigations, seizures, forfeitures, and confiscations. The country has enhanced due diligence for PEPs.

In 2018, an MLPA amendment appointed the Eastern Caribbean Central Bank as the supervisory authority for all financial institutions licensed under the Banking Act.

Antigua and Barbuda has an MLAT and a Tax Information Exchange Agreement with the United States.

Antigua and Barbuda is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.fatf-gafi.org/countries/a-c/antiguaandbarbuda/documents/mutualevaluationofantiguaandbarbuda.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

AML legislation covers legal persons, but the penalties for noncompliance have not been strong deterrents. Amending the legislation to strengthen the sanctions for noncompliance would strengthen the country's AML regime.

The supervision of DNFBPs is inconsistent and not risk-based. Except for procedures during the initial licensing of DNFBPs, there are no formal fit and proper procedures to prevent criminals from holding a management function in certain DNFBPs. Furthermore, not all DNFBPs have been applying the enhanced due diligence criteria for PEPs. The government created a training series for DNFBPs regarding this issue.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government has developed a national action plan to address the issues noted in the NRA. Officials report the National Anti-Money Laundering Oversight Committee and other relevant agencies are also amending their policies and procedures accordingly.

There are specialized units with primary roles for the investigation of money laundering, financial crimes, and specific predicate offenses for money laundering. Communication between intelligence agencies, the FIU, and law enforcement is improving through additional meetings at the coordinating and operational levels.

The country is exercising its powers under the Proceeds of Crime Act. In 2019, there were 10 money laundering-related investigations opened, 11 cases prosecuted, and 16 convictions secured.

Antigua and Barbuda implemented a mandatory risk-based approach to AML for financial institutions; however, many DNFBPs continue to be subject to rules-based supervision.

The police force uses polygraphing for all new recruits and senior staff.

Argentina

OVERVIEW

Argentina faces many of the same challenges confronted throughout the region, including stemming the tide of illicit proceeds from narcotics trafficking and public corruption. Illicit finance threats posed by corruption, including proceeds generated domestically and stemming from Venezuela, remain high. The Tri-Border Area (TBA) shared with Brazil and Paraguay is one of the principal routes into Argentina for multi-billion dollar TBML, counterfeiting, drug trafficking, and other smuggling offenses. In addition, many of the money laundering organizations in the TBA have known or suspected links to the terrorist organization Hizballah.

In recent years, Argentina has taken significant steps to strengthen its AML/CFT regime. In

2019, Argentina issued a Presidential Decree officially designating Hizballah as a terrorist organization. The government also created a National Committee for Combating Money Laundering and Terrorist Financing to coordinate the country's money laundering and terrorist financing policies, including the development of national risk assessments (NRA) and a national strategy to combat those crimes. Despite these positive steps, limited regulatory and criminal enforcement capabilities continue to raise concerns about the government's ability to reduce significantly the flow of illicit proceeds.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Contraband smuggling, narcotics trafficking, and public corruption are significant sources of illicit proceeds. Drug-related crimes have increased in Argentina in the last decade, and Argentina is no longer only a transit country but also a consumer and exporter of narcotics and precursors. Tax evasion and the sale of counterfeit goods also generate significant amounts of revenue.

Various sectors of the economy are vulnerable to exploitation due, in part, to the lack of effective regulatory oversight. Financial institutions, both state and private, MVTs businesses, exchange houses, real estate, and gaming are particularly susceptible. Despite improvements in recent years, Argentina lacks adequate controls at points of entry to prevent cross-border transport of contraband and bulk cash, particularly with respect to outbound enforcement.

The cash-intensive economy and large informal sector create additional opportunities for criminals to launder illicit proceeds, and authorities have detected numerous TBML schemes. In September 2019, the government implemented capital controls to restrict the purchase of foreign currency, funneling demand into the informal exchange market and an increased use of cash exchanges. In December 2019, the newly inaugurated administration maintained and expanded on these controls, applying a 30 percent "tourist tax" on purchases in foreign currency.

KEY AML LAWS AND REGULATIONS

In July 2019, the FIU enacted regulations for credit and debit card operators, prepaid cards, and other means of payment to implement a new risk-based approach in line with international standards. Citing an urgency to recover funds stolen through public corruption, President Macri issued a decree in January 2019 establishing a non-conviction based forfeiture framework. Argentina has negotiated tax information exchange agreements with several countries, including the United States, facilitating increased transparency of offshore assets held by Argentine nationals.

Argentina has CDD and STR regulations in place and both foreign and domestic PEPs are subject to enhanced due diligence.

Argentina is a member of the FATF and of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/countries/a-c/argentina/documents/mutualevaluationofargentina.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Despite recent reforms, effective implementation of the AML regime continues to be a significant challenge for the government. New President Alberto Fernández took office in December 2019. Vice President Cristina Kirchner has faced corruption investigations from her prior years as president of the republic between 2007 and 2015. Argentina has completed, but not yet published, its terrorist financing NRA, but has not yet initiated a money laundering NRA.

Many DNFBPs have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML compliance. Full implementation of the CTR requirement and use of a risk-based approach will likely take years.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Under President Macri, Argentina made a strengthened and professional FIU central to its AML/CFT strategy. The FIU plays a significant role in the AML regime based on its unique authority to serve as a party to criminal prosecutions for money laundering and terrorist financing charges.

Argentina and the United States have a MLAT and customs mutual assistance agreement in place. The United States and Argentina participate in the Argentina-United States Dialogue on Illicit Finance, a bilateral initiative to identify shared money laundering and terror financing threats and vulnerabilities and implement counter-strategies. Argentine Customs maintains an active TTU to combat TBML through sharing and analysis of trade data with other countries with TTUs, including the United States.

Argentina has implemented reforms to allow enhanced use of informants, undercover officers, and cooperating witnesses in transnational criminal investigations, though these measures are not yet in widespread use, partly because judicial system actors are inexperienced in their use.

The effectiveness of Argentina's money laundering enforcement regime, as measured by convictions (eight in 2019), asset forfeiture, and regulatory enforcement, is subject to question. Systemic deficiencies in Argentina's criminal justice system persist, including lengthy delays, a lack of judicial and prosecutorial independence, corruption within the judiciary, and inexperience among some judges and prosecutors in investigating financial crimes.

Armenia

OVERVIEW

Armenia is gradually strengthening its AML legislation to match international standards and has achieved eight money laundering convictions since the April-May 2018 "Velvet Revolution." This number represents a marked increase over pre-revolutionary convictions.

Proposed changes to Armenia's strict bank secrecy laws and draft legislation to establish a civil asset forfeiture regime should provide the Armenian criminal justice system with new authorities and tools to strengthen money laundering investigations and ramp up convictions further in 2020 and beyond.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Armenia is located on a trade route between narcotics source countries and European and Russian markets. Armenia maintains control over law enforcement, prosecution, and judiciary functions. However, Russian border guards staff the land borders with Turkey and Iran, where smuggling is known to occur, and the Russian FSB provides immigration staff at the international airport in Yerevan.

The current government continues to be outspoken about fighting corruption, although narcotics smuggling, the shadow economy, significant inflows of remittances from abroad, the hiding of assets within the real estate sector, and the use of cash remain widespread and constitute vulnerabilities which the government is actively working to address.

Casinos are legal and regulated by the Ministry of Finance.

KEY AML LAWS AND REGULATIONS

Article 190 of Armenia's criminal code criminalizes money laundering. The Central Bank of Armenia regulates the financial sector, including the banks that account for about 90 percent of all financial system assets. Regulation No. 269-N Regulation on Minimum Requirements in the Field of Preventing Money Laundering and Terrorism Financing requires the financial sector to implement KYC provisions and report suspicious transactions to the Financial Monitoring Center (FMC), Armenia's FIU. Financial institutions need to more strongly adhere to, and integrate into their internal policies, the criteria established for high-risk evaluation for banks defined in No 269-N, Chapter 5, Article 27. Bank secrecy laws, as currently designed, require investigators to indict a suspect before obtaining banking records, hindering some money laundering investigations.

Amendments in 2018 to the AML legislation strengthens Armenia's sanctions regime with regard to proliferation of weapons of mass destruction. The government has also improved its assessment of money laundering risks and application of a risk-based approach, based on an interagency action plan that reassesses major categories of threats and vulnerabilities.

Requirements concerning KYC, STR, and enhanced due diligence for PEPs are stipulated in Armenia's AML/CFT law and the Regulation on Minimum Requirements to Reporting Entities.

Armenia and the United States do not have a MLAT.

Armenia is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: [http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MONEYVAL\(2015\)34_5thR_MER_Armenia.pdf](http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MONEYVAL(2015)34_5thR_MER_Armenia.pdf).

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Legal barriers – particularly strict bank secrecy laws that make it extremely difficult for investigators to obtain banking records – have hindered money laundering investigations and convictions. The current government appears devoted to removing these barriers, however, as evidenced by a proposed legislative package to amend Armenia’s bank secrecy laws and a draft civil asset forfeiture law to allow investigators to seize stolen assets absent a criminal conviction.

Armenia has achieved some progress in its requirements for PEPs, regulation and supervision of DNFBPs, and powers of law enforcement and investigative authorities; however, moderate shortcomings remain. Legal persons are not subject to criminal penalties for money laundering.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Armenian law enforcement has been increasingly active in trying to build money laundering cases since the 2018 revolution. The FIU received inquiries on a total of 200 criminal cases involving elements of money laundering between mid-2018 and November 2019, FIU representatives report. These cases were mostly initiated with charges for predicate offenses such as high-profile corruption, embezzlement, tax evasion, theft, and fraud. Almost, if not all, of the initiated major criminal investigations involve members of the former ruling regimes and/or were previous members of the Armenian government. Armenian investigators and prosecutors have received some initial training in the writing of mutual legal assistance requests. Proposed changes in bank secrecy laws, if passed, should make an impact on the ability of Armenia to successfully investigate and prosecute money laundering.

Armenian courts have issued eight convictions on cases with elements of money laundering, including four convictions for stand-alone money laundering offenses since mid-2018, according to the FIU. The rest of the convictions involved illegal entrepreneurial activities, bribery, tax evasion, and abuse of official authorities.

Armenia should provide criminal penalties for legal persons involved in money laundering or terrorist financing, criminalize tipping off of individuals under investigation, ensure all reporting sectors provide mandated financial intelligence reports, criminalize noncompliance or misrepresentation, and create vetting mechanisms to prevent corrupt criminal actors from serving as, owning, or managing DNFBPs. Armenian authorities should also review informal transfer systems from the large Armenian migrant worker population in Russia that may pose money laundering vulnerabilities.

Aruba**OVERVIEW**

Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs and gold from South America bound for the United States and Europe, and for currency flowing in the opposite direction.

Aruba is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions with the approval of the local parliament. The law enforcement MOU between the Kingdom and the United States for joint training activities and sharing of information in the area of criminal investigation, law enforcement, and interdicting money laundering operations remains active and includes Aruba.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Bulk cash and gold smuggling represents a risk due to the location of Aruba between North and South America. Money laundering is primarily related to proceeds from illegal narcotics and gold trafficked by criminal organizations and occurs through gold transfers, real estate purchases, and international tax shelters. Real estate firms and tax trust companies are subject to KYC provisions and FIU reporting obligations. There is no significant black market for smuggled goods.

Sanctions against Aruba's traditional trading partner, Venezuela, and a closed border with Venezuela, are negatively affecting Aruba's refinery, free zone, and tourism industry. Some Venezuelans who are investing in real estate on Aruba are suspected of using black money. Aruban law enforcement agencies started an investigation into illegal underground banking, money laundering, and cash transfers by businesses owned by ethnic Chinese.

The Free Zone Aruba NV has an integrity system in place to deter illegal activities, including smuggling and money laundering, and reviews and controls all companies with free zone status in the FTZs. Financial services, banks, and insurance companies are not permitted to operate in the free zones. There are 14 casinos, and online gaming is allowed, subject to KYC provisions and FIU reporting requirements.

KEY AML LAWS AND REGULATIONS

Fraud is a crime, and counterfeiting and piracy of products are predicate offenses to money laundering. Licensing is required for a variety of businesses. KYC laws cover banks, life insurance companies and insurance brokers, money transfer companies, investment companies and brokers, factoring and leasing companies, trust and company service providers, car dealers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, and dealers in precious metals, stones, and other high-value objects.

The Kingdom may extend international conventions to the autonomous countries within the Kingdom, though the respective parliaments must approve the conventions for them to become law. The Kingdom extended to Aruba the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2007. With the Kingdom's agreement, each entity can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual entities may conclude MOUs in areas in which they have autonomy, if these MOUs do not infringe on the foreign policy of the Kingdom. The 2004 U.S.-Netherlands MLAT, incorporating specific U.S.-EU provisions, was not extended to Aruba. The 1983 MLAT between the Kingdom and the United States applies to Aruba and is regularly used by

U.S. and Dutch law enforcement agencies for international drug trafficking and money laundering investigations. Aruba has 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 in 1994.

Aruba is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/aruba-2>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The Kingdom has not yet extended the application of the UNCAC to Aruba.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Aruba is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes. Aruba does not have a STR system but rather a broader unusual transaction reporting system. Service providers are required to report large cash transactions of \$14,000 or more, wire transactions of \$278,000 or more, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing.

The State Ordinance for the Prevention of and Combating Money Laundering and Terrorist Financing (AML/CFT State Ordinance) includes CDD rules and provisions for the reporting of unusual transactions. Non-regulated financial service providers (including investment brokers and factoring and leasing companies) and DNFBPs must also comply with the requirements of the AML/CFT State Ordinance and must register with the Central Bank of Aruba.

In the reporting period, there were numerous investigations and prosecutions for money laundering, including the sentencing of a former politician. The EU added Aruba to the bloc's blacklist of tax havens, but later removed the jurisdiction after Aruba adapted legislation to meet EU standards in May 2019. In November 2018, Aruba and the Netherlands reached an agreement on the continuation of financial supervision by the Aruba College of Financial Supervision (CAFT) for a period of at least three years. Aruba unilaterally annulled the agreement for fear the CAFT will have a negative impact on Aruba's fragile economy and budget. This is a possible concern because the CAFT is also a money laundering watchdog.

Azerbaijan

OVERVIEW

Weak regulatory oversight and political involvement in Azerbaijan's banking sector, coupled with Azerbaijan's physical location between Iran and Russia, create an environment conducive to the transit of illicit funds. The majority of foreign investment and international trade in Azerbaijan continues to be in the energy sector. Azerbaijan's government is working to diversify the economy away from energy by prioritizing investments in agriculture, tourism,

trade logistics, and telecommunications and information technology.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The major source of criminal proceeds in Azerbaijan continues to be public corruption across all sectors and agencies within the government. In addition, the Afghan drug trade generates significant illicit funds, some of which transit Azerbaijan. Tax evasion, smuggling, trafficking, and organized crime also generate illicit funds. Additional money laundering likely occurs in the financial sector, including in non-bank financial entities and alternative remittance systems. Azerbaijan possesses a significant black market for smuggled and/or counterfeit goods for sale in-country and is a transit point for smuggled cargo.

KEY AML LAWS AND REGULATIONS

An independent FIU, the Financial Monitoring Service (FMS), was established on May 25, 2018. Its creation was aimed at improving the licensing, regulation, and supervision of the financial sector. Previously, FMS had been part of the Financial Markets Supervisory Authority, but was moved in May 2019 to the Taxes Ministry. The FMS is required by law to comply with international AML/CFT standards and Azerbaijan's international treaty obligations.

The key Azerbaijani AML law is the 2009 law "On the Prevention of Legalization of Criminally Obtained Funds or Other Property and the Financing of Terrorism" (AML/CFT Law). Subsequent legislation in 2009 and 2010 amended the law, brought existing legislation into compliance with it, and amended the Criminal Code. Amendments to the AML/CFT Law in 2018 identify the FMS as a supervisor for pawnshops and persons providing intermediary services buying and selling real estate. According to a February 4, 2019 presidential decree, FMS monitors banking transactions for compliance with the law "On Combating the Legalization of Criminally Obtained Funds or Other Property and Financing of Terrorism."

The FMS and the FIUs of Moldova, Belarus, Turkey, Macedonia, Russia, and Iran have signed AML/CFT information-sharing agreements.

Azerbaijan is a member of MONEYVAL, a FATF-style regional body. Its most recent MER can be found at: <https://www.coe.int/en/web/moneyval/jurisdictions/azerbaijan>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

While Azerbaijan's regulators are working to address recognized deficiencies, at present legal persons cannot be criminally liable for money laundering and the acquisition, possession, or use of property obtained with illicit funds is criminalized only for "significant amounts." Banks are not legislatively required to share customer information with correspondent banks; sanctions for financial institutions are not effective, proportionate, or dissuasive; and loopholes exist inhibiting proper identification of PEPs.

The AML law excludes dealers of arts, antiques, and other high-value consumer goods; entities dealing with jewelry and precious metals; travel agencies; and auto dealers from the list of

covered entities. These entities are not required to maintain customer information or report suspicious activity.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In November 2016, Azerbaijan's president signed a decree approving the Action Plan for 2017–2019 on the “Fight against Legalization of Criminally Obtained Funds and Other Properties and Financing of Terrorism.” The FMS subsequently placed an affirmative obligation on financial institutions to report money laundering activities, to include designation and placement of the offending party on the FMS website as a “designated person.” As a result of this designation, FMS, through the relevant government ministries, is able to freeze the assets of the named individual/entity.

Though implementing ministries are required to submit annual reports and action plans to the Cabinet of Ministers and the Commission on Combatting Corruption, these reports are not publicly available.

Bahamas

OVERVIEW

The Bahamas remains a transit point for trafficking in illegal drugs, firearms, and persons to and from the United States. As an international financial center, the country is vulnerable to money laundering in various sectors, such as financial services, real estate, casino gambling, and online gaming. Although The Bahamas has taken significant steps toward strengthening its AML regime, potential vulnerabilities in the online gaming and money transfer business sectors are further exacerbated by certain regulators' reluctance to acknowledge them.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The Bahamas earns approximately 20 percent of GDP through financial services. The international bank and trust sector, the largest segment of the industry, has close to \$400 billion in assets under administration. International and domestic banks and trust companies face high exposure to money laundering risks as they conduct a high volume of transactions, handle significant wealth, utilize wire transfers, and provide banking services through channels that vary in anonymity and complexity. Money transmission businesses are also highly vulnerable to money laundering activity due to the substantial number of small transactions, high numbers of one-off and non-resident customers, usage by undocumented migrants, and the rapid cross-border transfer of funds. As of November 2019, there were approximately 60 licensed fund administrators, 7555 licensed funds, 351 licensed financial corporate service providers, and 27,072 IBCs.

The Bahamas faces global money laundering challenges related to casino gambling and the online gaming sector, including “web shops,” which are restricted to citizens and residents of The Bahamas. As reported by the central bank, The Bahamas generated \$1.3 billion in casino

gaming gross revenues (January – August 2019) and \$3.2 billion in online gaming sector sales (January – September 2019), in a country with an overall GDP of \$12 billion. In 2018, cash transactions in the online gaming sector accounted for 93 percent of all transactions. Of the STRs filed in 2019, only 10 percent originated from casinos and none originated from the online gaming industry, whose total sales in circulation amounted to a figure equivalent to 27 percent of GDP.

Regulators increased engagement with industry stakeholders through issuing revised AML/CFT guidelines, hosting the second annual AML/CFT conference, and publishing a comprehensive report addressing all financial sectors. Regulators introduced administrative fines with proportionate penalties for noncompliance with legal and supervisory requirements.

The country's only FTZ is the city of Freeport, Grand Bahama, administered and managed by a private entity, the Grand Bahama Port Authority. The FTZ serves primarily as a manufacturing and transshipment hub with stringent container screening measures.

KEY AML LAWS AND REGULATIONS

In 2019, The Bahamas implemented the Register of Beneficial Ownership Act (RBOA) to ensure access to accurate and current beneficial ownership information and established an electronic registry to improve information-sharing among the Attorney General's Office (AGO), the FIU, and the Royal Bahamas Police Force (RBPF) Financial Crimes Unit (FCU). The AGO also developed a new, technology-based case management system for processing international requests for assistance, as well as electronic analytical tools for processing STRs. This has allowed the International Cooperation Unit of the AGO to collate statistics more efficiently and respond more effectively to international partners.

The 2019 Securities Industry (Anti-Money Laundering and Countering of Terrorism) Rules, and the 2019 Financial Corporate Services Providers (Anti-Money Laundering and Countering of Terrorism) rules incorporate new and enhanced AML/CFT CDD provisions for licensees and registrants supervised by the Securities Commission of The Bahamas. In addition, the 2019 Non-Profit Organizations Act amendment provides for regulation and supervision of NPOs in line with international standards. Finally, the 2019 Investment Funds Management Act aligns Bahamian law with international standards and best practices regarding the securities sector, expands the scope of powers of the Securities Commission, and provides measures to protect investors.

The Bahamas exchanges records in connection with narcotics investigations or proceedings pursuant to a bilateral treaty on mutual assistance. The Bahamas is a member of the OECD's Global Forum and has implemented the common reporting standard.

The Bahamas is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/cfatf-4meval-bahamas.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have stated The Bahamas should continue to work on demonstrating that authorities are investigating and prosecuting all types of money laundering, including cases involving virtual currencies, stand-alone money laundering, and cases involving proceeds of foreign offenses such as tax crimes. In 2019, the number of money laundering prosecutions and convictions dropped by at least 67 percent despite significant legal and regulatory progress to date.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Political will to pass legislation related to strengthening the AML/CFT regime is strong, and The Bahamas has implemented a strategic action plan to correct noted deficiencies. However, effective implementation may pose challenges. The number of filed STRs continues to be low when compared to the size and scope of the financial sector. As of October 30, 2019, the FIU received 454 STRs for a sector encompassing \$400 billion in assets, up from 332 in 2018, and slightly higher than 446 in 2017.

The Identified Risk Framework Steering Committee met weekly in 2019, while the Group of Financial Services Regulators met quarterly.

Barbados

OVERVIEW

Barbados made some progress on its AML system. Barbados has completed an initial risk assessment, which identifies drug trafficking as the main source of money laundering in the country. Barbados continues its work on a more comprehensive national risk assessment (NRA) amid concerns the previous NRA may not have been sufficient in identifying significant national money laundering risks and vulnerabilities. Barbados has an active international financial services sector. It does not have FTZs or an economic citizenship program.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Barbados reports the major source of illicit funds is drug trafficking. National measures taken to address this risk include targeted controls at the points of entry, increased maritime patrols around Barbados, and better use of available intelligence by competent authorities. The extensive use of cash in routine business transactions and the commingling of illicit and legitimate funds in the financial system pose additional money laundering challenges.

The Central Bank of Barbados licenses commercial banks and holding companies, trusts, and merchant banks. As of October 2019, there are 23 international banks and 10 trust, finance, and merchant banks. As of December 31, 2015 (the most recent available data), total assets reported by international banks were approximately \$41 billion (\$82 billion Barbadian).

The Financial Services Unit of the Ministry of International Business and Industry (IBFSU) is responsible for establishing the legislative/supervisory framework for international business and financial services, including international trust and corporate service providers. There are no reliable statistics available on the IBC sector.

KEY AML LAWS AND REGULATIONS

In August 2019, Barbados enacted the Proceeds and Instrumentalities of Crime Act 2019-17, which authorizes civil prosecution of money laundering offenders as well as additional investigative tools, such as orders requiring respondents to justify unexplained wealth, disclose customer information, and disclose information or documents relevant to a criminal or civil asset recovery or money laundering investigation.

In May 2019, Barbados updated its primary legislation, published as the Money Laundering and Financing of Terrorism (Prevention and Control) (Amendment) Act, 2019-22 (MLFTA). It includes KYC and STR regulations and covers the international financial services sector.

Barbados has a Double Taxation Treaty and a Tax Information Exchange Agreement with the United States.

Barbados is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/barbados-1/9145-barbados-4th-round-mer/file>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The POCA does not include an explicit provision for cash seizures, so Barbados has used its Exchange Control Act for forfeitures. Barbados recognizes this practice is insufficient and is drafting new legislation to address this issue.

A new NRA that could identify additional national money laundering/terrorist financing threats and vulnerabilities is still being drafted. The NRA should include an adequate analysis of terrorist financing risk, transparency of legal persons and arrangements, and the risks associated with trust and corporate service providers and cross-border cash movements.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

There are several areas Barbados should address in order to align with international best practices, including completing a new NRA, improving the monitoring process of PEPs, correcting technical deficiencies in the enforcement of sanctions, fostering national cooperation, improving confiscation and asset forfeiture, transparency, and international cooperation.

There are no casinos in Barbados; however, there are other gaming institutions that are not regulated or supervised for AML/CFT compliance.

The FSC is responsible for the licensing, regulation, and supervision of credit unions and non-

bank financial institutions. The Anti-Money Laundering Authority (AMLA) is in charge of the supervision of certain DNFBPs listed in the MLFTA. The AMLA and the IBFSU are not able to independently supervise the sectors for which they have supervisory responsibility due to resource and capacity limitations. Through MOUs, the IBFSU and the AMLA have delegated their supervisory functions to the FSC, which could compromise the FSC's ability to carry out its own supervisory responsibilities.

Barbados has signed, but not ratified, the UNCAC.

Belgium

OVERVIEW

Belgium's location and considerable port facilities drive the Belgian economy. Belgium's Port of Antwerp (the Port) is the second busiest port in Europe by gross tonnage and, together with the ports of Rotterdam and Hamburg, handles the bulk of European maritime trade. With this large volume of legitimate trade inevitably comes the trade in illicit goods. Antwerp is the primary entry point of cocaine into Europe from South American ports.

Belgium is both a destination and a transit country for drugs and is involved in production. According to the Financial Information Processing Unit (CTIF), Belgium's FIU, Belgian police services are increasingly investigating drug money laundering activity. Most of the laundered funds are derived from foreign criminal activity and are heavily associated with the recent explosion in cocaine trafficking at the Port. While some drug proceeds are transported in bulk to cocaine source countries, some stay in Belgium as payment to the many criminal logistical organizations that move cocaine from containerized cargo at the Port.

Belgium's FIU remains vigilant to increasingly sophisticated money laundering methods, promoting rigorous analysis and increased cooperation with judicial authorities. CTIF introduced new analytical mechanisms in 2018 to improve the flow of information, foster cooperation with the federal prosecutor, and enhance partnerships and analysis of STRs.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Trade in illicit goods through the Port fuels a shadow economy and facilitates the movement of laundered drug proceeds from Belgium back to South America or intermediary points such as Dubai or Hong Kong.

Some high profile, Belgian-based criminal organizations that distribute cocaine within the region utilize the Belgian banking system, along with a complex network of shell companies, to integrate the illicit funds into Belgian bank accounts. Legitimate businesses, such as real estate, the construction sector, restaurants, diamonds, and retail businesses are also used to launder drug proceeds.

Belgium is emerging as a primary European repository for bulk cash. Multiple crime groups collect bulk cash in Belgium and move it globally via a variety of means, most of which focus on the Antwerp diamond quarter. Belgium is a world leader in the diamond trade. The opaque and closed nature of the Antwerp diamond industry complicates money laundering investigations and provides a cover to launder illicit funds through pre-existing, pseudo-legitimate networks. Using hawala-like networks, transnational criminal organizations can quickly process bulk cash and make payouts within 24 hours. Difficulties in monitoring movements in the Port and limited investigations into passengers repeatedly declaring more than approximately \$10,925 (€10,000) at the main airport of Zaventem facilitate the movement of cash.

Virtual currencies are increasingly used by criminal networks to facilitate illegal activity. Investigations involving virtual currency are becoming more common among Belgian police authorities. Belgium does not currently regulate platforms for exchanging virtual currencies and custodian wallet providers because of the lack of a legal depository. No obligation to file STRs on virtual currency transactions exists.

Gaming is legal in Belgium and highly regulated, with the total number of licensed casinos limited to nine. Steady growth in internet gaming continues, but the extent of the activity is currently unknown. According to the FIU, online gaming is legal, but only if the business operates in a physical establishment in addition to its online presence. According to CTIF, the number of “operators of games of chance” increased from 995 in 2017 to 1,103 in 2018.

KEY AML LAWS AND REGULATIONS

Belgium has comprehensive KYC rules and STR requirements. Belgium published legislation to implement the EU Fourth AML directive, which addresses enhanced due diligence for domestic PEPs, in 2017. Belgium has approved measures to modify its legislation to comply with the Fifth Directive by the EU’s January 2020 deadline.

Belgium is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Belgium-2015.pdf> .

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

There are few reported instances of bulk cash transported out of the Port via cargo container; however, the Port’s large size and difficulty in effectively analyzing the contents of 11 million container-equivalent units moving through the Port annually may help facilitate the movement of illicit funds and the transfer of illicit value. Tighter control over the ability of port workers to access and transport merchandise could discourage the transport of bulk cash and access to illicit shipments.

Considering its size and vulnerability to money laundering activity, increased supervision of the diamond industry, including efforts to promote STR filings by diamond dealers, is encouraged. Authorities should also prioritize the detection of illegal diamond trafficking and large-scale tax fraud involving diamond dealers. More specific oversight of the actual individuals operating

within the diamond industry is needed to gain intelligence to determine those individuals and businesses involved in moving illicit funds via hawala networks and TBML.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Both human and IT resources should be allocated to the services responsible for countering money laundering to enable a more proactive approach. After the terrorist attacks in Paris and Brussels, CTIF reported an increase in terrorist financing cases and increased its staff accordingly.

The number of STRs from diamond dealers remains low: in 2018, CTIF received only 18 STRs (up from 11 in 2017, but down from 35 in 2016).

With regard to new financial technologies and virtual currencies, the CTIF is working with regional and international partners to address the need for surveillance and control.

Belize

OVERVIEW

Belize has made significant efforts to improve its AML/CFT regime. Through a series of legislative reforms and a proactive approach to addressing risk, Belize made the strides necessary to improve its financial regulatory capacity and be removed from the EU tax haven “blacklist.” Belize is still primarily a cash economy, and its location, porous borders, poverty, and limited material and personnel resources leave it vulnerable to illicit trafficking, illegal migration, transnational criminal organizations, and corruption. Belize has an active offshore financial sector but is not a key regional financial player. The government is taking steps to close these vulnerabilities.

Belize continues to build its FIU’s capacity. The FIU gave an education seminar for DNFBPs on AML/CFT legislation.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Belize’s sources of money laundering are primarily drug trafficking, tax evasion, and securities fraud. Belize remains primarily a cash economy, including in its two operational free zones. The FTZs are managed entirely by the private sector, deal in cash, and are an entry and dissemination point for contraband. The government is redrafting the Free Zones Act, which will require companies to submit more information on their activities.

As of December 2019, the IBC registry has 35,730 registered, active IBCs; 1,967 trusts are registered at the International Trust Registry; and 111 foundations are active. The four international banks operating in Belize are regulated by the Central Bank of Belize. The International Financial Services Commission supervises offshore entities.

There are 1,052 registered DNFBPs; in 2019, the FIU completed 66 examinations to ensure AML/CFT compliance – the most ever done in one year. Deficiencies identified during the examinations include the need for more guidance on developing internal compliance policies and procedures. The FIU and other public sector stakeholders began addressing this issue through targeted training sessions for DNFBPs.

Six casinos operate in Belize, with annual revenues estimated at \$30 million. Additionally, there are 32 paid gaming establishments and one online gaming license. The FIU supervises the gaming sector for AML compliance.

International cybercriminal activities continue to plague Belize. The slow development of both a national cybersecurity policy and technical expertise constrains response in this area.

Fraud remained the most prevalent suspicious activity shown on filed STRs in 2019.

KEY AML LAWS AND REGULATIONS

Within a month of Belize being included on the EU list of “non-cooperative jurisdictions for tax purposes” in March 2019, the government passed the International Financial Services Commission (Amendment) (No. 1) Act, 2019; the International Financial Services Commission (Amendment) (No. 2) Act, 2019; the Economic Substance Act, 2019; and the Stamp Duties (Amendment) Act, 2019. IBCs can now be owned by Belize residents and are now allowed to do business with Belize residents, own land in Belize, and hold shares in Belize domestic companies. IBCs also now fall within Belize’s tax regime, are required to file annual tax returns, and are subject to the Business and Income Tax Act. The legislation puts a framework in place for a physical presence requirement for IBC operation. All of this legislation was put in place specifically to strengthen Belize’s AML/CFT regulatory framework and ensure Belize businesses adhere to international best practices. The EU recognized that effort and removed Belize from its “blacklist” in November 2019.

Belize has comprehensive CDD and STR requirements. The AML/CFT Code of Practice covers legal persons and provides for enhanced due diligence for PEPs.

Belize is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/documents/cfatf-mutual-evaluation-reports/belize-2>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Belize has a rigorous AML legal, policy, and regulatory framework. Belize does not have a non-conviction-based forfeiture regime for forms of property other than cash. In 2019, an international donor funded a project that facilitated two meetings to discuss civil asset recovery legislation in Belize. At the first meeting, Belize analyzed the provisions of various civil asset recovery laws to determine what may be appropriate for the national context. The second meeting focused on examining further issues and discussing avenues for implementing non-conviction-based legislation in Belize.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Belize has shown strong political will to combat money laundering and has made progress on the AML/CFT front. However, effective implementation of the improved legal framework is inhibited by personnel shortages. Since October 2019, Belize has opened 16 new investigations, three of which resulted in a no-case submission and one person charged for obtaining property by deception.

Belize concluded its national risk assessment (NRA), and the cabinet is expected to review the results in January 2020. Though the results have not been made public, Belize is preparing a national plan of action to address risks identified by the NRA, and the National Anti-Money Laundering Committee is prioritizing the establishment of a national AML/CFT strategy in 2020. In 2019, the FIU recruited a strategic consultant and a research assistant to assist with the review and proper implementation of its three-year strategic plan as well as the completion of the NRA and the national action plan.

Benin

OVERVIEW

Benin's main east-west road forms part of the high-volume Abidjan-Lagos transportation corridor, and the Port of Cotonou is a shipping hub for the sub-region, serving Nigeria and land-locked countries in the Sahel. Criminal networks exploit the volume of goods and people moving through Benin.

Benin is a transit point for a significant volume of drugs and precursors moving from South America, Pakistan, and Nigeria into Europe, Southeast Asia, and South Africa. It is difficult to estimate the extent of drug-related money laundering in Benin, believed to be done through the purchase or construction of real estate for rent or re-sale, casinos, bulk cash smuggling, and payments to officials.

Benin has a specialized trial court, the Economic Crimes and Terrorism Court (CRIET), for economic and financial crime. The majority of financial crime cases before the CRIET in 2019 were related to financial scams, including organized crime- and cyber-based.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Open borders, the prevalence of cash transactions, and the informal economy facilitate money laundering in Benin. Benin's geographical location makes it a transit country for regional and international maritime and land trade, thus exposing it to various forms of proceeds-generating offenses, including cybercrime, corruption, smuggling, and drug trafficking.

Benin is vulnerable to drug-related money laundering. Cases linked to Benin include the proceeds of narcotics trafficking comingled with revenue from the sale of imported used cars for customers in neighboring countries. In the past, Benin was implicated in large international

schemes in which Lebanese financial institutions were used to launder and move criminal proceeds through West Africa and back into Lebanon. Hizballah, which the U.S. Department of State has designated as a Foreign Terrorist Organization, received direct financial support from this network.

KEY AML LAWS AND REGULATIONS

A West Africa Economic and Monetary Union (UEMOA)-drafted uniform law, passed in June 2018, helps standardize AML/CFT legislation among member countries and facilitate information sharing. In Benin, the uniform law (Act 2018-17) replaces 1997 and 2016 laws criminalizing money laundering and the 2012 financing of terrorism law by combining their provisions into a single law. The uniform law also addresses deficiencies in earlier legislation by introducing new investigative authorities; requiring attorneys, notaries, banks, and certain NGOs and religious organizations to report large cash transactions; and the designation of additional money laundering predicate offenses. However, the uniform law contains deficiencies with respect to international AML/CFT standards that persist across UEMOA countries, notably on suspicious activity reporting and customer due diligence.

Benin's president and Ministers of Finance, Interior, and Justice signed ministerial decree number 46 in January 2019 specifying the powers, organization, and function of the Advisory Committee on the Freezing of Assets.

December 2019 modifications to Benin's national constitution include establishment of a Supreme Audit Institution (SAI) to conduct financial audits on the use of public funds.

Benin is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofbenin.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Act 2018-13, passed on May 18, 2018 to create the CRIET, a specialized court with a broad mandate covering drug, terrorism, and financial crimes, does not enumerate the particular offenses under the court's jurisdiction. CRIET's jurisdiction is broadly defined, which may result in a lack of clarity in the appropriate trial court for certain crimes or a case backlog in the future if investigative capacity increases.

Benin's measures to identify legal owners do not comply with international standards for the identification of beneficial ownership and accurate and up-to-date recordkeeping.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Beninese officials have limited capacity to effectively track financial flows, inhibiting their ability to investigate and prosecute individuals or groups under the country's legal regime.

The West African Central Bank, which regulates the common West African CFA franc currency, sets a requirement for declaration of bulk cash crossing the border to Nigeria (a non-UEMOA

member country) at approximately \$8,750 (CFA franc 5,000,000) or more. Benin customs authorities lack training to evaluate cross-border currency declarations for money laundering purposes.

The National Financial Intelligence Processing Unit (CENTIF), Benin's FIU, is under-resourced. Agents within this office and other law enforcement offices are often reassigned to new jurisdictions and new disciplines after training investments by donors. Insufficient funding for day-to-day operations hinders travel to conduct investigations. CENTIF has requested support from donors to implement recommendations by international AML experts.

On the judicial side, investigating judges lack specialized training in complex financial schemes and cases sit unattended. Benin has had no successful money laundering prosecutions to date.

There is no MLAT between Benin and the United States. Benin is a party to multilateral conventions that support international cooperation on money laundering cases.

Bolivia

OVERVIEW

Bolivia is not a regional financial center but remains vulnerable to money laundering. Criminal proceeds laundered in Bolivia are derived primarily from smuggling contraband and the drug trade. In recent years, Bolivia has enacted several laws and regulations that, taken together, should help the country more actively fight money laundering. Bolivia should continue its implementation of its laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Major sources of illicit funds in Bolivia include cocaine trafficking, smuggled goods, corruption, illegal gold mining, and informal currency exchanges. Chile and Peru are the primary entry points for illicit products, which are then sold domestically or informally exported.

The latest White House Office of National Drug Control Policy report found Bolivia had the potential to produce 254 metric tons of cocaine in 2018, a significant source of illicit profits. Informal gold mining also has grown in recent years. Although informal currency exchange businesses and non-registered currency exchanges are illegal, many still operate. Corruption is common in informal commercial markets and money laundering activity is likely.

Bolivia has 13 FTZs for commercial and industrial use in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Lack of regulatory oversight of these FTZs increases money laundering vulnerabilities.

A few legal casinos pay a hefty percentage to the government in order to run card games, roulette, slots, and bingo. Many illegal casinos operate in the informal market.

KEY AML LAWS AND REGULATIONS

Bolivia passed several laws to control the entry and exit of foreign exchange and criminalize illicit gains. The National Council to Combat Illicit Laundering of Profits issues guidelines and policies to combat money laundering. Regulatory procedures allow for freezing and confiscation of funds and other assets related to money laundering.

All financial institutions in Bolivia are required by the Financial Investigative Unit (UIF), Bolivia's FIU, and banking regulations to report all transactions above \$3,000 (\$10,000 for banks).

Bolivia has KYC regulations. All transactions conducted through the financial system require valid photo identification in addition to other required information. Financial intermediaries must enter this information into their systems, regardless of the transaction amount or whether the transaction is a deposit or a withdrawal. Private banks follow KYC international standards.

Bolivia does not have a MLAT with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance. U.S. Customs and Border Protection, U.S. Immigration and Customs Enforcement, and Bolivian National Customs signed a Customs Mutual Assistance Agreement (CMAA) in 2017 that expands cooperation and information sharing, including in the area of money laundering. The CMAA provides for the sharing of forfeited assets.

Bolivia is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available in Spanish only at: <http://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/bolivia/evaluaciones-mutuas-1/1950-informe-de-evaluacion-mutua-de-bolivia-3a-ronda/file>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Lack of personnel in the UIF, combined with inadequate resources and weaknesses in Bolivia's legal and regulatory framework, limit the UIF's reach and effectiveness. Compliance with UIF's reporting requirements is extremely low. Information exchange between the UIF and police investigative entities has improved in the last few years, and the UIF maintains a database of suspect persons that financial entities must check before conducting business with clients.

Bolivia is in the process of including notaries under the supervision of UIF and is working to address other noted deficiencies, including vehicle dealers, real estate businesses, and jewelry stores, as well as virtual currency, mobile device payments, and financial outflows.

In 2017, the Central Bank of Bolivia prohibited the use of bitcoin and 11 other virtual currencies. The regulation bans the use of any digital currency not regulated by a country or economic zone.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Bolivian justice system is hindered by corruption and political interference, both of which impede the fight against narcotics-related money laundering. The lack of well-trained prosecutors and police officers has also been a problem, leading to ineffective criminal investigations. In 2017, the Attorney General created a special unit dedicated to investigating and prosecuting money laundering.

The Bolivian criminal courts have jurisdiction over crimes related to narcotics, terrorism, and money laundering. With a legal order, courts can request information from banks for investigative purposes.

Bolivia has an extradition treaty with the United States. In some instances, the Bolivian government has been cooperative with U.S. law enforcement. Overall there has been little law enforcement cooperation between Bolivia and the United States in recent years, though on November 12, 2019, after the resignation of the previous president and his cabinet, a new, transitional government took office until the elections in early 2020. This may lead to new potential areas of collaboration with the new governments.

According to the most recent data available, there were approximately 51 money laundering-related prosecutions in 2018. Conviction data is not available.

Banks are actively enforcing all regulations to control money laundering or any other suspicious transaction.

Bosnia and Herzegovina

OVERVIEW

Bosnia and Herzegovina (BiH) has a primarily cash-based economy and is not an international or regional financial center. A Visa Liberalization Agreement with the EU enables easy transit from Eastern Europe and the Balkans region to countries in Western Europe. BiH is a market and transit point for smuggled commodities, including cigarettes, firearms, counterfeit goods, lumber, and fuel oil and, during the last year, the country faced significant problems with illegal migration.

BiH has made substantial progress, not only in strengthening its AML regime, but also harmonizing its laws across its numerous legal systems, including laws related to money laundering and asset forfeiture. BiH has a complex legal and regulatory framework with criminal codes and financial sector laws at the state and entity levels (Federation of BiH (FBiH) and Republika Srpska (RS)), and in the Brčko District (BD).

However, the BiH justice sector still performs relatively poorly in the areas of money laundering and forfeiture. Specifically, prosecutor's offices and law enforcement oftentimes lack expertise to conduct large-scale financial investigations. Furthermore, judges often have a hard time

comprehending expert testimony, which leads to poor verdicts. International donors conduct ongoing capacity building activities that aim to improve the level of effectiveness of judges and prosecutors.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The majority of STRs are connected to tax evasion and corruption. A smaller amount involve suspected proceeds linked to human trafficking and smuggling, narcotics trafficking, and organized crime. Individuals frequently withdraw funds under the guise of legitimate business, but the purpose of the transactions is often found to be fabricated. Banks make up 84 percent of the financial sector, and STRs from banks show fraud and identity theft are increasing, as are identity card counterfeiting and credit card fraud. Money laundering through real estate development is a problem.

There are four active FTZs in BiH. Companies working in these zones are primarily producing automobile parts, forestry and wood products, and textiles. The Ministry of Foreign Trade and Economic Relations is responsible for monitoring FTZs; there have been no reports that these areas are used for money laundering.

KEY AML LAWS AND REGULATIONS

The main legislation defining BiH's AML regime includes the Law on AML/CFT, the four criminal codes and criminal procedure codes of the multiple jurisdictional levels, and various sectoral laws (e.g., addressing insurance, the securities market, banks, associations, and foundations), some of which have been amended in the last two years. The country has KYC and STR regulations and applies CDD measures. BiH has mechanisms in place for records exchange.

BiH's Law on Mutual Assistance in Criminal Matters provides for asset sharing. It is unknown whether this provision has ever been used.

BiH is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/bosnia>

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Corruption is endemic, affecting all levels of the economy. BiH made significant technical improvements to its AML/CFT regime, including with regard to confiscation measures; CDD and STR procedures; financial institution regulation and supervision; regulation of DNFBPs and NPOs; transparency of legal persons and beneficial owners; targeted financial sanctions; statistical data and public reporting by the FIU; cross-border cash declarations; and national-level cooperation. While implementation of these reforms has begun, significant achievements in terms of money laundering investigations, prosecutions, and convictions, as well as other measures of progress, have yet to materialize.

The four criminal codes now contain similar money laundering offenses. The criminal codes of

the entities and BD include specific provisions on some aspects of confiscation and forfeiture of income or other benefits, commingled property, and instrumentalities. The two entity governments and Brcko District have special laws on the confiscation of assets, in addition to the provisions of the criminal procedure codes.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

While BiH's political structure and ethnic politics hinder the effectiveness of its AML regime, coordination of law enforcement AML efforts among the multiple jurisdictions in BiH is improving. BiH completed its National Risk Assessment of Money Laundering and Terrorist Financing in the Period 2018-2022 in September 2018, which identifies notaries and real estate agencies as the highest-risk sectors.

There are agencies in FBiH, RS, and the BD that manage confiscated assets. There is no such agency at the state level. The state level investigates money laundering crimes with an international or inter-entity element, while the entities and BD deal with localized money laundering. The jurisdictions maintain separate bank supervision and enforcement/regulatory bodies.

There are concerns about the effectiveness of controls relating to the cross-border transportation of currency and bearer negotiable instruments at the maritime border and land crossings. BiH law enforcement is improving its actions to combat TBML in the country.

In the period from January 1, 2019-October 31, 2019, according to information from the High Judicial and Prosecutorial Council of BiH, the courts handed down five convictions related to money laundering.

Brazil

OVERVIEW

Brazil's economy remains the second largest in the Western Hemisphere in 2019 and among the ten largest in the world. Brazil is a major drug transit country and one of the world's largest drug consumers. Transnational criminal organizations operate throughout Brazil and launder proceeds from trafficking operations and human smuggling. A multi-billion dollar contraband trade occurs in the Tri-Border Area (TBA) where Brazil shares borders with Paraguay and Argentina. Illicit networks in the TBA provide financial support to Hizballah, a U.S. Department of State-designated Foreign Terrorist Organization and a U.S. Department of the Treasury Specially Designated Global Terrorist. Public corruption is law enforcement's primary money laundering priority, followed by narcotics trafficking.

In February, Brazil's Congress passed legislation to remedy CFT deficiencies related to the implementation of targeted sanctions for terrorist financiers designated by the UN Security Council.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Public corruption, human smuggling, and trafficking of drugs, weapons, and counterfeit goods are the primary sources of illicit funds. Money laundering methods include the use of banks, real estate, and financial asset markets; remittance networks; shell companies; phantom accounts; illegal gaming; informal financial networks; and the sale of cars, cattle, racehorses, artwork, and other luxury goods. Criminals also use foreign tax havens to launder illicit gains. Drug trafficking organizations are linked to black market money exchange operators. In large urban centers, laundering techniques often involve foreign bank accounts, shell companies, and financial assets; while in rural areas, promissory notes and factoring operations are more common.

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.

Brazilian law enforcement information and other reporting suggest the nation's largest criminal organization, Primeiro Comando da Capital, a sophisticated transnational criminal organization with ties to several countries in the Western Hemisphere and Europe, is making a push into money laundering and other less visible criminal enterprises and corrupting public officials and police.

Since 2014, "Operation Car Wash" has uncovered a complex web of corruption, bribery, money laundering, illegal campaign contributions, and tax evasion spanning the Americas, leading to arrests and convictions of the former president, former ministers, members of Congress, political party operatives, employees at parastatals, and executives at major private construction firms throughout the region. According to the Ministry of Justice, more than \$100 million of illicit funds have been blocked overseas; Brazil has recovered \$20 million thus far.

Brazil's Manaus FTZ is composed of five free trade areas. Brazil also has a number of export processing zones.

KEY AML LAWS AND REGULATIONS

Brazil's money laundering legal framework was last updated in 2012. The framework facilitates the discovery, freezing, and forfeiture of illicit assets. Brazil has comprehensive KYC and STR regulations. Brazil maintains some control of capital flows and requires disclosure of corporate ownership.

Brazil and the United States have a MLAT. Brazil regularly exchanges records with the United States and other jurisdictions.

Brazil is a member of the FATF and the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/a-c/brazil/documents/mutualevaluationreportofbrazil.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Legal entities cannot be criminally charged under Brazil's money laundering statute. Legal entities in violation of the reporting requirements can face fines and suspension of operation, and managers can face criminal sanctions.

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

From January through September 2019, the Council for Financial Activities Control (COAF), Brazil's FIU, referred 5,273 financial intelligence reports to law enforcement and initiated 12 money laundering administrative actions. On July 17, 2019, a Supreme Court justice issued a temporary injunction that prevented COAF and the Federal Revenue Service (RF) from passing financial intelligence information to law enforcement authorities without a prior judicial order. While in force, the injunction effectively halted COAF's ability to share financial intelligence with law enforcement and froze existing law enforcement money laundering investigations. On December 4, the full Supreme Court fully overturned the injunction. In December 2019, Congress approved legislation proposed by the executive branch to move COAF from under the Ministry of Economy (previously Ministry of Finance) to the Brazilian Central Bank. The legislation changes COAF's mandate by removing terrorist financing; it is unclear how this will alter COAF's core functions and responsibilities. Comprehensive data on criminal investigations and convictions are not yet available.

Brazilian law enforcement has successfully seized millions in multiple currencies in highway seizures, especially on the border with Paraguay.

The lack of a central de-confliction database, coupled with the stove-piping of intelligence by multiple Brazilian law enforcement agencies, makes it difficult to fully identify the means through which criminal groups launder money. Coordination among civilian security agencies, law enforcement agencies, and the Brazilian military is hindered by inter-service rivalries.

Brazil made significant strides in strengthening its legal framework, building capacity to investigate and prosecute financial crimes through specialized police units and courts, and fostering interagency cooperation and civil society input on prospective reforms. Nonetheless, challenges remain. Judicial delays often lead to cases expiring before judgment due to strict statutes of limitations. Brazil will benefit from expanded use of the task-force model and cooperative agreements that facilitated recent major anticorruption breakthroughs, an increased information exchange on best practices, government contract oversight, and collaboration and leniency agreements.

British Virgin Islands

OVERVIEW

The British Virgin Islands (BVI) is a UK overseas territory. Its economy is dependent on tourism and financial services. The BVI is a well-established, sophisticated financial center

offering accounting, banking and legal services, captive insurance, company incorporations, mutual funds administration, trust formation, and shipping registration. At the close of June 2019, the commercial banking sector had assets valued at approximately \$2.44 billion. BVI has committed to complying with OECD and EU rules on financial transparency and regulation. It has adopted the new global standard for the automatic exchange between jurisdictions of taxpayer financial account information. Potential misuse of BVI corporate vehicles remains a concern, but the government has put in place frameworks to guard against such abuse. Criminal proceeds laundered in the BVI derive primarily from domestic criminal activity and narcotics trafficking.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The BVI has a favorable corporate tax and no wealth, capital gains, or estate tax. Significant money laundering risks include exploitation of financial services and a unique share structure that does not require a statement of authorized capital. The BVI is a favored destination for incorporating new companies (subject to statutorily-required AML checks), which can be established for little money in a short amount of time. Multiple reports indicate a substantial percentage of BVI's offshore business comes from Asia.

Financial services account for over half of government revenues. The Financial Services Commission's (FSC) June 2019 statistical bulletin notes there are 396,932 companies. Of these, 1,114 are private trust companies. There are six commercially licensed banks and 1,489 registered mutual funds.

The BVI's proximity to the U.S. Virgin Islands and its use of the U.S. dollar as 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 these threats.

KEY AML LAWS AND REGULATIONS

Money laundering is criminalized, as are all money laundering predicate offenses, in line with international standards. Maximum criminal penalties for money laundering and money laundering-related offenses are \$500,000 and 14 years in prison. Administrative penalties are a maximum of \$100,000. The maximum penalty under the Anti-Money Laundering Regulations is \$150,000.

The FSC is the sole supervisory authority responsible for the licensing and supervision of financial institutions. KYC and STR requirements cover banks, MSBs, insurance companies, investment businesses, insolvency practitioners, trust and company service providers, attorneys, notaries public, accountants, auditors, yacht and auto dealers, real estate agents, dealers in precious stones and metals, dealers in other high-value goods, and NPOs.

The BVI applies enhanced due diligence procedures to PEPs. Part III of the Anti-Money Laundering and Terrorist Financing Code of Practice, 2008 outlines the CDD procedures that

licensees should follow to ensure proper verification of clients.

In 2018, the government was considering amendments to legislation to enable the Financial Investigation Agency to take enforcement actions against DNFBPs that are noncompliant with their AML legal responsibilities. The status of this proposal is unknown.

The BVI is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/virgin-islands-1>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have criticized the BVI's AML supervision, particularly of the company formation sector, and its sanctions regime, though recent improvements have earned positive marks. In 2018, the BVI Enforcement Committee reviewed 108 enforcement cases of suspected breaches of financial services legislation and issued a total of 89 warning letters.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The UK is responsible for the BVI's international affairs, save those matters that may be delegated under the Virgin Islands Constitution Order 2007. The UK arranged for the extension to the BVI of the 1988 UN Drug Convention in 1995, the UNCAC in 2006, and the UNTOC in 2012.

Between January 2012 and 2017, there were five money laundering-related prosecutions and four money laundering-related convictions. In 2018, there were six money laundering-related prosecutions and six money laundering-related convictions. In 2019, 10 money laundering-related prosecutions were filed and most are still ongoing. This low volume of prosecutions and convictions reflects the fact criminal proceeds laundered in BVI derive largely from domestic criminal activity associated with drugs and customs violations (as opposed to corporate activity for which BVI would use cooperation and information gateways to assist with prosecutions taking place elsewhere).

The BVI has implemented a register which provides authorized BVI authorities direct and immediate beneficial ownership information; this registry is not publicly available. Information provided by the BVI in 2018 supported the National Crime Agency's first Unexplained Wealth Order, which froze approximately \$32.5 million (£25 million). Beneficial ownership information must be shared with UK law enforcement and other agencies within 24 hours of a request (or one hour in urgent cases). The UK Sanctions and Anti-Money Laundering Act 2018 requires the BVI to establish a publicly accessible register of the beneficial ownership of companies registered in its jurisdiction.

Updates to the territory's Anti-Money Laundering Regulations and Anti-Money Laundering and Terrorist Financing Code of Practice can be expected within the next year in order to complete reforms necessary to ensure compliance with international standards that are yet to be fully factored into the Territory's AML/CFT regime.

Burma

OVERVIEW

Burma's economy and financial sector are underdeveloped, and most currency is still held outside of the formal banking system. Burma has porous borders and significant natural resources, many of which are in parts of the country that the government does not fully control.

In 2019 the Burmese government made progress regarding its AML/CFT regulatory oversight. The government issued two regulations to improve its AML regulatory framework and passed new legislation to regulate casinos. In addition, the government of Burma demonstrated renewed political will to address money laundering issues, including the establishment of a new AML task force.

Burma is designated as a jurisdiction of "primary money laundering concern" under Section 311 of the USA PATRIOT Act, but the U.S. Department of Treasury began waiving the legal ramifications in 2012 and issued an administrative exception in 2016, allowing U.S. financial institutions to provide correspondence services to Burmese banks.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Burma continues to be a major source country for methamphetamines and opiates. The government's continued inability to exercise sovereign control in its border regions presents money laundering vulnerabilities due to the proliferation of casinos, remittance networks, and drug trafficking in those areas.

Many business deals and real estate transactions are conducted in cash. Access to formal, regulated financial services has increased in recent years; however, Burma is still a largely cash-based economy, making it difficult for authorities to detect illicit financial flows.

Casinos target foreigners in border towns, especially near China and Thailand. Little information is available about the scale of these enterprises. The government enacted a new gaming law in May 2019 that removes the ban on domestic casinos and requires them to register as companies. The new law will be hard to enforce in border areas outside government control.

KEY AML LAWS AND REGULATIONS

Burma's Office of the President issued the "Anti-Money Laundering Order" on November 14, 2019 to enhance CDD requirements and reaffirm several legal terms defined by the 2014 Anti-Money Laundering Act. The presidential order applies to each of the regulatory agencies: the Central Bank of Myanmar (CBM), the Securities Exchange Commission, and the Financial Regulatory Division, as microfinance and insurance companies regulator. Per the order, all three entities must conduct enhanced CDD measures, such as identifying and verifying customers' identities and determining beneficial ownership using independent and

reliable sources. The Presidential Order also states CDD measures must be taken on all PEPs, including international PEPs, as defined by legislation.

On November 15, 2019, the CBM issued regulations on remittance businesses, with the aim of integrating illegal remittance networks, or hundis, into a governed system. The regulation stipulates both domestic and foreign remittance companies must: be licensed; place a security deposit of approximately \$65,000 (100 million kyat) at an authorized bank; and adhere to several requirements, including having proof of financial sources, completion of AML compliance training, submission of remittance plans and background records of agents, registration with the CBM, and naming an AML compliance officer. Remittance companies are required to screen all customers through current UN sanctions designation lists and report suspicious findings to the FIU and the CBM. The new regulations also limit remittance amounts to \$1,000 per transaction, with monthly totals capped at \$5,000 per person.

In June 2019, Burma's Office of Home Affairs formally launched the country's National Strategy on Anti-Money Laundering and Countering the Financing of Terrorism. The National Strategy is aimed at addressing identified AML/CFT deficiencies and will be implemented by the FIU, the CBM, and the banking sector.

Burma does not have a bilateral MLAT with the United States. In 2016, the Burmese attorney general (AG) identified the AG deputy director general as the primary contact for mutual legal assistance requests, although this channel remains untested between the United States and Burma.

Burma is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <https://www.fatf-gafi.org/documents/documents/mutualevaluationofMyanmar.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International AML experts note several deficiencies in Myanmar's AML/CFT enforcement: limited understanding of AML/CFT obligations among financial institutions and DNFBPs, including casinos; poor reporting in STRs; and weak CBM oversight of DNFBPs and illegal money transfer or hundi services. The regulations issued in 2019 are intended to remedy some of the identified deficiencies.

The banking system suffered from an absence of effective prudential regulation by the CBM during the former military regime. A government split between civilian and military-controlled ministries impedes effective government-wide coordination on AML.

Money laundering investigations are not prioritized, do not occur in parallel with investigation of predicate offenses, and are not in keeping with the risk profile of the country.

Burma has an FIU, which is part of the Ministry of Home Affairs. However, the FIU is not

a member of the Egmont Group.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government of Burma has increased enforcement and implementation of AML measures; however, its technical capacity to do so effectively remains limited. The government established a high-level Anti-Money Laundering Task Force. It also began a money laundering risk assessment of banks. To improve enforcement and implementation, the government has also increased international cooperation on AML, including with the United States and via multilateral groups.

Cabo Verde

OVERVIEW

Cabo Verde's mid-Atlantic location and its land-to-water ratio make it vulnerable to narcotics trafficking between West Africa, the Americas, and Europe. Its financial system is primarily composed of the banking sector.

Although Cabo Verde's AML regime has flaws, the government has revised its laws, policies, and regulations to create the tools to curb illicit financial activities. The AML framework, established in 2009, led to improved shipping container monitoring and information sharing. Cabo Verde receives international support to fight drug trafficking, money laundering, and other crimes.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Approximately 30 percent of Cabo Verde's economy is in the informal sector, creating a lack of transparency and contributing to financial vulnerabilities. The biggest money laundering risk is likely related to narcotics trafficking, largely due to its location and to its limited capacity to patrol its large maritime territory. Narcotics transit Cabo Verde by commercial aircraft and maritime vessels, including private yachts. Although data is limited, domestic consumption of consumer drugs – marijuana, cocaine, crack, and synthetic drugs – appears to be increasing.

Understaffing at the FIU remains a significant issue. Only one full-time and one part-time analyst work at the FIU, limiting its capacity to track STR. The Ministry of Justice and Labor (MJT), where the FIU is housed, approved two new positions for the FIU but did not fill them in 2019.

Counterfeiting and intellectual property theft remain prominent issues and, although local laws allow authorities to act on claims of counterfeiting, prosecutors seldom pursue criminal charges. Organized criminal factions have moved into trademark counterfeiting and copyright piracy due to the high profits, low risk, and inadequate penalties. Public corruption is limited in Cabo Verde and is unlikely to facilitate money laundering. Although the formal financial sector enjoys a strong reputation, it may still offer niches to criminals.

The MJT created a national commission that will leverage existing legal structures to transform the present Financial Crimes Working Group into an operational inter-ministerial commission.

KEY AML LAWS AND REGULATIONS

The Central Bank (BCV) regulates and supervises the financial sector, and commercial banks generally comply with its rules. Financial institutions reportedly exercise due diligence beyond the requirements of the law for both domestic and foreign PEPs. Cabo Verde has taken some steps to implement a cross-border currency declaration regime, but implementation at the ports of entry remains inconsistent.

Cabo Verde has somewhat operationalized its AML/CFT framework for national cooperation and coordination. In 2018, the MJT recruited eight public prosecutors, and the BCV recruited six agents for its supervision department. The General Inspectorate of Economic Affairs serves as the supervisory body for dealers in luxury items and gaming.

On July 23, 2019, Cabo Verde passed a corporate shareholding law that prohibits corporate ownership structures using bearer shares.

Cabo Verde is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.giaba.org/reports/mutual-evaluation/Cabo%20Verde.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Limited information is available about the degree to which the BCV conducts AML compliance examinations of financial institutions in its jurisdiction, including whether the BCV has applied administrative sanctions for noncompliance. Cabo Verde needs to strengthen its AML supervision mechanisms for financial institutions, capital markets, and DNFBPs, including the gaming sector.

The FIU strives to improve its efficiency and effectiveness, including through the use of donor assistance. Work remains to develop a record of outcomes across the range of AML stakeholders, including administrative enforcement actions by financial and non-financial sector regulators, consistent application of financial investigative techniques in all law enforcement investigations involving crimes generating illicit profits, and successful financial crimes prosecutions, including asset forfeiture.

The FIU led the effort to create uniform DNFBP governance standards consistent with international standards across industries. The Pilot Group was formed in 2019 to concentrate efforts on four areas: the legal framework, training, resource allocation, and standardized documentation. Pilot Group stakeholders include the FIU and agencies overseeing the real estate, accountant, notary, and NGO sectors. While still in the pilot phase, group members are actively engaged.

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

Despite its achievements, Cabo Verde still needs to close important gaps. Among those are the development of a fully and broadly functioning cross-border currency declaration system and a record of tangible outcomes. Implementation and enforcement of the laws remain weak, although 23 AML cases were processed in 2017/2018. Government agencies appear unaware of their responsibilities under the AML regime.

The United States and Cabo Verde do not have a bilateral MLAT or an extradition treaty. Cabo Verde is party to relevant multilateral law enforcement conventions that have mutual legal assistance provisions. The United States and Cabo Verde can make and receive requests for mutual legal assistance based on domestic laws.

Canada**OVERVIEW**

Money laundering in Canada involves the proceeds of illegal drug trafficking, fraud, corruption, counterfeiting and piracy, and tobacco smuggling and trafficking, among others. Foreign-generated proceeds of crime are laundered in Canada, and professional, third-party money laundering is a key concern. Transnational organized crime groups and professional money launderers are key threat actors.

Although the legislative framework does not allow law enforcement to have direct access to Canada's FIU databases, financial intelligence is received and disclosed effectively. The government should take steps to increase enforcement and prosecution.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money is laundered via several mediums, including bulk cash smuggling, MSBs/currency exchanges, casinos, real estate, wire transfers, offshore corporations, credit cards, foreign accounts, funnel accounts, hawala networks, and the use of virtual currency.

The illicit drug market is the largest criminal market in Canada. Transnational organized crime groups represent the most threatening and sophisticated actors in the market, given their access to professional money launderers and facilitators and their use of various money laundering methods to shield their illicit activity from detection by authorities.

KEY AML LAWS AND REGULATIONS

Amendments in 2017 to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) expand the ability of the Financial Transactions and Reports Analysis Centre (FINTRAC), Canada's FIU, to disclose information to police, the Canada Border Services Agency, and provincial securities regulators. They also mandate AML measures for provincially operated online casinos.

Entities subject to KYC and STR requirements include 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); MSBs; accountants and accountancy firms; precious metals and stones dealers; and notaries in Quebec and British Columbia. A second package of regulatory amendments that will close other gaps in Canada's AML regime, such as the lack of AML compliance measures for foreign MSBs and virtual currency dealers, was published in July 2019 and will come into force on June 1, 2020.

The PCMLTFA requires reporting entities to determine whether a client is a foreign PEP, a domestic PEP, a head of an international organization, or an associate or family member of any such person.

The government published its national AML/CFT risk assessment in July 2015 and is currently updating this assessment. Parliament completed a statutory review of the administration and implementation of the PCMLTFA in November 2018. Parliament made 32 recommendations to strengthen Canada's regime, and the government response indicated it agreed with the direction of the majority of the committee's recommendations. A review is required every five years.

The 2015 Security of Canada Information Sharing Act facilitates information sharing among government agencies regarding activity that undermines national security.

Canada has records exchange mechanisms with the United States and other governments. Canada has strong AML cooperation with the United States and Mexico through several mechanisms, including activities falling under the North American Drug Dialogue.

Canada is a member of the FATF and the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Canada-2016.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

AML regulation of attorneys was overturned by the Canadian Supreme Court in 2015 as an unconstitutional breach of attorney-client privilege. Trust and company service providers, with the exception of trust companies, also are not subject to preventative measures.

Canada's legislative framework does not allow law enforcement agencies access to FINTRAC's databases; however, when FINTRAC has determined there are reasonable grounds to suspect information received from reporting entities would be relevant for law enforcement, the FIU is required to make financial intelligence disclosures to appropriate authorities. Information may be sent to multiple authorities if links to parallel investigations are suspected.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Canada has a rigorous detection and monitoring process in place, but should further enhance its enforcement and prosecutorial capabilities. As noted by international experts, when the magnitude of the identified money laundering risks is taken into account, Canada's money

laundering conviction rate appears to be low. In addition to the offense of laundering the proceeds of crime, the possession of proceeds of crime (PPOC) is also a criminal offense. The same penalties apply to both laundering and PPOC convictions involving more than approximately U.S. \$3,740 (\$5,000 Canadian).

Canada adopted legislation regulating virtual currencies in 2014 that will subject persons and entities to the same reporting requirements as MSBs. Regulatory amendments requiring virtual currency dealers to register as MSBs and comply with legislative obligations, such as suspicious transaction reporting and implementing a compliance program, were published in July 2019 and will come into force on June 1, 2020. Digital currency exchanges will have to register with FINTRAC. Financial institutions will be prohibited from establishing and maintaining accounts for virtual currency businesses not registered with FINTRAC.

Cayman Islands

OVERVIEW

The Cayman Islands, a UK overseas territory, is a major international financial center. It is the seventh largest foreign holder of U.S. Treasury securities and the 12th largest holder of international assets and liabilities. As of September 2019, the Cayman Islands had 122 banks; 144 trust company licenses; 144 licenses for company management and corporate service providers; 776 insurance-related licenses; and five MSBs that provide a range of services including: banking, structured finance, investment funds, trusts and company formation, and management. There are 110,451 companies incorporated or registered in the Cayman Islands and 10,937 licensed/registered mutual funds.

The Cayman Islands has an established AML/CFT/counter-proliferation financing regime. The government is committed to strengthening its AML/CFT framework.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The Cayman Islands has an indirect tax regime, and is susceptible to money laundering, primarily due to foreign criminal activity that may involve fraud, tax evasion, or drug trafficking. The offshore sector may be used to layer or place funds into the Cayman Islands' financial system. Its network of tax information exchange mechanisms extends to over 120 treaty partners. The Cayman Islands has over 100 potential exchange partners for Common Reporting Standard information.

Gaming is illegal. The government does not permit registration of offshore gaming entities. It maintains strong due diligence procedures to guard against bulk cash smuggling related to cruise ships. Cayman Enterprise City, a Special Economic Zone, was established in 2011 for knowledge-based industries. Of 53 businesses in the Commodities & Derivatives Park as of September 2019, 16 were registered with the Cayman Islands Monetary Authority (CIMA) under the Securities and Investment Law.

KEY AML LAWS AND REGULATIONS

Shell banks, anonymous accounts, and the use of bearer shares are prohibited. Tax evasion is codified as a predicate offense in the Penal Code and terrorism/terrorist financing is also a predicate offense for money laundering in the Terrorism (Amendment) Law.

In June 2019, the Cayman Islands Legislative Assembly approved the Proceeds of Crime (Amendment) Law to include virtual service providers and single family offices in the definition of “Relevant Financial Business,” bringing these activities under AML/CFT rules.

CDD and STR requirements cover banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, MSBs, lawyers, accountants, corporate and trust service providers, money transmitters, dealers of precious metals and stones, the real estate industry, virtual asset service providers, single family office and other relevant financial business as defined in the Proceeds of Crime Law 2019.

In 2019, new legislation strengthened the jurisdiction’s AML/CFT framework to improve transparency and disclosure requirements, increase regulatory and supervisory oversight, and implement more proportionate and dissuasive sanctions. This action amended several laws, among them the Proceeds of Crime Law, Anti-Money Laundering Regulations, the Securities Investment Business Law, the Banks and Trust Companies Law, and the Limited Liability Companies Law.

The Cayman Islands is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/CFATF-Cayman-Islands-Mutual-Evaluation.pdf>

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The Cayman Islands needs to strengthen AML/CFT effectiveness by improving the availability and accuracy of information, interagency coordination and cooperation, international cooperation, and monitoring and enforcement.

The government created a Ministerial Sub-Committee of Cabinet, chaired by the Premier, to oversee steps to address noted AML deficiencies. A new focus group, headed by the Office of the Director of Public Prosecutions, aims to enhance the use of financial intelligence, as well as investigation and prosecution of financial crimes.

The UNCAC has not yet been extended to the Cayman Islands; however, the articles of the convention have been implemented via domestic legislation.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The UK is constitutionally responsible for the Cayman Islands’ international relations. The UK arranged for ratification of the 1988 UN Drug Convention and the UNTOC to be extended to the Cayman Islands in 1995 and 2012, respectively.

The MLAT between the United States and the United Kingdom has been extended to the Cayman Islands.

As of October 2019, the government had conducted 38 money laundering investigations, resulting seven arrests and 20 money laundering-related charges.

The Securities Investment Business Law was amended in June 2019 to replace the category of Excluded Persons with Registered Persons, with such persons now subject to oversight by CIMA for AML/CFT purposes.

The AML Regulations require trust and company service providers to collect and maintain beneficial ownership information. The Registrar of Companies stores this information in a centralized platform, which facilitates instantaneous access for law enforcement and competent authorities. The government, in line with evolving standards and international obligations, such as those reflected in the EU 5th Anti-Money Laundering Directive and the UK's introduction of a public beneficial ownership register, committed to the introduction of a beneficial ownership public register by 2023.

China, People's Republic of

OVERVIEW

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. Chinese authorities continue to identify new money laundering methods, including illegal fundraising activity; cross-border telecommunications fraud; weapons of mass destruction, proliferation, and other illicit financial activity linked to North Korea; and corruption in the banking, securities, and transportation sectors. In 2019, China continued with its anticorruption campaign and increased regulatory scrutiny of the financial sector.

While China continues to make improvements to its AML legal and regulatory framework, there are shortcomings in implementing laws and regulations effectively and ensuring transparency, especially in the context of international cooperation. China should cooperate with international law enforcement in investigations regarding indigenous Chinese underground financial systems, virtual currencies, shell companies, and trade-based value transfers that are used for illicit transfers.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The primary sources of criminal proceeds are corruption, drug and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal proceeds are generally laundered via bulk cash smuggling, TBML, shell companies, invoice manipulation, high-value asset purchases, investing illicit funds in lawful sectors, gaming, and exploiting formal and underground financial systems and third-

party payment systems. Chinese officials have noted corruption in China often involves state-owned enterprises, including those in the financial sector.

Although not a major offshore financial center, China has multiple Special Economic Zones (SEZs), 14 coastal open cities that enjoy some special policies of SEZs, and other designated development zones at the national, provincial, and local levels. Additionally, China has opened 18 FTZs, including six in 2019.

KEY AML LAWS AND REGULATIONS

In January 2019, China's Banking Regulator, the China Banking and Insurance Regulatory Commission (CBIRC), issued "Guidance on Strengthening the Long Effective Mechanism Construction for Compliance Management of Overseas Institutions of Chinese Commercial Banks." The guidance includes mechanisms for Chinese banks and their foreign branches or banking affiliates to optimize compliance management and improve compliance performance, compliance safeguards, and cross-border supervision.

Also in January 2019, CBIRC issued "Measures on Administration of Anti-Money Laundering and Counter Terrorist Financing of Banking Financial Institutions." The measures define the AML/CFT responsibilities and duties of banks, including having AML/CFT risk management included in their comprehensive risk management systems; AML/CFT requirements included in their compliance management and internal control systems; and ensuring AML/CFT risk management systems cover all products and services.

In November 2019, China's central bank, the People's Bank of China (PBOC), issued for comment the draft "Notice on Launching Large Sum Cash Management Pilot in Hebei, Zhejiang and Shenzhen." The notice outlines a pilot program to monitor and manage large cash transactions for two years. The pilot will take place in the noted cities and will initially involve various types of recordkeeping and regulation in several sectors, including banking, real estate, and Medicare, and will subsequently expand to additional sectors and private accounts. It will also enhance the monitoring of cross-border large cash flows and the renminbi cash business in Hong Kong. The comment period ended on December 5, 2019.

China has comprehensive KYC and STR regulations and stringent monitoring requirements for high-risk accounts, including foreign PEPs. High-risk accounts are subject to re-verification at least every six months.

China is a member of the FATF and two FATF-style regional bodies, the APG and the EAG. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-China-2019.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Improvements should be made to address the rights of bona fide third parties and the availability of substitute assets in seizure/confiscation actions.

China's FIU is not a member of the Egmont Group.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Since late last year the PBOC has intensified its enforcement of AML violations committed by commercial banks, payment institutions, insurance companies, and securities companies.

The government's actions are positive steps. However, China should continue to enhance coordination among its financial regulators and law enforcement bodies, and with international partners, to better investigate and prosecute offenders. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML tools can be used in a transparent fashion to support the investigation and prosecution of a wide range of criminal activity.

The government should ensure all courts are aware of and uniformly implement mandatory confiscation laws. In domestic cases, once an investigation is opened, all law enforcement entities and public prosecutors are authorized to seize or freeze property. Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent. There is no express provision in legislation to allow the seizure/confiscation of property of corresponding value; however, China claims confiscation of property of corresponding value can be achieved through Art. 2, Reg. on Application of Property Penalty.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML 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, China'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.

Colombia

OVERVIEW

Colombia has one of Latin America's most rigorous AML regimes, but money laundering persists throughout its economy, involving proceeds from drug trafficking, illegal mining, extortion, and corruption. Colombia has an impressive ability to detect money laundering but should continue to improve interdiction, prosecution, and interagency cooperation in order to disrupt drug trafficking and other illegal activities and deprive criminals of ill-gotten gains.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Illicit funds are most commonly laundered through bulk cash smuggling and TBML, especially involving counterfeit and contraband goods entering through Colombia's ports. Goods are

smuggled into Colombia via neighboring countries or brought directly into Colombia's customs warehouses, avoiding taxes, tariffs, and customs duties. The more than 100 FTZs in Colombia are generally well-regulated for AML purposes. However, there are many informal markets that are connected to TBML, operating with limited supervision and enforcement. TBML frequently involves invoice-related fraud to enable transactions. According to Colombian officials, corrupt customs authorities facilitate evasion of the customs process. Criminal organizations occasionally launder illicit proceeds through the formal financial system, but primarily use less-regulated mechanisms such as the non-bank financial system and real estate. Money brokers often facilitate money laundering transactions using sophisticated networks.

Illegal gold mining is another major mechanism for money laundering. A profitable enterprise on its own, illegal gold mining attracts criminal organizations due to the ease of extracting gold in areas of limited state presence and the difficulty in tracing gold's source once in circulation. Other techniques and commodities used to launder illicit funds include: real estate transactions; wire transfers; remittances; casinos, gaming, and lotteries; cattle and other animals; and prepaid debit cards. There are also documented cases of money laundering involving virtual currency, but they represent a small fraction of the number of cases and amount of funds laundered compared to other methods.

KEY AML LAWS AND REGULATIONS

The AML legal regime and regulatory structure in Colombia generally meet international standards. Colombia has enacted CDD and STR regulations. The Colombian congress introduced a bill in May 2019 that seeks to regulate virtual currency exchanges but has not yet passed it.

Colombian and U.S. law enforcement and regulatory authorities cooperate closely in money laundering and asset forfeiture investigations and exchange information regularly.

Colombia is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/#Colombia>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Colombia has a rigorous AML legal, policy, and regulatory framework. While the Colombian government's regulation of the financial sector is robust, its regulation of other sectors (notaries, money exchange businesses, lawyers, and real estate professionals) is inconsistent, and there is limited information sharing with key AML institutions. The financial sector regulators are working to expand their risk-based approaches to AML regulation, but they require more resources in order to do so.

DNFBPs generally have a lower level of awareness than the financial sector regarding money laundering/terrorist financing regulations. Regulators of DNFBPs are relatively under-resourced compared to the financial sector, posing a challenge to efficiently and effectively monitor AML/CFT compliance.

Enhanced due diligence (EDD) for foreign PEPs is only partially addressed, with some covered entities only required to apply EDD for domestic PEPs. There are also significant deficiencies in the CDD framework and its implementation.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Key impediments to an effective AML regime continue to be limited interdiction capability, uneven cooperation within and between agencies of the Colombian government, and inadequate resources for investigating and prosecuting complex financial crimes. Although information sharing between investigators and prosecutors is improving following a 2017 restructuring of the Attorney General's Office (Fiscalia), bureaucratic stove piping and inadequate information sharing still limit the effectiveness of Colombia's AML regime.

Most money laundering is detected through investigations into narcotics trafficking and other criminal activities. Colombia's FIU relies on STRs filed by financial institutions and over 17,000 reporting entities. However, there are reporting gaps, such as from postal operators. The Colombian government's ability to dismantle TBML schemes is limited due to the complex networks used to smuggle goods and subsequently launder the proceeds, lax enforcement, and corruption by customs officials. Money laundering networks adapt quickly, challenging Colombian investigators, prosecutors, and judges to keep pace with evolving criminal enterprises.

The government body that manages seized assets, the Special Assets Entity, has struggled to manage the vast quantity and range of seized illicit goods, including vehicles, real estate, and livestock. Its limited capacity to quickly liquidate assets has increased management expenses; however, it is working on a bulk sale of one-quarter of the real estate it manages in 2020 in order to reduce expenses and reinvest proceeds into counternarcotics operations. Another impediment to the asset forfeiture system is insufficient judiciary resources. There are only 15 asset forfeiture judges in all of Colombia, prolonging some cases for more than 30 years.

Criminal organizations use corruption, bribery, and adaptive financial networks, or more often a combination of all three, to circumvent Colombia's AML regime. President Duque's administration and the Fiscalia are committed to addressing this issue, however they require more law enforcement personnel and resources to do so.

Costa Rica

OVERVIEW

Transnational criminal organizations leverage Costa Rica as a base for financial crimes due to enforcement challenges, resource limitations, and its geographic location on a key transit route for narcotics and illicit goods. Costa Rica has sustained improvement of its supervision framework and approved legislation to strengthen enforcement capacity and money laundering prevention mechanisms. Gaps remain, however, and additional funding for key units, improved asset forfeiture provisions, and swifter procedures for records and information sharing could

mitigate current challenges.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotics trafficking remains the principal source of laundered assets, while human trafficking, migrant and contraband smuggling, fraud, and corruption also generate illicit revenue. The construction, real estate, and hotel sectors are areas of concern, while campaign financing has become a new focus of money laundering vulnerability. Costa Rica is not a regional financial hub; however, significant tourist and migrant flows contribute to the vulnerability of Costa Rica's airports and border crossings as sites for bulk cash smuggling and related typologies.

Online gaming and sportsbook enterprises, legal in Costa Rica, remain areas of concern. While financial institutions remain vulnerable to money laundering, their exposure has lessened with the gradual implementation of increased monitoring requirements.

KEY AML LAWS AND REGULATIONS

Costa Rica has CDD and STR requirements, and a fiscal fraud law (Law 9416) provides for disclosure of beneficial owners. Executive and legislative branch officials have demonstrated commitment and political will to align Costa Rica's legal framework with international standards. In June 2019, Costa Rica's legislature approved a corporate criminal liability law (Law 9699) for offenses related to bribery and corruption, remedying a longstanding deficiency in Costa Rica's AML framework.

Costa Rica's reporting and supervision requirements include traditional financial institutions and DNFBPs. Entities subject to reporting and supervision requirements include banks; savings and loan cooperatives; pension funds; insurance companies and intermediaries; money exchangers; securities brokers/dealers; credit issuers and sellers/redeemers of traveler's checks and money orders; trust administrators; financial intermediaries and asset managers; real estate developers/agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; pawnshops; automotive dealers; casinos and electronic gaming entities; NGOs that receive funds from high-risk jurisdictions; lawyers; notaries public; and accountants.

Costa Rica is party to several inter-American agreements on criminal matters and UN conventions. These instruments often serve as the basis to provide mutual legal assistance in the absence of a bilateral MLAT. Costa Rica cooperates effectively with U.S. law enforcement through international cooperation offices at key institutions.

Costa Rica is a member of GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-costa-rica-2015.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Despite concerted efforts to pass asset forfeiture legislation, Costa Rica remains a regional outlier for lacking a stand-alone law, forcing reliance on articles of the existing organized crime

law, which lack provisions for asset sharing or international cooperation. Furthermore, Costa Rica does not have an adequate legal framework for non-conviction-based asset forfeiture nor provisions for asset sharing. While challenges remain, political will within the executive and legislative branches to correct this vacuum has intensified, and the prosecutor's office increasingly leverages the existing organized crime law to seize illicit assets.

Costa Rica does not regulate virtual currencies, and increased popularity of cryptocurrencies presents an additional enforcement challenge for local authorities.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Costa Rica continues to address implementation deficiencies, however, fiscal austerity measures coupled with widespread personnel transitions in the judicial branch presented considerable enforcement challenges in 2019. A Special Jurisdiction for Organized Crime that was projected to be functioning by October 2019 was postponed over budget restrictions. Staffing levels at Costa Rica's Special Prosecutor Office for Money Laundering (SPOML) remain generally steady, while the number and complexity of money laundering cases increase. There were over 300 active cases as of September 2019, the majority in the SPOML. Twenty cases concluded during this period, resulting in 12 convictions, a third from guilty pleas. Prosecutors must continue to prove a direct link between the predicate offense and illicit assets; and long wait times to waive bank secrecy provisions further complicate investigations.

The banking sector continues to generate the majority of STRs, and the number of STRs has remained generally steady, with a slight drop versus 2018. The supervision platform for DNFBPs continues to advance, and the DNFBP registry commenced in April 2019, with 3,522 entities and individuals registered as of November 2019. In September 2019, Costa Rica's regulatory agencies commenced registering beneficial ownership for every entity in the financial system, a process that is expected to conclude in 2020.

Costa Rica's desire to comply with OECD accession requirements and international AML standards has generated a conducive environment for substantive changes to the AML framework, and recent legislative efficiency has accelerated this trend.

Cuba

OVERVIEW

Cuba is not a regional financial center. Cuban financial practices and U.S. sanctions continue to prevent Cuba's banking system from fully integrating into the international financial system. The government-controlled banking sector renders Cuba an unattractive location for large-scale money laundering through financial institutions. The centrally-planned economy allows for little, and extremely regulated, private activity. However, a significant black market operates parallel to the heavily subsidized and rationed formal market dominated by the state and which state authorities actively participate in and benefit from. The Government of Cuba does not identify money laundering as a major problem.

The Cuban government and state-controlled businesses actively engage in money laundering in order to evade U.S. sanctions. Cuba should increase the transparency of its financial sector and continue to increase its engagement with the regional and international AML/CFT communities to expand its capacity to fight illegal activities. Cuba should increase the transparency of criminal investigations and prosecutions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Although it is largely disconnected from the international financial system, there are some factors and conditions in Cuba that are conducive to money laundering and make Cuba a potential destination for illicit funds. These include a poorly regulated and opaque banking sector, Cuba's cash-based economy, the Cuban government's desperation for hard currency, ubiquitous government corruption and overall lack of transparency, and connections to high profile current and former government leaders accused of corruption.

Cuba's geographic location places it between drug-supplying and drug-consuming countries. Cuba has little foreign investment, a small international business presence, and no offshore casinos or internet gaming sites. There are no known issues with or abuse of NPOs, ARS, offshore sectors, FTZs, bearer shares, or other specific sectors or situations.

Cuba's first special economic development zone at the port of Mariel in northwestern Cuba was established in November 2013 and is still under development.

KEY AML LAWS AND REGULATIONS

Cuba claims to take into account international AML/CFT standards. Legislation released in 2013 outlines regulations regarding enhanced CDD for foreign PEPs, although it continues to exempt domestic PEPs from the reach of the legislation.

The United States and Cuba have very limited engagement in law enforcement matters. Cuba has bilateral agreements with a number of countries related to combating drug trafficking.

Cuba is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/a-c/cuba/documents/mer-cuba-2015.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Cuba has a number of strategic deficiencies in its AML regime. These include a lack of SAR reporting to its FIU by financial institutions and DNFBPs, and weak supervision and enforcement of its DNFBP and NPO sectors. These deficiencies stem from Cuba's opaque national banking system, which hampers efforts to monitor the effectiveness and progress of Cuba's AML efforts.

The U.S. government issued the Cuban Assets Control Regulations in 1963, under the Trading with the Enemy Act. The embargo remains in place and restricts travel and most investment and prohibits the import of most products of Cuban origin. With some notable exceptions, including

agricultural products, medicines and medical devices, telecommunications equipment, and consumer communications devices, most exports from the United States to Cuba require a license. Additionally, a number of U.S.-based assets of the Cuban government or Cuban nationals are frozen.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In April 2019, the Cuban government convicted Cuban-American Orelvis Olivera in absentia and sentenced him to 10 years in prison for money laundering, tax evasion, forgery of public documents, and illicit enrichment, among other crimes, based on his convictions in the United States and his investments in Cuba, which the Cuban government proceeded to confiscate.

Several international banks admitted they participated in the laundering of funds transiting Cuba. In April 2019, British bank Standard Chartered agreed to pay \$1.1 billion to settle allegations by the authorities in the United States and Britain that it violated money-laundering laws and economic sanctions. This follows a \$1.34 billion settlement French bank Société Générale agreed to in November 2018 in a similar case.

Cuba should increase the transparency of its financial sector and increase its engagement with the regional and international AML communities. Cuba should ensure its CDD measures and STR requirements include domestic PEPs, all DNFBPs, and the NPO sector, and create appropriate laws and procedures to enhance international cooperation and mutual legal assistance. Cuba should increase the transparency of criminal investigations and prosecutions.

Curacao

OVERVIEW

Curacao's prominent position as a regional financial center is declining, but it is still considered a transshipment point for drugs and gold from South America. Money laundering occurs through the sale of illegal narcotics, unlicensed moneylenders, online gaming, and the transfer of gold from South America.

Curacao is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including signing international conventions, with the approval of the local parliament. The law enforcement MOU between the Kingdom and the United States for joint training activities and sharing of information in the area of criminal investigation, law enforcement, and interdicting money laundering operations remains active and includes Curacao.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering organizations may try to take advantage of the availability of U.S. dollars, offshore banking and incorporation systems, two FTZs, a large shipping container terminal, Curacao-based online gaming sites, and resorts/casinos to place, layer, and integrate illegal

proceeds. Money laundering occurs through real estate purchases, international tax shelters, gold transactions, and through wire transfers and cash transport among Curacao, the Netherlands, and other Dutch Caribbean islands.

Given its proximity and economic ties to Venezuela, the risk of Curacao being used to launder the proceeds of crimes emanating from Venezuela is substantial. However, the number of Venezuelans who could take advantage of access to U.S. dollars and euros has significantly declined since the humanitarian crisis in Venezuela erupted, and the border closure between the Kingdom and Venezuela went into effect. The Curacao government banned the trade in Venezuelan gold.

The termination of a U.S. tax treaty and Curacao's adoption of the New Fiscal Framework has led to an erosion of Curacao's offshore sector. Curacao's offshore tax regime ended in 2002; after that date, no new offshore companies could incorporate. Existing offshore companies had until July 1, 2019 or December 31, 2019 to operate under the existing offshore regime (depending on whether they use a fiscal or calendar year). After this, the companies will in theory be subject to Curacao's onshore effective tax rate of 22 percent, but alternate tax regimes remain, depending on company activities.

Curacao's offshore sector was the main foreign exchange provider in 2000, but by 2012, that percentage had shrunk to single digits, according to Curacao's central bank. Curacao is trying to rebrand its offshore sector to transition towards providing back office services for international companies. Curacao's FTZ is supervised by Curacao's state-owned (85 percent) Curinde N.V. Corporation and overseen by the Minister of Economic Development. There are 52 banks currently operating in Curacao.

KEY AML LAWS AND REGULATIONS

The Kingdom may extend the applicability of international conventions to the autonomous entities in the Kingdom. The Kingdom extended to Curacao the 1988 UN Drug Convention and the UNTOC (as a successor to the Netherland Antilles). With the Kingdom's agreement, each autonomous entity can be assigned a status of its own within international or regional organizations, subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, if they do not infringe on the foreign policy of the Kingdom.

The financial sector consists of trust and company service providers, administrators, and self-administered investment institutions providing trust services and administrative services. Covered service providers are obligated by AML legislation to file unusual transaction reports (UTRs) with the FIU and are covered by the KYC laws.

Money transfer/cash courier companies must be licensed and supervised by the Central Bank of Curacao and Sint Maarten. Curacao is a member of the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

The Curacao Gaming Control Board is the supervisor for the Curacao gaming industry for compliance with legislation and regulations regarding AML/CFT.

Curacao is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/curacao/640-curacao-mer-final?highlight=WyJjdXJhXHUwMGU3YW8iXQ>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Curacao has started conducting a national money laundering risk assessment.

The Kingdom has not extended the UNCAC to Curacao.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Curacao utilizes a UTR reporting system, a broader reporting mechanism than a STR scheme. Pursuant to local legislation, the reporting entities file UTRs with the FIU. The FIU analyzes the UTR and determines if it should be classified as a STR.

The 1983 MLAT between the Kingdom and the United States applies to Curacao and is regularly used by U.S. and Curacao law enforcement agencies for international drug trafficking and money laundering investigations. The 2004 United States-Netherlands Mutual Legal Assistance Agreement, applied as modified and incorporating specific U.S.-EU provisions, was not extended to Curacao. Additionally, Curacao has a tax information exchange agreement with the United States.

Curacao has 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 in 1994.

Curacao recently conducted several high-profile money laundering investigations, and numerous former officials were investigated, charged, or convicted. Curacao continues with two multi-year money laundering prosecutions. Curacao's request to sign a Status of Forces Agreement with the U.S. will bolster its law enforcement capacity to deter money laundering-related crimes.

Cyprus

OVERVIEW

The Republic of Cyprus (ROC) is the only internationally recognized government on the island, but since 1974 the northern part of Cyprus has been administered by Turkish Cypriots. The north proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC") in 1983, but the United States does not recognize the "TRNC," nor does any country other than Turkey. A buffer zone patrolled by the UN Peacekeeping Force in Cyprus separates the two sides. The ROC and the area administrated by Turkish Cypriots are discussed separately below.

The Republic of Cyprus

The ROC continues to upgrade its established AML legal framework. As a regional financial and corporate services center, Cyprus has a significant number of nonresident businesses. However, the total number of companies has declined from 272,157 in 2013 to 216,239 at the end of 2018 as ROC authorities have stepped up enforcement with registration rules, including the annual submission of accounting reports. Closures of old companies also contributed to the decline even though more than 10,000 new companies have been registered every year since 2013. By law, all companies registered in Cyprus must disclose their ultimate beneficial owners to authorities.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The ROC financial system is vulnerable to money laundering by domestic and foreign criminals; proceeds generated by illicit activity abroad pose a greater threat. The main criminal sources of illicit proceeds are investment fraud, corruption, advance fee fraud, tax evasion, illegal drugs, and tobacco smuggling. Additionally, cybercrime cases, especially phishing, e-mail hacking, and the use of ransomware, continue to increase. Criminals have reportedly used ROC banks in the past to launder proceeds, particularly from Russian and Ukrainian illicit activity.

The gaming sector may be vulnerable to abuse. In 2018, the government awarded a multi-year, exclusive casino license to Hong Kong-based Melco International. Melco is building a multi-million euro casino resort expected to open in 2021. Until then, Melco has been authorized to open five “pop up” casinos throughout the country. ROC authorities are just beginning to develop the capacity to supervise casino-based activity. The ROC established a gaming authority and is working with international gaming consultants to conduct due diligence on clients, to train staff, and to establish mechanisms to report illicit activity. Another emerging concern is the rise of virtual banking and use of virtual currency.

The ROC citizenship-by-investment (CBI) program allows foreign investors to apply for ROC (and thus EU) citizenship after investing more than \$2.2 million in ROC business, infrastructure, or development, subject to several conditions. This program generated significant investment in the ROC, some \$7.3 billion from 2013 to the end of 2018. Prior to 2018, eligibility requirements were not stringent and due diligence checks were lax. Following pressure from the EU and United States, the ROC tightened eligibility criteria and oversight in 2018 and 2019. These changes include: introducing a cap in the number of citizenships granted annually at 700 and establishing an interagency committee to better supervise the program; establishing an online register of and regulating service practitioners authorized to provide residency/citizenship consulting services; introducing stricter eligibility criteria in May 2019, including a valid Schengen visa, no criminal record or sanctions, and no prior rejection for citizenship in any other EU member state; raising the minimum period for maintaining the investment in Cyprus after naturalization from three years to five; and barring various categories of individuals, including PEPs. The ROC also enhanced due diligence by hiring three international firms to conduct additional background checks on all new applicants. The changes are a significant improvement but are still overly dependent on selected, public sources of information for due diligence. In November 2019, the ROC decided to review all pre-2018 CBI beneficiaries for potentially

disqualifying information. On November 6, 2019, the ROC announced its intention to revoke the citizenship of 26 unnamed CBI beneficiaries, but it is not yet clear whether there is a clear legal path for revocation.

KEY AML LAWS AND REGULATIONS

The Unit for Combating Money Laundering (MOKAS) is the ROC's FIU. The ROC has several supervisory authorities for AML compliance, all of which can issue directives to their respective supervised entities and have developed onsite and offsite tools for risk-based supervision.

The provisions of the Fourth EU AML Directive were enacted in domestic law and published in the Official Gazette in April 2018. One of the key provisions mandates creation of a national registry listing all beneficial owners of legal entities in the ROC. The government aims to have the registry operational in 2020.

The AML/CFT law contains provisions allowing for the registration and enforcement of foreign court orders. ROC authorities maintain close cooperation with foreign authorities, including U.S. agencies. ROC legislation covers both foreign and domestic PEPs.

There is a bilateral MLAT between the United States and Cyprus.

The ROC is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/cyprus>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The ROC continues to upgrade its AML/CFT legal framework. ROC authorities finalized its first national risk assessment (NRA) in 2018. The NRA characterizes the Cypriot banking sector as high risk, and trust and company service providers, lawyers, and accounting firms as medium/high risk. The NRA identifies numerous areas for improvement, including more effective implementation of AML laws and regulations, enhanced awareness and capacity building in all sectors, and specialized training for prosecutors, investigators, and the judiciary. The ROC endorsed a national AML strategy and a detailed action plan to address issues identified in the NRA.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2018, the AML/CFT law was amended to enable the registration and enforcement of foreign non-conviction-based (NCB) confiscation orders. The first such NCB confiscation order enforced in the ROC was an order issued by a United States court.

Supervision of the banking sector, including fit and proper checks, need to be strengthened. In 2018, the Central Bank of Cyprus (CBC) issued circulars addressing shell companies and letter-box companies. The circulars define shell companies, call on banks to review their client bases for such customers, and require covered entities to avoid doing business with them. Subsequently, banks closed noncompliant accounts and refused to open new accounts that fail to

meet the circular's specified thresholds. The circular was incorporated in the legally binding CBC Directive to Credit Institutions in February 2019. This was accompanied by a further tightening of the requirements to establish or maintain business relationships with shell companies.

Supervisory authorities are legally empowered to take measures against noncompliant entities. In an effort to "name and shame" offenders, and following specific legal provisions, both the CBC and the Cyprus Securities and Exchange Commission post information on their websites on the imposition of fines. Authorities also recently introduced a standardized, electronic STR to improve reporting effectiveness.

In 2018, Cypriot authorities convicted 26 persons for money laundering offenses.

Area Administered by Turkish Cypriots

OVERVIEW

The area administered by Turkish Cypriots lacks the legal and institutional framework necessary to prevent and combat money laundering. Turkish Cypriot authorities have taken steps to address some major deficiencies, although "laws" are not sufficiently enforced to effectively prevent money laundering. The casino sector and the offshore banking sector remain of concern. Because of international sanctions and the lack of recognition of the "TRNC," the banking sector is largely isolated from international financial institutions. Banks operating in the area do not have access to the SWIFT system and have almost no correspondent banking relationships outside of Turkey. Almost no international central bank will conduct business with the "TRNC central bank." This isolation somewhat mitigates the money laundering risk, as moving illicit funds out of the area administered by Turkish Cypriots is difficult.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

As of November 2019, there are 34 casinos in the Turkish Cypriot-administered area. Local experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector poorly regulated and vulnerable to money laundering. The unregulated moneylenders and currency exchange houses are also of concern.

The offshore banking sector also poses a money laundering risk. As of November 2019, it consists of seven offshore banks regulated by the "central bank" and 475 international financial services companies. Turkish Cypriots only permit banks licensed by OECD-member countries to operate an offshore branch locally.

In the area administered by Turkish Cypriots, there is one free port and zone in Famagusta, regulated by the "Free-Ports and Free Zones Law." Operations and activities permitted include industry, manufacturing, and production; storage and export of goods; assembly and repair of goods; building, repair, and assembly of ships; and banking and insurance services.

There have been reports of smuggling of people, illegal drugs, tobacco, alcohol, and foodstuffs across the UN buffer zone. Additionally, intellectual property rights violations are common; a legislative framework is lacking, and pirated materials, such as sunglasses, clothing, shoes, and DVDs/CDs are freely available for sale.

KEY AML LAWS AND REGULATIONS

Turkish Cypriot authorities passed AML “legislation” in 2008.

Financial institutions and DNFBPs are required to submit 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.

Draft AML “legislation” incorporating elements of international standards has been pending approval in “parliament” since 2014.

The area administrated by Turkish Cypriots does not have a records-exchange mechanism with the United States. It is not a member of any FATF-style regional body, and, thus, is not subject to AML peer evaluation.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The area administrated by Turkish Cypriots lacks the legal and institutional framework necessary to prevent and combat money laundering. Inadequate legislation and a lack of expertise among members of the enforcement, regulatory, and financial communities restrict regulatory capabilities.

The area does have in place “regulations” requiring enhanced due diligence for both foreign and domestic PEPs, but compliance is lacking.

According to local experts, the “criminal code” needs to be updated to aid money laundering-related prosecutions.

The “FIU” of the area administrated by Turkish Cypriots is not a member of the Egmont Group.

ENFORCEMENT/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.

The “central bank” oversees and regulates local, foreign, and private banks. There are 22 banks in the area administrated by Turkish Cypriots, of which 17 are Turkish Cypriot-owned banks, and five are branches of banks in Turkey.

Between January and October 2019, the “FIU” reported receiving 941 STRs, compared to 2,389 for the same period in 2018, and participated in 30 money laundering-related criminal investigations, and one prosecution.

The EU provides technical assistance to the Turkish Cypriots to combat money laundering because of the area’s money laundering and terrorist financing risks.

Dominica

OVERVIEW

Despite the devastation caused by Hurricanes Irma and Maria in 2017, Dominica made some progress on its AML regime in 2018. Dominica began a national risk assessment (NRA) in 2016. The findings of the NRA will provide a roadmap for the future. Dominica reports there are currently 17 offshore banks regulated by the Financial Services Unit (FSU), which also licenses and supervises credit unions, insurance companies, internet gaming companies, and the country’s economic citizenship program.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The government indicates narcotics and cybercrime are the major sources of illicit funds. The country’s geographical location and porous borders raise risks for narcotics trafficking. Foreign nationals from Europe, South America, and Asia have also used automated teller machines in Dominica to skim money from European bank accounts by exploiting security deficiencies.

Under Dominica’s citizenship by investment (CBI) program, individuals can obtain citizenship through a donation to the government’s Economic Diversification Fund of \$100,000 for an individual or \$200,000 for a family of four, or through an investment in real estate valued at a minimum of \$200,000. The real estate option incurs fees ranging from \$25,000 to \$70,000 depending on family size. Authorized agents, based both domestically and abroad, market the CBI program and are typically the first point of contact for applicants. Dominica markets its program as “one of the fastest and most affordable” in the Caribbean. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes. There is no mandatory interview process; however, the government may require interviews in particular cases. Applicants must make a source of funds declaration and provide evidence supporting the declaration. The government established a Citizenship by Investment Unit (CBIU) to manage the screening and application process. Applicants from Iran, North Korea, and Sudan are eligible to apply if they have not lived in those countries for at least 10 years, have no substantial assets there, and do not engage in business in or with those countries. Applicants from Iran, North Korea, Sudan, and Syria are required to undergo enhanced due diligence checks with associated higher fees. Dominica accepts a large number of applicants and sometimes issues passports despite adverse information on applicants uncovered during the vetting process.

As of year end 2019, Dominica's offshore sector hosts two internet gaming companies, 17 offshore banks, 10 credit unions, one development bank, 16 insurance agents, two insurance brokers, 19 insurance companies, one internet gaming company, 10 MSBs, and an unknown number of trusts and IBCs. (As of 2015, the number of IBCs was close to 19,000.) Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of their KYC programs.

KEY AML LAWS AND REGULATIONS

Dominica has extensive AML laws and regulations, including the 2016 Money Laundering Prevention (Amendment) Act (MLPA), the 2013 Financial Services Unit (Amendment) Act, and the 2016 Proceeds of Crime (Amendment) Act. A 2018 Magistrate's Code of Procedure Act update (SRO 9-2018) clarifies the forms and procedures used in the application for detention and forfeiture of cash.

Dominica has KYC and STR regulations. The AML/CFT Code of Practice covers legal persons and provides for enhanced due diligence for PEPs. The registering agents of IBCs are required to keep proper beneficial ownership records.

Dominica has an MLAT with the United States.

Dominica is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/dominica-1/63-dominica-3rd-round-mer/file>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Dominica has no major deficiencies in legislation. Because Dominica has numerous pieces of amended legislation, it should consider a legislative review to identify any conflicts and to determine which pieces of legislation could be consolidated into one MLPA.

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

The present status of the NRA is unknown, but preliminary identified vulnerabilities are inadequate AML training for the judiciary and prosecutorial authorities, lack of awareness of new AML/CFT procedures by key law enforcement agencies, and ineffective supervision of DNFBPs.

Dominican Republic

OVERVIEW

The Dominican Republic (DR) is a major transshipment point for illicit narcotics destined for the United States and Europe. The eight international airports, 16 seaports, 800-mile coastline, and a large porous frontier with Haiti present Dominican authorities with serious challenges. The DR

is not a major regional financial center, despite having one of the largest economies in the Caribbean.

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 threats. 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.

In July 2019, the DR FIU was readmitted to the Egmont Group as a result of a multi-year effort to bring AML procedures and practices into line with Egmont standards.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, public corruption, 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. Bulk cash smuggling by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the DR. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

As of the end of 2018, 673 companies, primarily engaged in manufacturing, are located in the DR's 74 FTZs. These companies are exempt from most national and municipal taxes, as long as the products they produce are exported to foreign markets. The National Council of Export Free Trade Zones regulates compliance with Law 8-90, on Free Trade Zones, and is composed of representatives from the public and private sectors. There are no known instances of money laundering activity in the FTZs.

KEY AML LAWS AND REGULATIONS

Law 155-17 was updated in 2017 to strengthen penalties and broaden the scope of crimes covered under the legislation, among other changes. The DR has comprehensive KYC and STR regulations.

The United States and the DR do not have a bilateral MLAT but do use a similar process via multilateral law enforcement conventions to exchange data for judicial proceedings 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. Legislation to institute non-conviction-based asset forfeiture and align the asset forfeiture regime with international standards has been under review by the congress of the DR for over two years.

The DR is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/#Dominican%20Republic>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The DR has weaknesses regarding PEPs in some sectors, has no legislation providing safe harbor protection for STR filers, and does not criminalize tipping off. The government also needs to strengthen regulation of casinos and non-bank actors and is exploring methodologies to do so.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Following its expulsion from the Egmont Group in 2006, the FIU improved its functionality and the DR adopted appropriate legislative changes to eliminate a second FIU-like organization, resulting in the DR being readmitted into the Egmont Group in July 2019.

The DR continues to work on areas where it is non-compliant with international AML standards, and the national money laundering working group has publicly reaffirmed the government's commitment to reaching compliance.

The Attorney General's Office reports there were seven convictions in calendar year 2019 for money laundering as well as 40 active trials currently underway.

The government should take steps to rectify continuing weaknesses regarding PEPs, pass legislation to provide safe harbor protection for STR filers, and criminalize tipping off. The government should better regulate casinos, non-bank businesses, relevant professions, real estate companies, and betting and lottery parlors, and strengthen regulations for insurance companies.

Ecuador

OVERVIEW

Ecuador is a major drug transit country. A dollarized, cash-based economy and geographic location between two major drug-producing countries make Ecuador highly vulnerable to money laundering and narcotrafficking. Approximately 61 percent of adults have bank accounts. Money laundering occurs through trade, commercial activity, and cash couriers. Bulk cash smuggling and structuring are common problems.

Bureaucratic stove-piping, corruption, and lack of specialized AML expertise in the judiciary, law enforcement, and banking regulatory agencies hinder the government's efforts to improve AML enforcement and prosecutions.

Pursuing public corruption is a top priority for President Moreno's government. Authorities have investigated and prosecuted high-level government officials for bribery, embezzlement, illicit enrichment, and organized crime. The Attorney General's Office (AGO) continues to

investigate allegations of financial crimes related to state-owned oil company PetroEcuador and the Brazilian construction company Odebrecht.

Ecuadorian cooperation with U.S. law enforcement agencies on money laundering is increasing, due in part to the September 2019 MOU between FinCEN, the U.S. FIU, and the Financial and Economic Analysis Unit (UAFE), the Ecuadorian FIU.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotrafficking is a significant source of illicit proceeds, and criminals continue to use commercial and trade mechanisms to launder funds. Authorities note persistent money laundering problems related to natural resource exploitation, narcotrafficking, and government corruption. TBML, particularly cross-border activities, remains a concern.

Government officials report the use of the Unified System of Regional Payments (SUCRE) – designed to facilitate prompt payment between Venezuelan, Ecuadorian, Cuban, Nicaraguan, and Bolivian companies – has effectively ceased.

KEY AML LAWS AND REGULATIONS

Ecuador has STR requirements and enhanced due diligence for PEPs. Legislation prohibits public officials from maintaining assets in countries designated as tax havens.

The national assembly proposed penal code reforms in September 2019 to strengthen authorities' ability to freeze, seize, and recover assets. The proposed reform permitted forfeiture before completion of the appeals process. President Moreno vetoed the asset forfeiture reforms on the grounds they would violate an individual's constitutional rights. The national assembly has not yet acted on the veto but admitted for debate, on October 22, 2019, an asset forfeiture law to recover goods of illicit or unjustified origin and destination.

Ecuador and the United States cooperate under relevant multilateral conventions to ensure the sharing of records in connection with drug investigations and proceedings.

Ecuador is a member of the GAFILAT, a FATF-style regional body. Ecuador's most recent MER is available in Spanish only at: <http://www.gafilat.info/index.php/es/biblioteca-virtual/miembros/ecuador/evaluaciones-mutuas-7/131-ecuador-3era-ronda-2011>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Corruption, inadequate training for law enforcement and the judiciary, and frequent misinterpretation of the law are primary AML deficiencies. Judges are often susceptible to bribery and frequently hinder narcotics-related money laundering investigations. The prosecutorial office handling money laundering suffers from reputational deficiencies and has been subject to political pressures to shelve cases. A lack of coordination and trust among law enforcement, the AGO, and financial regulators hinders AML efforts.

The Superintendence of the Popular and Solidarity Economy (SEPS) regulates approximately 400 credit unions and hundreds of other institutions. SEPS has difficulty supervising this heterogeneous sector. Its 2019-20 strategic plan highlights improving the quality and efficiency of oversight. Other regulators and law enforcement agencies question SEPS' money laundering unit's capabilities.

UAFE can administratively sanction reporting entities only for missing monthly reporting deadlines. Sanctions do not increase for recidivism, although the law stipulates the maximum fine for reoffending. UAFE has no administrative sanctioning authority for failure to report or otherwise act on a suspicious transaction, but must rely on the AGO to initiate an investigation.

State prosecutors are required to inform a suspect s/he is under investigation for money laundering, which, according to authorities, often results in key evidence disappearing.

Convictions for bulk cash smuggling are difficult to obtain as authorities are given only 30 days to investigate. The law stipulates administrative fines for failure to declare cash/currency at a port of entry but does not address other financial instruments. Only international air travelers bringing in over \$10,000 in cash or other "taxable assets" are required to submit a customs declaration form.

The constitution permits trials in absentia and voids the statute of limitations for government officials on trial for specified crimes, but not money laundering. This frequently results in officials under investigation for money laundering fleeing Ecuador until the statute of limitations expires, hindering prosecutions.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

UAFE completed a national risk assessment with international donor assistance. UAFE, the AGO, and the National Police are establishing a joint counternarcotics money laundering investigative unit.

UAFE referred 13 possible money laundering cases to the AGO through October 2019. The government does not make publicly available statistics on money laundering-related prosecutions and convictions.

In April 2019, a judge allowed the embezzlement trial against a former secretary of communications to proceed in absentia. Former Minister of Social and Economic Inclusion Ivan Espinel was sentenced in May 2019 to 10 years in prison and fined \$505,000 for money laundering and other crimes. In November 2019, the AGO charged 22 people with bribery and two as accomplices in the *2012-2016 Sobornos Case*. The case involves an alleged bribery scheme implicating public officials (including former president Correa and former vice president Glas) and businessmen, who allegedly provided funding to Correa's Alliance PAIS political movement through cash and offsetting invoices in exchange for public works contracts. Officials report the Moreno administration recovered \$18.5 million in illicit assets.

El Salvador

OVERVIEW

El Salvador made significant progress in combating money laundering (ML) during 2019, primarily due to the efforts of the Attorney General's (AG) office, which increased its capacity to investigate and prosecute money laundering offenses and to seize and forfeit related assets. The AG's office added 15 prosecutors to money laundering and asset forfeiture units and obtained its first money laundering convictions against MS-13 gang members and associates. New legislation granted the FIU increased independence in accordance with international norms. El Salvador was reinstated in the Egmont group, providing Salvadoran institutions increased access to financial intelligence from foreign partners.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

El Salvador is geographically vulnerable to the transit of South American cocaine to the United States. Its location and dollarized economy make it a potential haven for transnational organized crime groups. The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua, allows for the free movement of their citizens across the respective borders. As a result of lax border/customs security, several trade-based and black-market currency schemes were identified in El Salvador.

Money laundering in El Salvador is primarily related to proceeds from corruption-related crimes, illegal narcotics, and organized crime; there is no indication that money laundering is being used to fund terrorist activities.

Organized crime groups launder money through front companies, travel agencies, remittances, import and export of goods, and cargo transportation. Illicit activity includes the use of smurfing operations, whereby small amounts of money are transferred in a specific pattern to avoid detection. Many funds come from narcotics activities in Guatemala.

As of December 2019, there were 17 FTZs operating in El Salvador. The FTZs are comprised of more than 200 companies operating in areas such as textiles, clothing, distribution centers, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy.

KEY AML LAWS AND REGULATIONS

The asset forfeiture legislation allows the government to sell property seized in criminal investigations, and at the end of the year, to distribute the proceeds to government agencies. The AG's office and the Ministry of Justice and Security are entitled to each receive 35 percent of the distribution. Yearly distributions are steadily increasing, with a first distribution of \$92,700 in 2015, and a distribution of \$771,900 in 2018.

At the end of 2019, the AG's office had 385 open investigations and 105 cases in court proceedings.

El Salvador is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/el-salvador-1>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Information sharing between El Salvador and FinCEN, the U.S. FIU, was frozen in 2013, following an unauthorized disclosure of information by El Salvador's FIU.

Communication has now been restored, and FinCEN and the El Salvadoran FIU began exchanging information again in 2019.

In late September 2018, the El Salvadoran FIU was also suspended from the Egmont group, a substantial impediment to information sharing with international partners. In 2019, legislative reform granted additional independence to the FIU. After additional modifications, El Salvador was reinstated in the Egmont group in 2019.

The regulatory institutions charged with AML supervision remain relatively weak and lack human resources and sufficient regulatory powers.

Because of the lack of regulation, non-bank entities such as casinos, pawn shops, and other DNFBPs do not file suspicious activity reports. Comprehensive legislation governing these institutions is pending in the legislature.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Authorities are currently working on legislation to improve regulation of DNFBPs.

Since the asset forfeiture law was implemented in 2014, the AG's office has made great advancements in seizing and forfeiting criminal assets. From 2014 through November 2019, the AG's office seized 1,141 assets valued at over \$182 million (not including productive assets or seized companies). While most assets remain the subject of ongoing court proceedings, 132 assets, valued at \$4.3 million, have received final orders of forfeiture, while the return of only 21 assets valued at \$640,100 has been ordered.

El Salvador's major money laundering convictions relate to ex-president Antonio Saca and his associates who, during his term (2004-09), diverted approximately \$260 million of government funds into secret accounts, then through their businesses. As part of a plea agreement, the AG's office seized through forfeiture several million dollars in properties, businesses, vehicles, and cash that were proceeds of the fraud. In addition, in September 2019, the AG's office obtained money laundering convictions against MS-13 members and associates for the first time, showing their resolve to apply money laundering laws to a variety of criminal activities.

Georgia

OVERVIEW

Georgia is located along a well-established trafficking corridor and faces international money laundering threats. Georgia's ease of doing business attracts investment, but also facilitates entry of ill-gotten funds into the financial system. Much illegal income in Georgia derives from bank fraud and cybercrime. Virtual currency is unregulated in Georgia, though the Georgian government is beginning to focus on how to address these currencies. Additionally, there is not sufficient oversight of the gaming sector. In October 2019, Georgia adopted new legislation and an assessment tool aimed at creating effective AML/CFT monitoring and enforcement mechanisms. The Russian-occupied territories of South Ossetia and Abkhazia fall outside the control of Georgian authorities.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Bank fraud and cybercrime are significant generators of illicit proceeds. Social engineering schemes are also used to commit mass marketing fraud. Banking systems and money transfer services are the primary means to move funds, and often Georgia is just one link in an international criminal chain. The general economic situation in Georgia, which is far from being a developed economy, forms fruitful ground for money launderers to find front men. Georgia's open business environment makes it attractive for clean investment, but also poses vulnerabilities for illicit funds to enter and transit the financial system. Virtual currency is unregulated, which poses a significant money laundering risk.

The unchecked growth of the gaming industry, including internet gaming, is concerning. According to the Financial Monitoring Service (FMS) January 2019 Annual Report, there are 449 lotteries and gaming institutions registered in Georgia and 34 casinos. The AML obligations of gaming establishments are identical or substantively similar to the requirements placed on other covered entities. The Ministry of Finance supervises lottery organizations, gaming institutions, and casinos for AML compliance. However, in 2018, casinos and gaming institutions filed over 1,800 CTRs but only one STR, indicating the industry may not be complying with existing regulations or is not subject to adequate enforcement by authorities.

KEY AML LAWS AND REGULATIONS

On October 30, 2019, Georgia adopted new legislation, the Law on Facilitating the Prevention of Money Laundering and Terrorism Financing, aimed at creating effective monitoring and enforcement mechanisms. Prior to the new legislation, enhanced due diligence (EDD) measures applied only to foreign PEPs. The new law extends the requirement to apply EDD measures to domestic PEPs and the heads of international (intergovernmental) organizations; increases the ability of law enforcement to retrieve information from the Financial Monitoring Service (FMS), Georgia's FIU, for investigating money laundering and terrorism finance; and includes insurance brokers, law firms, and certified accountants as reporting entities.

Georgia's Civil Procedure Code permits civil forfeiture of any undocumented property in the possession of persons convicted for money laundering or other designated offenses.

Georgia is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <https://www.coe.int/en/web/moneyval/jurisdictions/georgia>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Bitcoin and other virtual currencies are becoming extremely popular in Georgia. Recent international investigations reveal Georgia is a popular virtual currency mining location. Georgia does not have experienced cybercrime labs and has only a handful of qualified and competent digital forensic analysts. Training and capacity-building efforts need to be directed toward improving the Georgian government's cybercrime labs, analyst capabilities, and legislation on collecting and analyzing digital evidence.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

On October 30, 2019, the Government of Georgia approved its first Money Laundering and Terrorism Financing National Risk Assessment (NRA) and action plan. The NRA aims to raise awareness of competent authorities and the private sector by helping them to determine and align resources in response to existing risks, assessed at both national and sectoral levels. According to initial findings, money laundering risks are considered medium and terrorism financing risks low.

The FMS operates as an independent agency accountable to the Cabinet and shares operational information with relevant entities on a regular basis and on request from law enforcement. The Prosecution Service of Georgia (PSG) has a specialized department with investigative and prosecutorial units that handle money laundering crimes. The PSG continues to conduct monitoring of profit-motivated crimes, creating a multi-agency platform with law enforcement and the FMS to analyze cases, generalize practices, and identify current trends. In fiscal year (FY) 2019, 25 money laundering prosecutions were initiated, compared to eight during FY 2018. During FY 2019, six people, including a legal entity, were convicted of money laundering.

Investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely disclose financial components. Despite a domestic market for illegal drugs and international drug trafficking through Georgia, narcotics trafficking is rarely investigated as a predicate offense for money laundering. The PSG has guidelines recommending a task force approach to money laundering investigations.

Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing links between organized crime and money laundering. A task force approach could facilitate greater exchange of information and cooperation, pulling together intelligence and resources to attack financial crimes. Georgia also should take steps to supervise and improve regulations for its gaming industry.

Ghana

OVERVIEW

Ghana continues to make progress strengthening its AML/CFT laws in line with international standards and is working to implement its AML/CFT regime across all sectors and institutions. Ghana is continuing to consolidate its banking and financial sectors, with new capital requirements reducing the number of banks operating in the country. This consolidation, along with an incremental but positive trajectory of improved banking supervision, should aid authorities in prioritizing the allocation of resources.

In September 2019, Ghana developed a National AML/CFT Policy and Action Plan to address all the strategic deficiencies identified in its national risk assessment (NRA) and by international experts. The NRA was first published in April 2016 and reviewed in 2018. Ghana has also conducted a nationwide rollout of AML/CFT sensitization programs for NGOs to raise awareness of AML/CFT issues.

In 2019, Ghana's Financial Intelligence Center (FIC), the FIU, worked with international partners to conduct AML/CFT trainings for both government and private stakeholders. Ghana is developing a nationwide capacity-building workshop on AML/CFT and the proliferation of weapons of mass destruction for law enforcement agencies in several regions of the country.

NPOs and DNFBPs continue to represent the largest gaps in Ghana's AML regime, both in terms of the legal framework and risk. To address these and other money laundering issues, the government of Ghana should continue to allocate adequate funding to fight money laundering, effectively implement relevant asset forfeiture laws and regulations, and sanction institutions that do not file STRs and CTRs, as required by Ghanaian law.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Fraud, especially romance scams, theft, tax evasion, corruption, and drug trafficking are the most prevalent predicate crimes for money laundering offenses in Ghana. Advanced fee fraud is the most commonly committed offense. Other predicate offenses that pose medium money laundering threats include human trafficking, migrant smuggling, organized crime, arms trafficking, counterfeiting of currency, counterfeiting and piracy of products, environmental crime, and forgery.

Ghana is a cash-dominant economy, and bulk cash smuggling is the preferred money laundering scheme. Ghana has designated four FTZ areas, but only one is active. Ghana also licenses factories outside the FTZ areas as free zone companies; most produce garments and processed foods.

Ghanaian DNFBPs are vulnerable to money laundering. Major vulnerabilities are the lack of enforcement and ineffective adherence to CDD or KYC requirements by most DNFBPs. Additionally, Ghana lacks a robust risk assessment methodology for the DNFBP sector.

However, the government is working to address these vulnerabilities. Ghana is working toward, but has not finalized, sector-specific AML guidelines.

KEY AML LAWS AND REGULATIONS

Ghana's principal AML legislation is the Anti-Money Laundering Act, 2008, as amended in 2014. AML guidelines were revised in January 2018.

Ghana has comprehensive KYC and STR regulations and legal persons are covered. In 2016, parliament amended Ghana's Companies Act, 1963 to establish a beneficial ownership register in the country. An additional amendment to the Act making beneficial ownership and PEP data publicly available remains pending approval in Parliament.

Ghana and the United States do not have a MLAT, but records can be exchanged through multilateral conventions with provisions for cooperation in criminal matters. Moreover, mutual legal assistance can be provided on a reciprocal basis through letters of request.

Ghana is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.giaba.org/reports/mutual-evaluation/Ghana.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Banks and insurance companies are required to identify high-risk clients such as PEPs, but there is a lack of effective identification and monitoring of PEPs and their associates.

There is no organized national response in the NPO sector to combat possible money laundering or terrorist financing abuse, and submission of annual financial statements and records of operation of NPOs remains a challenge.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Ghana is implementing a single national identity card. Identification of customers for purposes of KYC remains challenging, as many of the publicly-owned identity verification databases (such as the Electoral Commission and Immigration database) are not available online, and those that are available online are not updated regularly.

Financial crimes are prosecuted by attorneys from the Attorney General's Office and by non-attorney police prosecutors. Relatively few investigators and prosecutors have received specialized AML training. Ghana has no certified financial crime investigators trained in asset forfeiture.

Ghana conducted risk assessments of legal persons and arrangements and NGOs in 2019. In 2019, the FIC conducted a nationwide training session targeting DNFBPs to raise awareness of their AML/CFT requirements. The FIC also trained the Forex Bureau stakeholders on their responsibilities, including reporting illegal forex trading and other fraudulent activities. The FIC trained financial institutions, including banks, savings and loan companies, market operators, and

mobile money operators on current money laundering and terrorist financing trends to raise awareness and reporting to the FIC.

Ghana continues to work toward compliance with international AML/CFT standards, and there are no known refusals to cooperate with the United States or other governments on money laundering issues. Several agencies maintain combined statistics on convictions; separate data on money laundering convictions is not readily available.

Guatemala

OVERVIEW

Guatemala remains a key transit route for narcotics to the United States and cash returning to South America. The government has challenges combating corruption, money laundering and financial crimes related to narcotics trafficking. With the support of the International Commission Against Impunity in Guatemala (CICIG), Guatemala improved its ability to investigate and prosecute corruption, money laundering, and other financial crimes. Though the Public Ministry (MP) has improved coordination between prosecutors and law enforcement agencies to conduct financial investigations and consider money laundering charges when investigating predicate offenses such as extortion, corruption, and trafficking investigations, more progress is needed. CICIG's departure from Guatemala in September 2019 puts anticorruption gains at risk, given the weakness of Guatemalan institutions, and the influence narco-traffickers have over elected officials.

Guatemala should continue to develop its capacity to conduct financial crime investigations by improving communication and coordination among the Guatemalan Special Verification Agency (IVE), Guatemala's FIU; the National Civil Police (PNC) Financial Investigation Unit; and the MP. Additionally, Guatemala should institutionalize coordination between the MP and the National Secretariat for Administration of Forfeited Property (SENABED) (the entity that manages seized assets), provide greater autonomy to SENABED, and increase staffing of key agencies.

In order to maximize effectiveness and decrease inefficiencies in its AML regime, Guatemala should increase budgetary support for the MP, in particular the Special Prosecutor's Office Against Impunity, to strengthen anticorruption efforts, and address the systemic weaknesses that allow for pervasive corruption within Guatemala's institutions. Strong anticorruption mechanisms are needed to root out corrupt actors and hold them to account.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Narcotics trafficking, institutional corruption, tax evasion, extortion, human trafficking, and commerce in illicit goods are the main sources of illicit funds in Guatemala. There is no enforcement presence at over 120 "blind passage" border crossing roads that facilitate trafficking of goods, drugs, and people. Money is often laundered through transactions below the \$10,000 reporting requirement, either through small banks along the Guatemala-Mexico border or by

travelers carrying cash to other countries. Guatemala does not prohibit structuring of deposits to avoid reporting requirements.

Money is also commonly laundered through real estate transactions, ranching, the gaming industry, and various categories of “offshore” banks, including some where money is deemed deposited in the foreign country where the bank is headquartered. The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows free movement of their citizens across their borders without cash declaration requirements.

Casinos and games of chance operate both on and offshore and are currently unregulated.

Guatemala has 12 active FTZs, mainly used to import duty-free materials and goods used in the manufacture of products and/or provision of services for exportation. There are no known allegations that FTZs are hubs of money laundering or drug trafficking activity.

KEY AML LAWS AND REGULATIONS

Despite an adequate AML legal framework, a lack of coordination between agencies and institutions, coupled with limited human resources, have led to less than optimal application of KYC and STR regulations. However, most money laundering cases prosecuted by the MP begin with bank-generated SARs filed with the IVE, which in turn refers them to the MP. Financial intelligence is generally used effectively to support or initiate investigations.

Guatemala and the United States do not have a MLAT and use other mechanisms such as multilateral treaties to exchange relevant information.

Guatemala is a member of GAFILAT, a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/4th-round-meal-reports/7462-guatemala-4th-round-mer/file>.

AML DEFICIENCIES

Despite Guatemala’s improved AML legal framework and efforts to require due diligence for transactions and accounts linked to PEPs, specific deficiencies remain. DNFBPs, such as attorneys, notaries, casinos, and video lotteries, have been identified as posing high risk for money laundering. While there is proposed legislation to regulate DNFBPs for AML/CFT purposes, it has been pending in congress for many years.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Although Guatemala’s legal framework and the IVE and MP’s enhanced investigative abilities have improved the AML enforcement picture, implementation is inhibited by procedural inefficiencies, staffing shortages, and ongoing lack of collaboration among relevant offices and prosecutors based on lack of trust due to widespread corruption.

From January 1 through November 6, 2019, the MP office in charge of money laundering prosecutions received 248 complaints, filed charges in 179 cases, and obtained 87 convictions.

Guatemalan authorities and agencies increasingly conduct competent investigations of financial crimes and have produced several high-profile successes in 2019. A Guatemalan Court convicted 13 people, for up to 38 years in prison, including former congressman Jaime Martínez Loyza and Edgar “Chico Dollar” Morales Guerra, the leader of a money laundering operation that financed political campaigns.

In another investigation, a Guatemalan anticorruption court convicted 18 people for corruption in the Municipality of Antigua, including the former mayor of Antigua, Adolfo Vivar. Vivar was found guilty of money laundering and fined more than \$1.7 million.

As part of the internal purging of the MP, in a case coordinated with the PNC, two MP officials were arrested by the AML prosecutorial office and the criminal analysis department on October 13, 2019. The accused accepted an envelope with over \$10,000, allegedly in exchange for not processing an arrest warrant in a money laundering investigation.

Guyana

OVERVIEW

Guyana is a transit country for South American cocaine destined for Europe, West Africa, the United States, Canada, and the Caribbean. Cocaine is concealed in legitimate commodities and smuggled via commercial maritime vessels, air transport, human couriers, or the postal services.

Guyana’s National Risk Assessment 2017 concluded it has a medium-to-high money laundering risk and a medium terrorist financing threat. Unregulated currency exchange houses and dealers in precious metals and stones pose a risk to Guyana’s AML/CFT system. Other sectoral vulnerabilities include the banking industry and unregulated attorneys-at-law, real estate agents, used car dealers, and charities. Guyana has made significant progress on the AML/CFT front, but more investigations and successful prosecutions are needed in the future.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Historically, the primary sources of laundered funds are narcotics trafficking and real estate fraud. However, other illicit activities, such as human trafficking, gold smuggling, contraband, and tax evasion, are also sources. The licensing policies and procedures of Guyana’s unsophisticated banking and financial institutions increase the risk of drug money laundering.

Guyana does not have FTZs, offshore financial centers, cyber currencies, or economic citizenship programs. Guyana permits gaming, however. A gaming authority regulates and supervises all gaming activities.

Common money laundering typologies include large cash deposits using forged agreements of sale for nonexistent precious minerals, cross-border transport of concealed precious metals to avoid payment of the relevant taxes and duties, and wire transfer fraud using compromised email accounts.

KEY AML LAWS AND REGULATIONS

Guyana has strong legislation relating to money laundering and terrorist financing. The Government of Guyana's Anti-Money Laundering and Countering the Financing of Terrorism Act 2009, Interception of Communications Act 2008, and Criminal Law Procedure Act serve as its primary AML legislative regime. The State Assets Recovery Act of 2017, Protected Disclosures Act of 2018, and the National Payments Systems Act of 2018 bolster Guyana's AML legislative response.

Guyana has comprehensive KYC and STR regulations. Its AML legislation covers legal persons and provides enhanced due diligence for PEPs. There are also records exchange mechanisms in place with the United States and other governments.

Guyana sought to strengthen its institutional response to money laundering through training and capacity building. The government trained financial-sector personnel and legal officers on AML best practices. The Bank of Guyana (BOG), Guyana Securities Council, Guyana Gaming Authority, and Guyana Revenue Authority (GRA) conducted several onsite scheduled inspections of financial entities to identify areas for improvement.

Guyana is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/member-countries/guyana>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Guyana lacks standardized provisions for secure electronic communications and transactions. The government also lacks a national strategic plan for combatting money laundering and terrorist financing. The government reported it has a draft Electronic Communications and Transaction Bill and a draft AML/CFT National Strategic Plan but did not report when these would be finalized.

Guyana's FIU applied for Egmont Group membership in 2011 but its application is still pending. Guyana previously satisfied some of the Egmont Group's criteria and received two new sponsors. However, Guyana has yet to comply fully with the Egmont Group's recommended changes to its Anti-Money Laundering and Countering the Financing of Terrorism Act 2009.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The major agencies involved in anti-drug and AML efforts are the Guyana Police Force (GPF), GRA, Customs Anti-Narcotics Unit (CANU), Special Organized Crimes Unit (SOCU), BOG, the FIU within the Ministry of Finance, State Asset Recovery Agency (SARA), and National Anti-Narcotic Agency (NANA).

The FIU initiates investigations by referring cases to SOCU and SARA. The FIU submitted 27 STRs in 2019. SOCU and SARA launched investigations into these and other reports of suspicious transactions, but there have been no convictions to date. The government reports non-cooperation by stakeholders with SOCU, as well as corruption and lack of capacity within SOCU hinder its prosecutorial success.

Guyana has shown strong political will to combat money laundering and has made progress on the AML/CFT front. The government still needs to increase its training for the judiciary on matters pertaining to the investigation and prosecution of financial crimes. A national strategic plan for combatting money laundering should be developed and implemented, and legislation passed for the facilitation and regulation of secure electronic communications and transactions. Reporting and investigating entities should improve their interagency coordination, and the GRA should report suspicious transactions to SOCU and SARA.

Haiti

OVERVIEW

Haitian gangs are engaged in international drug trafficking and other criminal and fraudulent activity. 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, and related money laundering, is connected to the United States. Important legislation was adopted over the past several years, in particular anticorruption and AML laws, but the weakness of the Haitian judicial system, impunity, and a lack of political will leave the country vulnerable to corruption and money laundering.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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 represent approximately 63 percent of Haiti's bank deposits.

Haiti has nine operational FTZs. FTZs are licensed and regulated by the Free Zones National Council, a public-private enterprise. It is unknown if FTZs are subject to AML obligations.

Haiti has 157 licensed casinos and many unlicensed casinos. Gaming entities are subject to AML requirements. Haiti also has established the Haitian State Lottery under the auspices of the Ministry of Economy and Finance. Online gaming is illegal.

KEY AML LAWS AND REGULATIONS

Amendments in 2016 further strengthened Haiti's 2013 AML legislation. In 2014, the Executive signed a long-delayed anticorruption bill. In 2017, the government adopted a law restructuring the Central Financial Intelligence Unit (UCREF), the FIU.

Haiti is a member of the CFATF, a FATF-style regional body. Its most recent mutual evaluation is available at: <https://www.cfatf-gafic.org/index.php/member-countries/d-m/haiti>.

AML DEFICIENCIES

The weaknesses of the Haitian judicial system and prosecutorial mechanisms continue to leave the country vulnerable to corruption and money laundering. 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. Proposed criminal codes and criminal procedural codes that would address deficiencies were drafted in 2016 but have not been considered by the national assembly.

The amended AML/CFT law, despite strengthening the AML regulatory framework, undermines the independence and effectiveness of Haiti's FIU. The UCREF is not a member of the Egmont Group, but is currently working with sponsors and applying for membership.

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 better regulated and monitored. The Government of Haiti should take steps to combat pervasive corruption at all levels of government.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government continues to take steps, such as training staff and coordinating with the nation's banks, to implement a better AML regime. In 2016, the national assembly added missing elements to the AML/CFT law to bring it up to international standards. For Haiti to fully comply, however, the criminal code will have to be updated.

Haiti's 2014 anticorruption law is not being effectively implemented, as evidenced by frequent changes in leadership, fear of reprisal at the working level, rumored intervention from the executive, and the failure of judges to follow through by investigating, scheduling, and referring cases to prosecutors.

The UCREF is a relatively weak institution with little law enforcement impact. The UCREF rarely follows up with the prosecutor's office regarding its referrals. The May 2017 UCREF law moved the UCREF under the control of the executive branch, thereby reducing the UCREF's independence. The UCREF forwarded six cases to the judiciary in 2018, and only three cases in 2019. There were no convictions or prosecutions for money laundering in 2019.

The Haitian National Police financial crimes unit (BAFE) is understaffed and under-resourced. It has limited interaction with the UCREF. Similar to the UCREF, the BAFE does not

systematically follow up with the prosecutor's office regarding cases. Haiti's prosecutors and judges have limited experience with financial crimes cases.

The government should continue to devote resources to building an effective AML regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system.

Honduras

OVERVIEW

Money laundering in Honduras stems primarily from narcotics trafficking by organized criminal groups and the illicit proceeds of public corruption. Honduras is not a regional or offshore financial center.

Honduras has not completely implemented its 2015 AML or DNFBP laws, but in 2019 established an AML strategy and focused on high-priority offenses, such as money laundering linked to organized crime.

Lack of institutional coordination limits the operation of the AML regulatory system, and the Tax Administration Service was the only Honduran agency with an active AML unit that meets Honduran legal requirements.

The general lack of investigative capacity regarding complex financial transactions contributes to a favorable money laundering climate. However, Honduras has been able to achieve some results in money laundering and corruption cases and has sought international cooperation.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering in Honduras derives from domestic and foreign criminal activity. Local drug trafficking organizations and organized crime syndicates control most illicit proceeds, which pass through both the formal banking system and the underground economy. Trade-based businesses commonly used to launder funds include automobile and real estate sectors, remittance companies, currency exchange houses, credit unions, the construction sector, and cattle ranching in remote areas of Honduras.

A regional treaty between El Salvador, Guatemala, Honduras, and Nicaragua allow free movement of citizens between these countries leaving each country vulnerable to the cross-border movement of contraband and cash.

KEY AML LAWS AND REGULATIONS

Honduras established a comprehensive national AML/CFT strategy in 2019. Honduras has KYC and STR regulations, but additional procedures are necessary for full implementation of the 2015 AML law.

Currently, there is no bilateral treaty between Honduras and the United States that allows for exchange of records, but Honduran authorities have allowed for records and information exchange under the terms of relevant UN Conventions that establish the process of mutual legal assistance to facilitate operational or investigative support between signatory countries. When not requested through an official mutual legal assistance request, records and other documents are provided through U.S. law enforcement agencies in Honduras that can testify under the Federal Rules of Evidence as to their personal knowledge of how the records were obtained.

Honduras is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/GAFILAT-MER-Honduras-2016-English.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Honduras's AML national risk assessment (NRA) results are not fully reflected in the allocation of resources or in the supervisory policies and procedures. Honduras is taking steps to implement a risk-based approach, although the NRA is not public and outreach to DNFBPs remains necessary. The Honduran financial system suspends individuals under investigation and limits their access to the banking system, but poor information flow between the Public Ministry (PM) and the FIU has left cleared individuals on the financial risk list unnecessarily.

Bearer shares are legal and there is no access to quality beneficial ownership information for Honduran companies.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

FIU staff and PM financial analysts require training on financial institution products, international standards, financial analysis, report writing, relevant Honduran laws, and STR and CTR analysis. The FIU needs to develop feedback mechanisms to improve the quality of filed reports.

Although the Public Records Office has initiated file digitalization at a national level, most public property records remain in hard copy and poorly organized, impeding effective investigation.

The disconnect between the judicial branch, regulatory agencies, and the PM regarding the application of money laundering and asset forfeiture statutes has a negative impact on investigations. The PM and other law enforcement agencies often execute warrants before financial investigations can be completed and seize assets with tax liens before determining if other charges are applicable.

The Honduran National Congress (HNC) amended the Asset Forfeiture Law (AFL), but the amendment did not address known deficiencies and made it easier for public officials to avoid seizure, jeopardizing law enforcement's use of forfeiture in organized crime and money laundering investigations. President Hernandez vetoed the amendment. In September 2018, the Interagency Commission for Criminal Justice issued an opinion stating Honduran law

enforcement entities have misinterpreted the legal concept of freezing and seizing assets. The proposed AFL remains with the HNC without progress in 2019.

FIU leadership may not be operating in a transparent manner. Financial information is at times shared with individuals and entities not authorized by law to receive it or without required subpoenas. The FIU currently serves as a middleman between the PM and financial institutions instead of preparing financial analyses and identifying emerging money laundering trends and typologies.

Persons linked to Honduran public officials have been convicted in the United States in recent years, including President Hernandez' brother and former president Lobo's son (drug trafficking), the former minister of social services' brother (money laundering linked to bribery). Corruption within Honduran law enforcement remains a concern.

Hong Kong

OVERVIEW

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is an international financial and trading center. The world's sixth-largest banking center in terms of external transactions and the fourth-largest foreign exchange trading center, Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes and has its own U.S. dollar interbank clearing system for settling transactions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

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 TBML and underground finance. Hong Kong shell companies can be exploited to launder money, facilitate illicit trade, and gain access to the international financial system.

Government of Hong Kong officials indicate the primary sources of laundered funds are from local and overseas criminal activity, fraud and financial crimes, illegal gaming, loan sharking, smuggling, and vice. Groups involved in money laundering range from local street organizations to sophisticated international syndicates involved in assorted criminal activities, including drug trafficking. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club, a non-profit that collaborates with law enforcement to disrupt illegal gaming outlets.

KEY AML LAWS AND REGULATIONS

Hong Kong has AML legislation allowing the tracing and confiscation of proceeds derived from drug-trafficking (Drug Trafficking (Recovery of Proceeds) Ordinance) and organized crime (Organized and Serious Crimes Ordinance). These ordinances improve authorities' capabilities

to detect and identify criminals, including drug traffickers, using Hong Kong financial institutions to launder or retain illicit profits. Hong Kong's Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) details authorized institutions' compliance obligations regarding legal and supervisory requirements.

Under the AMLO, where payment-related information is exchanged or intended to be exchanged, authorized institutions must carry out CDD procedures. STRs must be filed in a timely manner with Hong Kong's Joint Financial Intelligence Unit (JFIU), which is jointly run by staff of the Hong Kong Police Force and the Hong Kong Customs & Excise Department (CED). The AMLO requires DNFBPs to abide by the same set of CDD and record-keeping requirements as covered financial institutions. Hong Kong's Companies Ordinance (CO) further requires trust and company service providers to pass a fit and proper test and obtain a license from the Companies Registry. The CO also requires companies incorporated in Hong Kong to maintain beneficial ownership information.

The Hong Kong government implemented in 2018 a declaration and disclosure system to detect the movement of large quantities of physical currency and bearer negotiable instruments (CBNIs) valued over approximately U.S. \$15,400 (120,000 Hong Kong dollars) into and out of the city. An advance declaration must be made to the CED for cargo consignments importing or exporting large quantities of CBNIs.

Hong Kong is a member of the FATF and the APG, a FATF-style regional body. Its most recent mutual evaluation report is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-hong-kong-2019.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

In view of significant cross-border flows of trade, finance, and banking activities, Hong Kong regulatory authorities should ensure strong cooperation with other jurisdictions in cases in which predicate offenses, such as tax evasion or corruption, do not originate in Hong Kong.

Some supervisors and self-regulatory bodies, particularly those overseeing DNFBPs, need to strengthen their understanding of AML risk, develop a risk-based approach, and enhance their supervisory and enforcement actions. Overall, limited sanctions have been applied against some sectors, including moneylenders. Dealers in precious metals and stones and financial leasing companies are not regulated for AML/CFT purposes.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Financial regulators have conducted outreach to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the AMLO. However, Hong Kong has a low number of prosecutions and convictions compared to the number of cases investigated.

The United States and Hong Kong 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. The 1988 UN Drug Convention was extended to Hong Kong in 1997, and the UNCAC and the UNTOC were extended to Hong Kong in 2006.

From January 1 through September 30, 2019, the JFIU received a total of 37,816 STRs and there were 83 money laundering convictions.

India

OVERVIEW

Indian Prime Minister Narendra Modi has prioritized curtailing illicit financial activity as part of his administration's efforts to formalize and digitize India's financial system to reduce corruption and increase the tax base. Nonetheless, India faces various money laundering vulnerabilities, including informal financing networks that largely serve illiterate, rural citizens; complex onshore and offshore corporate structures; and enforcement capacity constraints.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Laundered funds are derived from tax avoidance and economic crimes, corruption, narcotics trafficking, trafficking in persons, and illegal trade. The most common money laundering methods include intermingling criminal proceeds with licit assets, purchasing bank checks with cash, routing funds through employees' accounts, and complex legal structures. Transnational criminal organizations use offshore corporations and TBML to disguise the criminal origins of funds, and companies use TBML to evade capital controls. Illicit funds are laundered through real estate transactions, as well as gold purchases, charities, election campaigns, and educational programs. Informal remittance systems are used extensively in India to evade transaction charges and to conduct both legitimate remittances and money laundering.

As of September 30, 2019, India had approved 417 Special Economic Zones (SEZs), 238 of which are operational. India has licensed eight offshore banking units to operate in the SEZs.

KEY AML LAWS AND REGULATIONS

The Prevention of Money Laundering Act, 2002 (PMLA) and the rules by regulators Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) establish the broad framework for prosecution of money laundering in India. In July 2019, the government introduced eight amendments to PMLA, broadening the definition of "proceeds of crime." Since being enacted in 2018, the Real Estate Regulatory Authority Act also ensures a transparent environment for consumers, credible transactions, and the efficient and timely execution of projects in the real estate sector.

India has comprehensive KYC and STR requirements and uses enhanced due diligence for PEPs. Legal persons in India are covered by criminal and civil laws against money laundering.

In September 2018, the Indian Supreme Court struck down the mandatory use of Aadhaar, India's universal digital identity system, to open bank accounts, but upheld the requirement to link the Aadhaar number to the national tax identity number. In July 2019, the Indian Parliament passed the AADHAAR and Other Laws (amendment) Bill to allow voluntary use of Aadhaar as proof of identity for opening bank accounts and procuring a mobile phone, as an alternative to passports or other documents recognized by the central government. Banks must check the original identifications for large cash transactions.

SEBI published a revised guidance note on July 5, 2019, to clarify the prohibition of insider trading regarding requirements to maintain a structured digital database of persons and entities with whom unpublished price-sensitive information is shared.

Financial institutions regulated by RBI are not permitted to engage in virtual currency transactions, but peer-to-peer transactions are legal. A Finance Ministry committee submitted its report to establish a virtual currencies regulatory framework in June 2019. The draft Banning of Cryptocurrency and Regulation of Official Digital Currency Bill 2019, which has not yet been presented in parliament, calls for hefty fines and up to 10 years' imprisonment for anyone holding, selling, or dealing in crypto-currencies.

India is a member of the FATF and two FATF-style regional bodies, the APG and the EAG. India's most recent MER is available at: <http://www.fatf-gafi.org/countries/d-i/india/documents/mutualevaluationofindia.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

India's current safe harbor provision protects principal officers and compliance officers of institutions that file STRs in good faith but does not protect all employees.

The government prioritizes crimes of tax evasion and counterfeit currency, while money laundering and terrorist financing are lower priorities. India is not subject to U.S. sanctions or penalties, although some Indian banks are currently being penalized for illegal activities of their branches.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

India has taken steps to implement an effective AML regime, but deficiencies remain. Observers and law enforcement professionals express concern about effective implementation and enforcement of the current laws, especially with regard to criminal prosecutions. Authorities believe India has insufficient investigators to analyze the enormous amount of potential money laundering data that was obtained during demonetization.

U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with Indian counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities have led to numerous money seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators and related

groups. India is demonstrating an increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges that limit its ability to provide assistance.

India should address noted shortcomings in the criminalization of money laundering and its domestic framework for confiscation and provisional measures. The government should ensure all relevant DNFBPs comply with AML regulations. India should extend its safe harbor provision to cover all bank employees. The government of India should use data and analytics to systematically detect trade anomalies that could indicate customs fraud, TBML, and counter-valuation in informal financial networks.

Indonesia

OVERVIEW

Indonesia remains vulnerable to money laundering due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and partially ineffective law enforcement institutions. Risks also stem from corruption and taxation cases, followed by drug trafficking, and to a lesser extent illegal logging, wildlife trafficking, theft, bank fraud, embezzlement, credit card fraud, and the sale of counterfeit goods. Proceeds from these predicate crimes are laundered through the banking, capital markets, real estate, and motor vehicle sectors. Proceeds are also laundered offshore in regional jurisdictions and then repatriated to Indonesia as needed.

Indonesia is making progress to counter vulnerabilities as authorities continue to release regulations geared towards a risk-based approach and there is, generally, a high level of technical compliance with AML standards. Only moderate improvements are needed on awareness and coordination between the government and financial sector. Areas for improvement remain analytical training for law enforcement, raising judicial authorities' awareness of relevant offenses, increasing technical capacity to conduct financial investigations as a routine component of criminal cases, and more education for financial services sector personnel.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Indonesia is vulnerable to the smuggling of illicit goods and bulk cash, made easier by poorly controlled coastlines, lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated for commercial and personal use. Endemic corruption remains a concern.

FTZs are not a major concern. Indonesia offers many opportunities for narcotics smuggling and cross-border transfer of illegally earned cash without needing to rely on FTZs.

Indonesia has bolstered cooperation regionally to disrupt terrorist networks, and related financial flows are shifting toward greater use of informal channels. The trend is financing smaller terrorism attacks through use of domestic contributions requested and made through social media and NPOs. These networks are also increasingly using sophisticated efforts to avoid monitoring

and detection of communications, with more use of couriers to pass information and the use of anonymous messaging systems.

KEY AML LAWS AND REGULATIONS

KYC requirements have been part of Indonesia's AML regime since 2001. PEPs are subject to enhanced due diligence.

In January 2012, the Indonesian government established an interagency National Coordinating Committee on the Prevention and Combating of Money Laundering to coordinate Indonesia's AML efforts. Indonesia's Financial Transaction Reports and Analysis Center (PPATK), the FIU, coordinates Indonesia's AML efforts.

In May 2017, Indonesia issued an executive order that permits Indonesian tax authorities to access financial accountholder data without a court order. It gives Indonesian authorities legal cover to exchange accountholder data under the OECD's Global Forum Automatic Exchange of Information; exchange of information between relevant jurisdictions.

Indonesia is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=Indonesia>

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The primary factors hindering the fight against narcotics-related money laundering are the lack of analytical training for law enforcement personnel and insufficient training on money laundering detection and reporting for lower-level workers in the financial services sector.

Since most money laundering in Indonesia stems directly from corruption cases, there is concern that recent legal revisions to the Corruption Eradication Commission Law undermine the commission's independence and its ability to investigate corruption cases, potentially leading to money laundering risks.

While Indonesia has made progress in addressing major technical deficiencies related to financial sanctions (e.g. UNSCRs 1267 and 1373), issues remain such as Indonesian's failure to implement UN listings without delay, and the lack of a clear prohibition on providing funds or financial services to designated persons.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2015, Indonesia conducted a national money laundering/terrorist financing risk assessment and is taking steps to implement applicable agreements and conventions. Combating narcotics abuse is a priority for the current administration, and Indonesia recognizes the need for international cooperation to stem this transnational threat.

PPATK invites the public to report any suspicious transactions. PPATK publishes a monthly report summarizing reporting activity. In addition to CTR and STR data, PPATK and the

Ministry of Finance's Directorate General of Customs and Excise jointly publish a Cash Carry Report to track physical cross-border transfers of cash. For the period January-June 2019, PPATK referred 248 Results of Analysis STRs, reports that follow-up on the initial notifications provided by financial institutions, to investigators – a 23 percent increase year over year. Most were alleged corruption cases. For the period January-June 2019, PPATK produced 12 Examination Reports, a 100 percent increase year on year.

There were three money laundering convictions between January-June 2019. Indonesia lacks sufficient procedures to collect high-quality conviction statistics; therefore, this figure may not capture all convictions.

Iran

OVERVIEW

Iran has a large underground economy, spurred in part by uneven taxation, widespread Islamic Revolutionary Guard Corps (IRGC) corruption and smuggling, sanctions evasion, currency exchange controls, and a large Iranian expatriate community. Pervasive corruption continues within Iran's ruling and religious elite, the IRGC, government ministries, and government-controlled business enterprises.

Iran remains a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. Most drugs are smuggled into Iran across its land borders with Afghanistan and Pakistan, although maritime smuggling has increased as traffickers seek to avoid Iranian border interdiction efforts. In 2015, Iran's minister of interior estimated the combined value of narcotics trafficking and sales in Iran at \$6 billion annually.

In 2011, the U.S. government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. On October 25, 2019, the U.S. government issued a final rule under this authority prohibiting the opening or maintaining of a correspondent account in the United States for, or on behalf of, an Iranian financial institution. The rule also prohibits foreign financial institutions' correspondent accounts at covered U.S. financial institutions from processing transactions involving Iranian financial institutions. Additionally, the FATF has repeatedly warned of the terrorist financing risk Iran poses and the resulting threat to the international financial system. In June 2016, Iran agreed to implement an action plan to address its AML/CFT strategic deficiencies. Iran's action plan expired in January 2018, and as of October 2019, Iran had not completed the action plan. At the October 2019 FATF plenary, the FATF called upon FATF members and jurisdictions to apply certain countermeasures to protect the international financial system from abuse.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Iran's merchant community makes active use of MVTs, including hawaladars and moneylenders. Leveraging the worldwide hawala network, Iranians make money transfers

globally. Trade often provides counter-valuation in hawala transactions; TBML is therefore a prevalent form of money laundering.

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. In April 2019, the Department of State designated Iran's IRGC as a foreign terrorist organization.

KEY AML LAWS AND REGULATIONS

Iran has criminalized money laundering, adopted KYC and STR requirements, and established a cash declaration regime for cross-border transportation of currency.

Iran is not a member of a FATF-style regional body, but it is an observer to the EAG. Its FIU is not a member of the Egmont Group.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

In 2007, the FATF issued its first Public Statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Beginning in 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect the international financial system from the money laundering/terrorist financing risks emanating from Iran. In 2016, Iran made a high-level commitment to implement an action plan to address strategic AML/CFT deficiencies. As a result, the FATF suspended its call for countermeasures for 12 months; this suspension was extended multiple times. Despite its commitment to the FATF, Iran did not meet the requirements of its action plan.

In October 2019, the FATF noted Iran should fully address the following action plan items: adequately criminalize terrorist financing, including by removing the exemption for designated groups; identify and freeze terrorist assets in line with relevant UNSCRs; ensure an adequate and enforceable CDD regime; clarify the submission of STRs for attempted terrorist financing-related transactions are covered under Iran's legal framework; demonstrate how authorities are identifying and sanctioning unlicensed MVTs providers; ratify and implement the UNTOC and Terrorist Financing Convention and clarify the capability to provide mutual legal assistance; and ensure financial institutions verify wire transfers contain complete originator and beneficiary information.

As of year end 2019, the Iranian parliament continues to consider several pieces of legislation intended to facilitate adherence to the action plan, but the Iranian government remains internally divided about these measures.

There are significant deficiencies in Iran's KYC procedures; furthermore, the STR requirement only applies to banks, and the requirements to file STRs for terrorist financing differ.

Iran is not a party to the UNTOC.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

For more than two decades, the United States has undertaken targeted financial actions through statutes and more than a dozen against key Iranian financial institutions, other entities, and individuals.

Iran has an asset forfeiture system, but it is not fully compliant with international standards. Although there is no information sharing agreement with the United States, Iran cooperates with other jurisdictions on money laundering matters.

On November 5, 2018, the United States re-imposed all U.S. nuclear-related sanctions against Iran. The sanctions target critical sectors of Iran's economy and certain transactions involving insurance providers, the Central Bank of Iran, and other designated Iranian financial institutions. These include sanctions authorities with respect to certain transactions between foreign financial institutions and the central bank or designated Iranian financial institutions and on the provision of specialized financial messaging services to the central bank and specified Iranian financial institutions. Also on November 5, 2018, OFAC placed more than 700 individuals, entities, aircraft, and vessels on the list of Specially Designated Nationals and Blocked Persons.

Italy

OVERVIEW

Italy's economy is the ninth largest in the world and the third-largest in the Eurozone. Italy has a sophisticated AML regime and legal framework, but a continued risk of money laundering stems from activities of organized crime and the large, black market economy. According to the Italian National Statistics Institute, the black market economy accounts for 12.1 percent of GDP, or approximately \$235 billion (€211 billion). Tax crimes also represent a significant risk and have been identified as accounting for 75 percent of all proceeds-generating crime in Italy.

While on the rise, CDD and suspicious transaction reporting remain weak among non-financial sectors, and regulations are inconsistent. In early 2019 the government published Regulation n. 44 to implement new provisions on AML/CFT organization, procedures, internal controls, and CDD. The new regulations align with EU efforts and require online entities to adopt controls and procedures.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Drug trafficking is a primary source of income for Italy's organized crime groups, which exploit Italy's strategic geographic location to do business with 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 (VAT) fraud, smuggling and sale of counterfeit goods, extortion, corruption, illegal gaming, illegally disposing of hazardous waste, and loan sharking. In 2019, the Bank of Italy's (BOI) Financial Intelligence Unit (UIF) identified

domestic and foreign real estate transactions, money transfers, small cash businesses, private banking, gambling, the art trade, and NPOs as the primary avenues for money laundering.

Italian authorities observed a trend of abnormal cash flows related to the import of textiles from China. They attribute these abnormalities to the under-invoicing of goods imported from China. Italian companies submit a fraudulently reduced customs declaration of the taxable value to evade the VAT and duties. Italian suppliers pay the difference owed to Chinese companies by sending cash to China using systems less easily traceable than traditional banking channels, such as structured money transfers, to avoid regulatory detection.

KEY AML LAWS AND REGULATIONS

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 risk assessment (NRA) in 2014. The BOI continues to issue guidance on CDD measures to support banks and financial intermediaries with the development of their CDD policies. In early 2019, the Italian Institute for Insurance Supervision published Regulation n. 44, requiring online entities to adopt controls and procedures set by the regulation.

Italy seeks to implement revisions to its AML policies in accordance with the EU's Fourth AML Directive that Italy transposed into law in 2017. In response to the continuing challenges of money laundering, the Italian government enacted a decree law on October 3, 2019 seeking to clarify virtual currency treatment under AML statutes, further empower law enforcement authorities investigating money laundering, and impose additional CDD obligations on financial intermediaries. Financial penalties assessed by Italian financial sector supervisors against legal and natural persons for AML breaches have been increased to be more dissuasive.

Italy has a MLAT with the United States and is party to the U.S.-EU MLAT.

Italy is a member of the FATF. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Italy-2016.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Regulations require financial institutions to apply enhanced CDD measures in transactions with both domestic and foreign PEPs. However, DNFBPs are not required to apply enhanced CDD when dealing with domestic PEPs. DNFBPs also are not legally required to file a STR when the beneficial owner is not identified in a business transaction. The government plans to continue to implement measures to significantly increase the number of STRs from DNFBPs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The criminalization of self-money laundering increased the severity of convictions for these crimes and acted as a deterrent to some extent. However, penalties applied to persons convicted of money laundering may not be sufficiently dissuasive as there continue to be numerous repeat offenders.

The UIF is the government's main body for collecting data on financial flows. In November 2018, the UIF expanded the use of its information-sharing database, which allows more fluid and automated information exchanges with judicial authorities and quicker access to underlying transaction data. The UIF utilizes several data management and analysis programs to filter collected information to identify patterns and suspicious transactions. The UIF is in the process of developing, in collaboration with the BOI, artificial intelligence detection of suspicious transactions. Money laundering statistics show the number of STRs increased 4-5 percent in 2018 over 2017, but were still below the high level reported in 2016. Through amendments to the main AML law, Italy recently expanded its STR reporting obligation to cover suspicions related to all money laundering predicate offenses.

The UIF also sought to develop programs to counter money laundering via virtual assets and financial technologies. Italian authorities have strong policy cooperation and coordination, and Italy continues to develop national AML policies informed by the NRA. Law enforcement agencies have been successful in undertaking complex financial investigations and prosecutions and have confiscated large amounts of criminal proceeds. The UIF can now access, with conditions, law enforcement information about investigative subjects, which should increase utility for law enforcement users of the UIF's products.

Jamaica

OVERVIEW

Money laundering in Jamaica is largely perpetrated by organized criminal groups, including some with links to powerful Jamaicans. In 2019, the country recorded a large number of financial crimes related to advance fee fraud (lottery scams), corruption, counterfeit goods, small arms trafficking, and cybercrime.

The Government of Jamaica has enforced the asset forfeiture provisions of the Proceeds of Crime Act (POCA) with moderate success, but the law still is not being implemented to its fullest potential due to difficulties prosecuting and achieving convictions in financial crime cases. Law enforcement, prosecutors, and the judiciary lack sufficient resources and training to investigate and prosecute financial crimes efficiently and effectively.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Political and public corruption both generate and facilitate illicit funds and activity. Money laundering in Jamaica is primarily related to proceeds from illegal narcotics, weapons trafficking, financial fraud schemes, corruption, and extortion. The activities are largely perpetrated by violent, organized criminal groups, some associated with powerful and influential Jamaicans. A large number of the financial crimes related to cybercrime and financial fraud schemes target U.S. citizens. There is also significant illicit trade of small arms and narcotics to and from Jamaica, the United States, and Haiti, which generate large amounts of illicit wealth in Jamaica.

KEY AML LAWS AND REGULATIONS

In October 2019, the government tabled in parliament the Proceeds of Crime (Amendment) Act 2019, the Terrorism Prevention (Amendment) and United Nations Security Resolution Implementation (Amendment) Acts 2019. This was followed by the tabling of Regulations for POCA in November 2019. The amendments were largely a response to international experts' recommendations.

The POCA permits post-conviction forfeiture, cash seizures, and the civil forfeiture of assets related to criminal activity. The act allows the court to order post-conviction forfeiture of proceeds assessed to have been received by the convicted party within six years preceding the conviction. The confiscation provisions apply to all property or assets associated with or derived from any criminal activity, including legitimate businesses used to launder illicitly derived money. Jamaica's Financial Investigations Division (FID), which includes the FIU, continues to work with partners in the Jamaica Constabulary Force (JCF) and others to pursue cases that could result in seizure of assets.

The Banking Services Act allows for stronger enforcement powers and greater information sharing among the Bank of Jamaica, the Financial Services Commission, and foreign counterparts. A number of DNFBPs, such as real estate dealers, accountants, gaming establishments, and casinos, are subject to AML preventative measures.

Jamaica is a member of the CFAFT, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/jamaica-1>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Lengthy delays in investigating and prosecuting cases hinder the effectiveness of the Jamaican judicial system. As a result, money laundering cases are hampered by the general backlog of criminal cases in the courts. The Jamaican courts and prosecutors have been unable to keep pace with an increase in crime.

Law enforcement and prosecutors tend to pursue predicate offenses to money laundering, rather than pursuing money laundering as a stand-alone offense, due to the necessity of proving the unlawful conduct from which the laundering activity derives. In cases where money laundering offenses are investigated and charged in conjunction with a predicate offense, prosecutors sometimes dismiss the money laundering charges to secure a guilty plea from the defendant.

To date, the regulatory agencies have not used their enforcement authority to sanction reporting entities for identified violations of AML/CFT regulations.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Jamaica is currently pursuing several legislative reforms to address noted deficiencies. Financial institutions (including money remitters and exchanges) are subject to a range of preventative

measures. These entities file an inordinately high volume of STRs annually, the vast majority of which are likely defensive filings. The FID continues to conduct programs to sensitize the public about POCA provisions.

For calendar year 2018, there were 20 prosecutions and six convictions related to money laundering. Jamaica continues to extradite lotto scammer money launderers. In 2018, the FID imposed forfeitures totaling approximately U.S. \$1.2 million in cash and other assets, while freezing approximately U.S. \$1.095 million in cash and assets. By comparison, in 2017, the FID forfeited approximately U.S. \$648,800 in cash and other assets, while restraining approximately U.S. \$2.63 million in cash and assets.

In a major court ruling in May 2018, the FID was successful in the forfeiture of U.S. \$485,000 from two South African cash couriers who transported the cash into Jamaica via a circuitous route from Asia for alleged narcotics activities.

In 2019, Jamaican authorities also obtained penalty orders against drug traffickers and dealers of approximately U.S. \$245,900; against a corrupt public official for approximately U.S. \$134,000, and against a trader in counterfeit goods for approximately U.S. \$142,900.

Relevant authorities collaborate on investigations and prosecutions in major cases. Authorities also regularly collaborate with foreign law enforcement on cases of mutual interest, and there are a number of joint initiatives to deal with such cases.

Jamaica's parliament passed legislation to remove the Major Organized Crime and Anti-Corruption Agency from under the auspices of the JCF and make it an independent agency. The implementing regulations are currently being drafted.

Kazakhstan

OVERVIEW

As a transit country for opiates and cannabis, and one susceptible to TBML, Kazakhstan remains vulnerable to financial crimes. Corruption is an enabler of money laundering.

In 2019, Kazakhstan completed its national risk assessment (NRA) to evaluate the exposure of its financial sector to money laundering. A follow-up action plan to the assessment makes proposals to bring Kazakhstan more into compliance with international AML standards.

Recent changes to the Committee for Financial Monitoring of the Ministry of Finance, the FIU, transformed the agency from an administrative department disseminating investigative leads to law enforcement to an agency that is both a financial intelligence gatherer and investigative body. The change may create difficulties retaining qualified staff and maintaining operational independence. Conversely, it could strengthen cooperation between analytical and investigative staff.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Government corruption, organized crime, and a large shadow economy make the country vulnerable to money laundering and terrorist financing. A significant part of Kazakhstan's wealth from minerals and oil is held in offshore accounts with little public scrutiny or accounting oversight.

The major sources of laundered proceeds are graft by public officials and fraudulent financial activity, particularly transactions using shell companies to launder funds returned in the form of foreign investments. In addition, the smuggling of contraband goods and fraudulent invoicing of imports and exports by businesses remain common practices.

Kazakhstan is a transit country for Afghan opiates and a source and destination country for cannabis and synthetic drugs, making it particularly vulnerable to drug-related money laundering. Informal remittance systems, such as hawala and QIWI Wallet, make tracking illicit drug proceeds difficult. The use of virtual currencies, online credit card fraud, and online casinos (illegal in Kazakhstan) are also difficult to investigate and prosecute because their use often originates beyond the nation's borders.

Casinos and slot machine parlors are located only in selected territories. The Ministry of Culture and Sport is responsible for the licensing and regulation of the gaming sector.

Kazakhstan's Astana International Financial Centre (AIFC), launched in July 2018, is designed to be a regional financial hub and offshore zone. It is supervised by the Astana Financial Services Authority and has a common law court system that operates outside of the Government of Kazakhstan's jurisdiction on matters for which AIFC has issued regulations. The AIFC court system uses Kazakhstani enforcement systems to back up its rulings. While the court considered five cases in 2019, only one (a small claims matter) was brought to conclusion. The enforcement mechanism appears to have worked as intended, but it remains untested in high-value, complex, or vigorously contested cases.

KEY AML LAWS AND REGULATIONS

The 2009 AML/CFT Law (and amendments) create the legal framework for the country's AML regime. In 2019, Parliament began deliberations on changes to the law to address the findings of Kazakhstan's NRA, strengthen provisions to combat the financing of weapons of mass destruction, establish an asset forfeiture fund, and strengthen measures combatting terrorist financing.

Kazakhstan and the United States have a bilateral MLAT.

Kazakhstan has adequate due diligence and suspicious transaction regulations. While it collects beneficial owners' declarations, those records are not centralized.

Kazakhstan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf->

gafi.org/publications/mutualevaluations/documents/mutualevaluationofkazakhstan.html.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The government requires additional resources and political will to ensure the proper enforcement of its financial crimes' regulations. Current AML/CFT law does not cover financial management firms, travel agencies, or dealers of art, antiques, and other high-value consumer goods. These entities are not required to maintain customer information or report suspicious activity.

All reporting entities are subject to the AML/CFT audits by their respective regulatory agencies. However, most of those regulatory agencies lack the resources and expertise to inspect reporting entities for compliance. Regulatory agencies enforcing a risk-based AML/CFT approach in the non-bank financial sector should improve suspicious activity reporting.

There is no criminal or administrative liability for money laundering offenses for legal persons. Enhanced due diligence is required only for foreign PEPs, whereas domestic PEPs are not covered.

An amendment to Kazakhstan's Criminal Code that came into effect in January 2018 limits Kazakhstan's ability to confiscate all assets of a criminal defendant. The provision requires law enforcement agencies to prove that assets belonging to a convicted criminal were obtained using the proceeds of crime. Prior to the amendment all assets could be subject to mandatory confiscation.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

No money laundering prosecution or conviction statistics are available for 2019. Historically, the number of money laundering investigations and prosecutions has been low.

Law enforcement should include parallel financial investigations with predicate criminal cases and strengthen interagency cooperation.

There is a two-tier AML/CFT Certification Program for private sector representatives that includes national and international components. Many banks have a certified compliance officer.

Kazakhstan may need the motivation provided by a peer review to make immediate and needed changes to laws and AML procedures in the country.

Kenya

OVERVIEW

Kenya remains vulnerable to money laundering, financial fraud, and terrorism financing. It is the financial hub of East Africa and is at the forefront of mobile banking. Money laundering occurs in the formal and informal sectors, deriving from 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.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Financial institutions engage in currency transactions connected to international narcotics trafficking, involving significant amounts of U.S. currency derived from illegal sales in the United States and Kenya.

Unregulated networks of hawaladars and other unlicensed remittance systems facilitate cash-based, unreported transfers. Foreign nationals, including refugees and ethnic Somali residents, primarily use the hawala system to transmit remittances internationally. Diaspora remittances to Kenya totaled \$2.1 billion between January and September 2019. The growing volume of financial transactions involving DNFBPs have emerged as likely vehicles for money laundering.

Banking systems, wire services, and mobile money payment platforms are increasingly available in Kenya. Digital financial services and platforms are vulnerable to money laundering. Mobile money lenders are not regulated despite more than 50 active digital loan mobile applications. Most of the roughly 225,000 mobile money agents in Kenya work through Safaricom's M-Pesa system. M-Shwari, a mobile lender, has over 22 million registered subscribers, with 5 million active users.

Kenya is a transit point for the region and international drug traffickers, and TBML continues to be a problem. Its proximity to Somalia makes it attractive for laundering piracy-related proceeds, and there is a black market for smuggled goods. Goods reportedly transiting Kenya are not subject to customs duties, but authorities acknowledge many such goods are actually sold in Kenya. Trade is often used to offset transactions in regional hawala networks.

KEY AML LAWS AND REGULATIONS

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), as amended, provides a comprehensive AML framework. Covered entities reporting to the Financial Reporting Center (FRC), Kenya's FIU, are subject to KYC and STR rules and have enhanced due diligence procedures in place for PEPs. AML/CFT regulations and STR reporting requirements have been extended to include trust and company service providers; however, lawyers and notaries remain unsupervised and not subject to AML/CFT obligations.

The Central Bank of Kenya (CBK) has adopted a risk-based AML/CFT regulatory framework. Commercial banks are expected to record and report all transactions above approximately \$10,000 (1 million Kenyan Shillings (KES)); CBK has imposed fines on violators.

To combat increased currency counterfeiting and money laundering, the CBK, from June-September 2019, exchanged old 1,000-shilling notes for new ones, with an October 1, 2019 deadline for the exchange. CBK announced on October 2 that 95 percent of the notes were

returned, with the remaining 5 percent, or approximately \$73 million (7.4 billion KES) now worthless.

The United States and Kenya do not have a bilateral MLAT; however, relevant multilateral law enforcement conventions with mutual legal assistance provisions and domestic laws allow the United States and Kenya to make and receive requests for assistance.

Kenya is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: https://www.esaamlg.org/index.php/Mutual_Evaluations/readmore_me/15.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

An automated system would improve the FRC's efficiency and ability to analyze STRs. Although the FRC receives STRs from some MVTs providers, this sector presents an AML compliance challenge.

Kenya does not recognize virtual currency as legal tender, so AML requirements have not addressed digital asset risks. CBK and the Capital Markets Authority issued circulars warning banks and the public not to engage in digital asset trades, but a gap remains in formulating a framework to address digital asset threats. Tracking and investigating suspicious transactions within the mobile money sector remain difficult. Lack of oversight and enforcement in this sector, coupled with inadequate reporting, increases the risk of abuse.

Kenya's National Assembly has thus far failed to pass amendments to the POCAMLA to extend reporting requirements to lawyers, notaries, and other independent legal professionals.

To demand bank records or seize an account, police must obtain a court order by presenting evidence linking the deposits to a criminal violation. Confidentiality of this process is not well maintained, allowing account holders to be tipped off and providing an opportunity to move assets.

Despite its progress, Kenya still needs to strengthen implementation of good governance and anticorruption measures and improve its AML/CFT regime. Bureaucratic and other impediments may hinder the investigation and prosecution of financial crimes.

Kenya's FIU is not a member of the Egmont Group.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Kenya's constitution requires public officials to seek approval from the Ethics and Anti-Corruption Commission before the officials can open a foreign bank account.

The government, especially the police, should allocate adequate resources to build institutional capacity and investigative skills.

In 2018, CBK fined five commercial banks approximately \$3.85 million (392 million KES) for AML/CFT, STR reporting, and KYC deficiencies.

A 2016 amnesty designed to facilitate tax payments enabled Kenyans to repatriate money from offshore accounts. The Kenya Revenue Authority (KRA) failed to institute a policy to confirm supposedly repatriated funds actually were returned to Kenya. KRA has been unable to trace approximately \$7.9 billion (803 billion KES) of repatriated money or to confirm the KRA-registered funds were not transferred back out of Kenya, raising concerns the amnesty window facilitated laundering of illicit cash.

Kyrgyz Republic

OVERVIEW

While the Kyrgyz Republic is not a regional financial center, a large shadow economy, corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. In 2019, known remittances from migrant workers comprised nearly 33 percent of its GDP, the majority from Russia. A significant portion of remittances entered the Kyrgyz Republic through informal channels or was hand-carried to the Kyrgyz Republic from abroad. The Kyrgyz Republic, however, is recognized as a stable economy for foreign banks and other financial institutions.

The Kyrgyz Republic is strengthening its efforts to combat money laundering and financial crimes, but continues to confront challenges in implementing new laws and regulations. In the last two years, the Kyrgyz government passed a new AML law and new criminal legislation to match international standards. Challenges in the implementation of international AML/CFT standards mean the country is making minimal progress in the fight against money laundering.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Narcotics trafficking appears to be a main income source of organized crime. The country sits along a major transit route from Afghanistan to Russia and beyond, particularly to Europe. As a member of the Eurasian Economic Union, smuggled narcotics can travel from the Kyrgyz Republic to the Polish border without undergoing a customs check. The smuggling of consumer goods, tax and tariff evasion, and official corruption continue to serve as major sources of criminal proceeds. Money laundering also occurs through trade-based fraud, bulk-cash couriers, and informal and unregulated MVTs. Weak political will, constraints and competition for resources among state agencies tackling money laundering, inefficient financial systems, and corruption serve to stifle efforts to effectively combat money laundering.

KEY AML LAWS AND REGULATIONS

A new AML law was adopted in August 2018, and on December 25, 2018, the government adopted a national action plan to implement the AML law. This action plan had the following significant elements: definitions and a list of financial entities and categories of non-financial

entities; expansive CDD requirements to cover domestic PEPs and PEPs of international organizations in addition to foreign PEPs; increases to the list of prohibited actions that might be considered as high-risk and connected with terrorist financing and money laundering; a national risk assessment of terrorist financing and money laundering; requirements for financial institutions to conduct due diligence on customers in line with international standards; and the introduction of new principles of international partnership, including an article on asset recovery to implement UNCAC requirements.

The President's Office, with advice from an interagency working group, drafted and implemented new criminal codes that came into force in January 2019. The codes introduce corporate liability for criminal activities, including economic and ecological crimes, corruption, and trafficking in persons.

The United States lacks a bilateral extradition treaty or MLAT with the Kyrgyz Republic. Cooperation takes place under the UN law enforcement multilateral conventions, to which the Kyrgyz Republic is also a signatory.

The Kyrgyz Republic is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: <https://eurasiangroup.org/en/mutual-evaluation-reports>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have noted the Kyrgyz government has a limited understanding of the money laundering risks in the Kyrgyz Republic.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Kyrgyz Republic continues efforts to implement international AML standards, but lacks the expertise and capacity to successfully implement its new laws and regulations. The government lacks information-sharing mechanisms on money laundering with the United States but expressed willingness to conclude a MOU between the Kyrgyz General Prosecutor's Office and U.S. law enforcement.

In 2019, the FIU signed international cooperation agreements with the British Virgin Islands, Macau, and Indonesia. The Kyrgyz Republic and the United States, however, do not currently have a records exchange mechanism in place. In 2019, the FIU reported it referred 169 money laundering reports and 118 terrorism financing reports and sent 558 financial investigative requests to the relevant law enforcement bodies. The Kyrgyz government does not publish or provide detailed data on prosecutions and convictions, providing only aggregated data. Government officials do publicly discuss narcotics statistics.

Although the Kyrgyz Republic strengthened AML legislation, lack of law enforcement capacity, interagency cooperation, and information-sharing among law enforcement bodies creates barriers to successfully countering money laundering.

Laos

OVERVIEW

A cash-based economy and limited capacity in the legal, regulatory, and law enforcement sectors make the Laos an attractive environment for criminal networks.

Laos completed its AML/CFT National Risk Assessment in 2018 and identified high-risk areas vulnerable to money laundering and possible terrorist financing. A small number of donors and technical assistance providers have been working with Laos.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

High-value purchases, including land, other real property, and luxury vehicles, are routinely made with cash. Laos shares over 3,100 miles of border with five other countries; its borders are notoriously porous, enabling cross-border transnational criminal activities. Corruption, drug trafficking, environmental crime, the casino industry, and human trafficking all present significant vulnerabilities for Laos's AML regime.

Gambling is technically illegal, but there are three casinos operating in special economic zones within Laos that are exempted and tourists/foreigners can play at them; supervision appears to be minimal. Online gaming exists but is not licensed or supervised and there are no real enforcement mechanisms.

KEY AML LAWS AND REGULATIONS

Laos updated its legal framework in early 2015, including by issuing a new AML/CFT law. Laos also established the National Coordinating Committee on AML/CFT (NCC), a non-permanent group comprised of senior-level Government of Lao officials appointed or removed by the prime minister, to oversee AML/CFT implementation. With NCC oversight, the Government of Laos issued several regulations, instructions, and guidelines throughout 2015 – including on wire transfers, onsite supervisory examinations, and STR requirements, among others.

Laos's Anti-Money Laundering Intelligence Office (AMLIO), the FIU, has MOUs with eight foreign countries, and regularly exchanges information related to individual and corporate accounts that are under investigation. Laos does not have a records-exchange mechanism in place with the United States. AMLIO does eventually hope to become a member of the Egmont Group, but currently, Egmont does not consider AMLIO to have met the standards for membership. This is one area that technical assistance providers are working on.

Laos is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=a6c4a803-0e15-4a43-b03a-700b2a211d2e>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Despite having established the necessary legal framework and an FIU, enforcement of Laos's AML/CFT laws remains a challenge. Awareness and capacity among the state-owned commercial banks, which have the largest market share in Laos, remains weak. Most of the STRs submitted to the FIU originate from overseas financial institutions operating in Laos. When a domestic bank does report, the quality of the information received is generally poor.

Deficiencies include a lack of oversight for MVTs providers and a lack of protection against liability for individuals reporting suspicious activity, although safe harbor regulations have been discussed. According to the Lao PDR July 2019 status report submitted to the APG, it amended and issued "Instruction on MVTs report, No. 22/FISD", effective on September 26, 2018. However, it is unclear whether the deficiencies have been cured by the amendments.

AMLIO is taking steps to enhance awareness of AML/CFT requirements, including by holding regular workshops on AML/CFT with reporting entities.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Despite the introduction of the money laundering law and passage of the revised money laundering offense in the penal code revision in 2017, the routine conduct of financial investigations parallel to those of the predicate crime does not happen. AMLIO indicated that three criminal cases of money laundering were successfully prosecuted in 2019.

While there appears to be a broad agreement among ministries to maintain the AML/CFT progress that Laos had made so far, domestic cooperation between agencies such as AMLIO, Customs Department, Ministry of Public Security (police), and Government Inspection Agency could be improved. International cooperation on AML/CFT and asset forfeiture also requires improvement.

Laos needs to exhibit significant progress in the area of operational effectiveness, demonstrating that its laws and regulations are effectively and efficiently implemented.

Liberia

OVERVIEW

The Government of Liberia has made efforts to strengthen its AML regime, but significant challenges remain. The Central Bank of Liberia (CBL) does not robustly enforce AML requirements. Interagency coordination has improved, but key stakeholders have not produced actionable financial intelligence, conducted systematic financial investigations, or secured financial crimes convictions. Financial institutions have limited capacity to detect money laundering, and their financial controls remain weak. Liberia's FIU is under-funded and has experienced recurring budget cuts. The FIU also lacks the equipment and institutional and technical capacity to adequately collect, analyze, and disseminate financial intelligence. Liberia

remains a cash-based economy with weak border controls and endemic corruption, leaving the country vulnerable to illicit activities.

The government should enhance CBL oversight authority and consistently provide adequate resources to the FIU. Liberia should continue to work with international partners to ensure its AML laws, regulations, and policies meet international standards.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Smuggled goods enter Liberia through its porous borders. Illicit transactions are facilitated by Liberia's cash-based economy, with both Liberian and U.S. dollars recognized as legal tender.

Money exchange operations are poorly controlled. There are numerous unlicensed foreign exchange sites and unregulated entities whose opaque activities raise concerns. Several money exchange entities facilitate what appear to be unregulated or unlicensed money transfers, which serve as alternative remittance channels outside the formal banking system. Artisanal diamond and gold mines are largely unregulated and difficult to monitor, providing opportunities for illicit financial transactions.

The Liberia National Police, Liberia Drug Enforcement Agency, and National Security Agency have the authority to investigate financial crimes, but are not effective in pursuing investigations and prosecutions. Liberia does not currently have functional FTZs. The National Lottery Authority exercises limited oversight of the country's two registered casinos.

KEY AML LAWS AND REGULATIONS

Liberian laws against money laundering and economic sabotage include the Anti-Money Laundering and Terrorist Financing Act of 2012; the New Penal Law; Title 26 of the Liberian Code of Law Revised; the Liberia Anti-Terrorism Act of 2017; the Targeted Sanctions Against Terrorists Act of 2017; and the Special Criminal Procedures for Offenses Involving Terrorists Act of 2017. The FIU Act of 2012, which establishes and governs the FIU, is under revision to enhance the Unit's capabilities.

In September 2019, the FIU held a two-day stakeholders' workshop to raise awareness of and gain endorsement of three AML/CFT regulations, including an update to the Targeted Sanctions Against Terrorists Act and a regulation addressing PEPs, which would improve Liberia's efforts to curb money laundering, corruption, terrorist financing and other financial crimes.

Liberia is a member of the GIABA, a FATF-style regional body. Liberia's most recent MER is available at: <https://www.giaba.org/reports/mutual-evaluation/Liberia.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Key challenges to developing a robust AML regime include limited capacity to enforce regulations, investigate financial crimes and illicit money flows, and conduct successful

prosecutions and asset recovery. In 2019, the FIU submitted 40 STRs to law enforcement officials and the judiciary; there were no prosecutions or convictions for money laundering.

International donors supported the government to build capacity and improve the operational effectiveness of the FIU to identify, analyze, and disseminate financial intelligence data. International partners also assisted the CBL to expand on-site examination of domestic banks and non-bank financial institutions, as well as mentored enforcement authorities to develop financial crime cases. Liberia's lack of prioritization of the FIU is evidenced by two years of steadily declining budget allocations, and consistent challenges accessing the funds allocated to the FIU.

The Liberian FIU has not applied for Egmont Group membership, but has sought the necessary sponsorship for its application.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The CBL conducts AML/CFT inspections of commercial banks, as well as offsite surveillance and supervision of commercial banks' implementation of KYC and CDD guidelines. However, it has limited technical capacity to systematically monitor and enforce compliance. The CBL reports banks are improving their compliance with AML laws and regulations, but has not yet conducted money laundering risk assessments of all their products, customers, delivery channels, and geographic locations.

The FIU shares its regulations and guidance on STRs and CTRs, as well as information on cross-border transfers of cash with other agencies, such as the Liberia Revenue Authority, the Liberia National Police, and the Liberia Immigration Services. The FIU has piloted, but not fully implemented, an electronic method for banks to upload STRs and CTRs.

Money laundering investigations are hampered by limited capacity, political interference, corruption, lack of financial transparency, inadequate record-keeping, and weak judicial institutions.

Macau

OVERVIEW

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, includes offshore financial businesses such as credit institutions, insurers, underwriters, and trust management companies. The offshore sector is subject to supervisory requirements similar to those of domestic institutions, and to oversight by Macau's Monetary Authority.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

With gaming revenues of \$37.9 billion for 2018, Macau is the world's largest gaming market by revenue. The gaming sector caters to three main customer types - premium players, junket players, and mass gaming players - and relies heavily on junket operators for the supply of wealthy gamblers, mostly from Mainland China. In addition to attracting those seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos unable to collect gaming debts on the Mainland, where gaming is illegal. Asian organized crime groups are active in the gaming services and involved in illegal activities such as drug trafficking. This mingling of licit and illicit activities, together with the anonymity gained through the use of a junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud. Macau is likely a transit point and an end destination for such funds.

KEY AML LAWS AND REGULATIONS

Macau authorities continue their efforts to develop an AML framework that meets international standards. Macau has an interagency AML/CFT working group, which coordinates responses to identified risks. Macau's Law 2/2006 on the prevention and repression of money laundering crimes and Law 3/2006 on the prevention and suppression of the crimes of terrorism and terrorism financing came into effect in 2006. These laws impose AML/CFT requirements on all financial institutions, including currency exchangers, money transmitters, casinos, pawnshops, and property agents. The laws postulate STR requirements for solicitors, accountants, and dealers in precious metals, gems, luxury vehicles, and other high value goods. Effective May 2017, these laws widen the scope of identifiable criminal offenses to include smuggling and drug trafficking and strengthen CDD measures to identify and verify the identity of beneficial owners.

Macau's casino regulator, the Gaming Inspection and Coordination Bureau (DICJ), requires gaming and junket operators to carry out CDD and, when relevant, enhanced due diligence and to keep records of large and/or suspicious transactions. Macau gaming supervisors have a good understanding of the risks posed by junket operators and is taking a more stringent approach toward licensing and the supervision of junket promoters, which are subject to enforceable AML requirements. The number of licensed junket promoters has decreased from 225 in 2011 to 102 in 2019.

Travelers entering or leaving Macau with cash or other negotiable monetary instruments valued at approximately \$15,000 (120,000 pataca) or more are required by law to sign and submit a declaration form to the Macau Customs Service.

Macau is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-macao-2017.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Gaming entities are subject to threshold reporting for transactions over approximately \$62,640 (500,000 pataca) under the supplementary guidelines of the DICJ. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The 1988 UN Drug Convention was extended to Macau in 1999, the UNCAC in 2003, and the UNTOC in 2006.

The government should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by continuing to encourage smaller junket operators, who have weaker AML controls, to exit the market while encouraging the professional junket operators to further develop their compliance programs. Macau should enhance its ability to support international AML investigations and recovery of assets. Only a handful of money laundering convictions have been obtained in recent years.

In 2018, STRs received from the gaming sector accounted for 56 percent of the 3,716 reports filed. A total of 121 STRs were sent to the Public Prosecutions Office.

Malaysia

OVERVIEW

Malaysia is a highly open, upper-middle income economy with exposure to a range of money laundering threats. The country's porous land and sea borders, visa-free entry policy for nationals from over 160 countries, strategic geographic position, and well-developed financial system increase its vulnerability to domestic and transnational criminal activity, including fraud, corruption, drug trafficking, wildlife trafficking, smuggling, tax crimes, terrorism, and terrorism finance.

Malaysia has largely up-to-date AML legislation, well-developed policies, institutional frameworks, and implementation mechanisms. The country has shown continuing progress in efforts to improve AML enforcement by increasing money laundering investigations, prosecutions, and convictions. One key area for development is the prosecution of foreign-sourced crimes.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The UN and the IMF place Malaysia among the top countries with high illicit financial outflows. It is estimated Malaysia's illicit financial outflows account for \$33.74 billion, which ranks it fifth among all countries for illicit capital flight, but number one on a per capita basis. Malaysia accounted for approximately 6 percent of total illicit financial flows for all developing countries.

Malaysia is used primarily as a transit country to move drugs globally. Drug trafficking by Chinese, Iranian, and Nigerian organizations is a significant source of illegal proceeds. Malaysia is also a source, destination, and transit country for wildlife trafficking, serving as a nexus for illegal wildlife products transiting to destinations such as China and Vietnam, with some contraband (e.g., ivory) used as currency by the trafficking networks.

Money laundering methods used for terrorist financing include cash couriers, funds skimmed from charities, gold and gem smuggling, and front companies and businesses. Illicit proceeds also are generated by fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, and extortion, as well as smuggling of high-tariff goods.

Malaysia's offshore financial sector on the island of Labuan is subject to the same AML laws as those governing onshore financial service providers. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit STRs.

The large cash and informal economies and unauthorized MSBs pose significant vulnerabilities. Bank Negara Malaysia (BNM) continues to take enforcement actions against unauthorized MSBs. In August 2019, authorities froze 35 bank accounts and seized \$1 million in cash and properties from a network of illegal MSB operators. In January 2019, BNM reduced its cash threshold reporting from \$12,000 to \$6,000, and in November 2019, announced it was considering a cash transaction limit to combat financial crimes.

Malaysia has 17 Free Industrial Zones (FIZ) and 17 Free Commercial Zones (FCZ). Companies wishing to operate in an FIZ or FCZ must be licensed. In 2017, Malaysia became the second country to launch a Digital FTZ.

The Ministry of Finance licenses and regulates the activity of casinos. Under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), BNM periodically assesses Malaysia's sole licensed casino for AML compliance.

Malaysia is a global leader in Islamic finance. Malaysia's national risk assessment includes the Islamic financial sector, and this sector is subject to the same AML legal and regulatory regime as the conventional financial sector. Based on their supervisory experience, Malaysian regulators believe there are no material differences in AML risks between Islamic and conventional institutions.

KEY AML LAWS AND REGULATIONS

The AMLA covers the money laundering offense, reporting obligations, investigative powers, forfeiture regime, and cross-border declaration regime. Malaysia has comprehensive KYC and STR regulations.

Malaysia is a member of the FATF and the APG, a FATF-style regional body. Its most recent

MER is available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Malaysia-2015.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Malaysia has a high degree of technical compliance with international AML standards, but deficiencies remain. Malaysia should continue its efforts to target high-risk offenses and foreign-sourced crimes effectively, and has a national action plan focusing on these areas.

Malaysia has traditionally pursued other measures, especially forfeiture, in place of money laundering prosecutions. The handling and effective disposal of seized assets remains a challenge for authorities.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government, with foreign assistance, has taken action to prosecute several former government officials, including former prime minister Najib Razak and his deputy, who allegedly were involved in misappropriations from the state-owned development fund “1Malaysia Development Berhad” (1MDB). In May 2019, the U.S. DOJ returned to the Malaysian government nearly \$200 million in assets traceable to funds misappropriated from 1MDB.

The government approved legislation in October 2019 establishing a National Anti-Financial Crime Center (NFCC), with participation from twelve existing enforcement agencies. The NFCC is expected to begin operations next year.

In November, the Malaysian Financial Intelligence Network (MyFINet), a public-private partnership initiative aimed at countering financial crimes via intelligence sharing, was launched. MyFINet will utilize participation from the Royal Malaysia Police, the Malaysian Anti-Corruption Commission, Royal Malaysian Customs, and the Securities Commission Malaysia, among others. The network relies on timely and open sharing of financial intelligence from financial institutions to the law enforcement community to strengthen AML defenses.

In 2018, Malaysia prosecuted 39 cases under AMLA, including 14 drug-related cases, as defined under its 1988 Dangerous Drugs Act. In 2019, the United States signed a case-specific sharing agreement with Malaysia prior to the return of the approximately \$200 million in funds linked to 1MDB.

Mexico

OVERVIEW

Billions of dollars of drug trafficking proceeds are laundered through the Mexican financial system annually. Corruption, bulk cash smuggling, kidnapping, extortion, fuel theft, intellectual property rights violations, fraud, human smuggling, and trafficking in persons and firearms are

additional sources of laundered funds. Authorities have had some success investigating and freezing accounts of suspected launderers, but have shown extremely limited progress in successfully prosecuting financial crimes. Two Supreme Court rulings in 2017 curbed the authority of the Financial Intelligence Unit (UIF) and the Federal Prosecutor General's office (FGR), complicating Mexico's ability to counter illicit financial activities. As a result, Mexican authorities now must rely on international requests for assistance or judicial seizure orders obtained by FGR to freeze accounts.

Money laundering activity continues as the government struggles to prosecute financial crimes and seize illicit assets. To increase the number of money laundering convictions, the government needs to combat corruption and improve investigative and prosecutorial capacity. To this end, the FGR completed a protocol on conducting parallel financial investigations in 2018. New legislation passed in 2019 promises to strengthen the Mexican authorities' ability to use asset forfeiture as a tool to combat money laundering and transnational organized crime.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Illicit drug proceeds leaving the United States are the principal sources of funds laundered through the Mexican financial system. Mexican transnational criminal organizations (TCOs) use a variety of laundering methods. TBML involves the use of dollar-denominated illicit proceeds to purchase retail items for export to and re-sale in Mexico or the United States, then routing the revenue from the sale to TCOs. TBML also includes overvaluing exports, or reporting exports of nonexistent merchandise or merchandise never exported. President Lopez Obrador issued an executive order in 2019 strengthening penalties for issuing fraudulent tax invoices, often associated with TBML.

Criminals invest in financial and real assets, such as property, businesses, and luxury items. The luxury real estate sector remains a concern, especially as a vehicle for laundering the proceeds of public corruption. Two popular laundering methods include structured deposits in Mexican banks of smuggled, bulk amounts of U.S. dollars, and funnel accounts, in which cash deposits into accounts in the United States are funneled into a single account and wired to Mexico. Asia-based money launderers continue to compete with traditional Mexican launderers, conducting "mirror transactions" more efficiently and cheaply. Narcotics-related proceeds are also laundered through unlicensed exchange houses, although Mexico's banking regulator, the National Banking and Securities Commission (CNBV), has a special unit to curtail the number of unlicensed exchange houses in operation.

Authorities have increasingly been monitoring the potential for criminal exploitation of financial technology, including convertible virtual currencies.

KEY AML LAWS AND REGULATIONS

Mexican law criminalizes money laundering at the state and federal level. CDD rules cover most financial sector entities, including financial technology institutions (FTIs). The CNBV regulates FTIs involved in electronic payments, exchanges of virtual assets, and virtual currencies. Critics

argue the FTI law's secondary regulations increase money laundering vulnerabilities because they go too far in liberalizing financial markets for FTIs.

In August 2019, President Lopez Obrador signed into law non-conviction-based forfeiture legislation. Under the new law, assets, even if acquired legally and including instruments of crime, can be pursued independently of a criminal prosecution. The law also adds corruption and money laundering as predicate offenses and has a 20-year statute of limitations. In response to these reforms, FGR created a specialized asset forfeiture unit to pursue all federal asset forfeiture actions.

Mexico is a member of both FATF and GAFILAT, a FATF-style regional body. Mexico's most recent MER is available at: www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

In 2017, the Mexican supreme court ruled the UIF's administrative freezing of accounts on its Blocked Persons' List (BPL) violates constitutional protections under the law and due process rights. UIF can still freeze accounts when presented with an international request for legal assistance. A second ruling in 2017 curbed FGR's ability to present financial records during court proceedings, ruling only records obtained by court order would be admissible. FGR must now seek a court injunction anytime it needs to obtain bank records, which can slow and hinder financial investigations, as judges require specific information on names, accounts, etc. Subsequently, several high-profile individuals and entities filed cases in Mexican federal court to have their accounts unfrozen and cases dismissed. Authorities have struggled to investigate and prosecute financial crimes, and these rulings may result in additional case dismissals. The Mexican congress is debating a legislative proposal to permit the UIF to add individuals to the BPL if it deems there is a preponderance of evidence to freeze their assets. According to the proposal, individuals included on the list will have access to due process within 10 days of inclusion.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Although authorities recognize the criminal abuse of certain sectors, law enforcement responses are limited by corruption and lack of capacity. Conviction data is not yet available for 2019. The money laundering unit of the organized crime division of FGR has informally reported it obtained 11 money laundering convictions in 2018, compared to 17 in 2017. The paucity of money laundering convictions is representative of Mexico's prosecutorial capacity and difficulty in transitioning the criminal justice system to an accusatorial model in all states.

Morocco

OVERVIEW

Morocco is strengthening its AML regime through legislation and capacity building. Money laundering vulnerabilities in Morocco stem from the prevalence of cash-based transactions, a high volume of remittances, international trafficking networks, public corruption, and deficient AML controls. Morocco serves as an integration point for illicit drug money into the legitimate economy, with an estimated hundreds of millions of dollars laundered through Morocco annually. Financiers of terrorism take advantage of these vulnerabilities.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Morocco's informal, cash-based economy, estimated to equal 20-30 percent of GDP, is vulnerable to abuse. Only 60 percent of Moroccans have a bank account, according to the Moroccan Central Bank (BAM). The BAM and the telecommunications regulator launched a mobile banking initiative in 2018 to facilitate access to banking services and to encourage electronic (and more easily traceable) payments.

Morocco's geographic location as a gateway between Europe and Africa makes it a conduit for smuggling, drug trafficking, human trafficking, and clandestine migration. The 2016 law to combat trafficking in persons deters human trafficking and money laundering by imposing heavy sentences on offenders and broadly defines trafficking to include anyone who gives or receives payments or benefits related to trafficking.

The export of Moroccan-grown cannabis (especially hashish) and, increasingly, the trafficking of cocaine from Latin America to Europe via Morocco, generate significant illicit profits. Real estate, jewelry, and vehicles are used to launder drug proceeds.

Money transfer services present a vulnerability due to their volume. Annual remittance transfers rose to \$7.4 billion in 2018, accounting for 5.8 percent of GDP. The majority of transfers originate in Europe. The Financial Intelligence Processing Unit (UTRF), the Moroccan FIU, requires transfer operators to collect identification information on both senders and recipients. Unregulated hawalas are also used to move illicit funds internationally.

Morocco's seven FTZs are regulated by an interagency commission. The FTZs allow customs exemptions for goods manufactured in the zones for export abroad. Six offshore banks operate in the Tangier FTZ, and all are affiliates of local banks and operate with consolidated controls. The UTRF has reported suspicions of money laundering activity through the Tangier FTZ.

International casinos are a vehicle through which money may enter and exit Morocco without currency control restrictions. By using an in-house account at a casino that is part of a multinational business, an individual can move funds from one casino to any other related casino in the world. There are several multinational casinos in Morocco, and the extent to which this transfer method is used to launder illicit proceeds is unknown. Casinos are supervised by the UTRF, but generally file no STRs.

KEY AML LAWS AND REGULATIONS

Morocco has key AML laws and regulations in place, including KYC programs and STR procedures. High-risk customers/transactions are scrutinized under Morocco's AML law and Central Bank Circular No. 2/G/2012.

Morocco formulated a national risk assessment in 2016, and its ministries are in the process of updating and adopting it. Morocco is also institutionalizing a new national committee to coordinate the country's AML strategy.

Morocco has an MLAT with the United States.

Morocco is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.menafatf.org/information-center/menafatf-publications/anti-money-laundering-and-counter-terrorist-financing>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have noted a number of areas for improvement in Morocco's AML/CFT regime, including the need for greater national coordination, the lack of a declaration system for cross-border currency transportation reporting, and legal, regulatory, and policy issues impeding the effective implementation of supervisory and criminal enforcement actions.

Money laundering is classified as a misdemeanor in Morocco.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Morocco works closely with international partners, has implemented applicable multilateral agreements, and has voluntarily initiated exchanges with private sector partners to address key vulnerabilities.

The UTRF retains its key role in collecting and analyzing financial intelligence. It also assesses systemic risk, disseminates information to financial entities, and communicates with banks, other financial entities, and government authorities to facilitate information sharing, capacity building, and coordination. However, its analytic capabilities, interagency cooperation, and the ability of law enforcement to access information are problematic. Replies to inquiries concerning suspected money laundering-related activities are rare, and there appears to be little oversight concerning the origin of large cash deposits.

Law enforcement does not effectively use financial intelligence to identify money laundering or to enhance ongoing predicate investigations by tracing proceeds or recovering assets. The UTRF refers some information to law enforcement, but use of this information to conduct financial investigations and pursue money laundering investigations appears infrequent. Prosecutions and convictions for money laundering are low in relation to the large number of predicate crimes that are pursued by authorities—from 2013-2018, there was only one conviction for money

laundering. The amount of illicit funds confiscated is also low, and UTRF does not respond to inquiries concerning asset forfeiture events.

Mozambique

OVERVIEW

Money laundering in Mozambique is driven by misappropriation of state funds, kidnappings, human trafficking, narcotics trafficking, wildlife trafficking, and, potentially, terrorism. With a long, largely unpatrolled coastline, porous land borders, and limited rural law enforcement presence, Mozambique is a major corridor for illicit goods such as hardwoods, gemstones, wildlife products, and narcotics. Narcotics are typically trafficked through Mozambique to other African nations and then on to further destinations, such as Europe and the United States.

The Attorney General (PGR) and Bank of Mozambique (BOM) have shown a willingness to address money laundering, and the Government of Mozambique has taken steps to improve the legal framework. However, attorneys, judges, and police lack the technical capacity and resources to combat money laundering successfully. Mozambique would also benefit from better collaboration between AML/CFT enforcement institutions. One international governance NGO assessed that in 2019 Mozambique had the highest risk of money laundering and terrorist financing out of 125 countries surveyed.

From 2013-14, a group of senior Mozambican officials, including the former finance minister, secretly negotiated over \$2 billion in loans, much of which went to illegal bribes and other illicit payments to the government officials, bankers, and business people involved in the scheme. In 2019, three Credit Suisse bankers involved in the loans pled guilty in the United States to money laundering. While the PGR has arrested 20 individuals in Mozambique, including the son of a former president and the former director of Mozambique's intelligence service, for their alleged roles in the hidden debt scandal, neither the PGR nor Administrative Court have proceeded with trials in Mozambique.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

South Asian and East Asian criminal syndicates play a prominent role in illicit activities in Mozambique, such as trafficking narcotics and animal products, poaching, and illegal logging. Authorities believe proceeds from these activities may be financing violent extremists in northern Mozambique.

The real estate sector, because of the lack of a regulatory body, is also susceptible to money laundering. Money laundering is conducted primarily by foreign currency exchange houses, cash smugglers, and hawala brokers. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal sector in most parts of the country. Given the lax control over the mobile communications and electronic payments market, mobile payment systems are an area of concern.

There are three FTZs in Mozambique, but there is no known evidence they are tied to money laundering.

KEY AML LAWS AND REGULATIONS

Law 14/2013 and decree regulation 66/2014 provide tools to combat money laundering and terrorism financing in Mozambique. The law allows the government to freeze terrorist assets and enter into MLATs for terrorism finance cases. The law also criminalizes terrorist financing, specifies evidence collection procedures, and allows for the seizure of documents. Mozambique has KYC provisions, and STRs are analyzed and flagged by the FIU (GIFIM—Portuguese acronym) and distributed to relevant investigative bodies. Regulations also require enhanced due diligence for PEPs. The BOM places AML obligations on local banks.

Mozambique is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: https://www.esaamlg.org/index.php/Countries/readmore_members/Mozambique.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Mozambique has made steady progress establishing a legal framework that supports money laundering investigations, but implementing agencies need more robust human, financial, and technical resources to effectively investigate and prosecute money laundering and financial crimes.

The GIFIM has expressed interest in joining the Egmont Group and has taken steps to implement measures needed to become a member. The Council of Ministers is committed to prioritizing approval to apply for membership.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Mozambique has made progress in enforcing AML laws and implementing regulations. During 2017, the most recent data available, the PGR initiated 40 criminal cases, an increase of 24 from 2016. Most of the cases dealt with tax evasion, drug trafficking, and the illegal exploitation of forest resources. The PGR has noted the need for better technology and specialized human resources to analyze data and accounting information. The BOM fined six banks over \$2.8 million in 2019 for failing to comply with AML/CFT regulations. The BOM also levied fines against a mobile phone operator for violations of AML/CFT regulations.

The United States and Mozambique are establishing records-exchange procedures. The U.S. DEA opened an office in Mozambique in 2017 and is continuing to develop mechanisms to facilitate future information sharing on money laundering and narcotics cases.

Mozambique became a member of the Asset Recovery Inter-Agency Network for Southern Africa in 2017, which supports investigators and prosecutors in sharing information to identify, track, and seize criminal assets.

Netherlands

OVERVIEW

The Netherlands is an active player in the field of AML/CFT. Nevertheless, as a major trade and financial center the Netherlands is an attractive venue for laundering funds generated from illicit activities, including those related to the sale of drugs. A government-commissioned study from 2018 estimated that around \$17.7 billion is laundered annually 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; and Aruba, Curacao, and Sint Maarten are autonomous countries within the Kingdom. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Financial fraud, especially tax evasion and drug trafficking, are believed to generate a considerable portion of domestic money laundering activity. There are indications of syndicate-type structures involved in organized crime and money laundering. Dutch law enforcement regularly launches money laundering investigations and pursues assets for confiscation. Few border controls exist within the Schengen Area of the EU, although Dutch authorities run special operations at border areas with Germany and Belgium and in the Port of Rotterdam to minimize smuggling. Hawala-style underground remittance systems operate in the Netherlands. Criminal networks increasingly operate online and use virtual currencies to facilitate illegal activity.

KEY AML LAWS AND REGULATIONS

The Dutch Financial Intelligence Unit (FIU-NL) is an independent, autonomous entity under the National Police Unit. The Anti-Money Laundering Center, established in 2013, facilitates knowledge-sharing and AML coordination between government agencies (e.g., the FIU, the Fiscal Information and Investigative Service, the police, and the public prosecution service) and the private sector. Seizing and confiscating proceeds of crime is a high priority for Dutch law enforcement.

On June 30, 2019, the government presented a national action plan against money laundering. The plan is a joint effort by the Ministry of Finance and Ministry of Justice and Security, with assistance from various law enforcement and regulatory agencies. The action plan calls for various measures to be implemented with three guiding principles: raising barriers for criminals, improving the effectiveness of gatekeepers to the financial market, and improving the quality of criminal investigations. Among other measures, the action plan calls for banning the 500 euro bill and cash payments over approximately \$3,325 (3,000 euros).

On December 10, 2019, the Second Chamber of Parliament approved two legislative proposals. The first proposal contained further regulations on virtual currencies, anonymous debit cards, and art and real estate transactions. This proposal would also obligate financial institutions to

increase due diligence on customers from higher-risk countries. The second proposal would create a registry listing the ultimate beneficial owners (UBO) of companies and other legal entities that would operate under the Chamber of Commerce. Both proposals are part of the Dutch implementation of the Fifth EU Anti-Money Laundering Directive. At year's end, the proposals were in the First Chamber of Parliament.

Dutch law has comprehensive KYC and STR regulations, which apply to many actors in the financial sector. Every three years, the government commissions an external assessment of its AML regulations and policies. The government has also launched a cooperative arrangement with its largest banks to share best practices on AML.

Law enforcement cooperation between the Netherlands and the United States is good; the existing MLAT allows for the exchange of records in connection with narcotics investigations, among others.

The Netherlands is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/netherlandskingdomof/documents/mutualevaluationreportofthenetherlands.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The Netherlands hosts one of the EU's strongest AML/CFT regimes and is strongly committed to enforcement. While there are not significant technical deficiencies in the AML regulatory regime, the magnitude of money laundering is a concern. A government-commissioned study released in 2018 estimates \$17.7 billion is laundered annually in the Netherlands, with \$10.4 billion coming from abroad.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Netherlands utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) on transactions that could be connected with money laundering. The FIU analyzes UTRs to determine if they are "suspicious," denoting a greater likelihood of money laundering, and forwards them to law enforcement for criminal investigation, at which point they become classified as STRs. Intelligence is not systematically shared with law enforcement. Law enforcement only has access once a legal determination of suspicion has been made. Shifting priorities for law enforcement have hindered a sustained effort to improve financial investigations.

The Netherlands does not require all covered entities to report all transactions in currency above a fixed threshold of approximately \$11,100 (10,000 euros). Instead, different thresholds apply to various specific transactions, products, and sectors.

On September 26, 2019, the Dutch Prosecutor's Office announced an investigation into ABN AMRO Bank, one of the three major banks in the Netherlands, for suspected violations of the laws against money laundering. ABN AMRO committed to cooperate in the investigation. In 2018, Dutch authorities reached a settlement of approximately \$858 million (€775 million) with

Netherlands-based ING Bank over failure to prevent money laundering. The penalty was the largest AML enforcement action to date by authorities in Europe. The Netherlands has taken strong actions against banks with major compliance failings.

Nicaragua

OVERVIEW

Nicaragua is not a regional financial center but remains vulnerable to money laundering as a transit country for illegal narcotics. Factors that increase the risk for financial abuse and international organized crime include the current socio-political crisis, law enforcement corruption, the deterioration of democratic institutions, and the politicization of AML/CFT regulators.

The Government of Nicaragua reports technical progress in its AML/CFT and Financial Analysis Unit (FAU) regulatory frameworks in 2019. However, the government's lack of political will to fight corruption and organized crime, and the ineffectiveness of its regulatory bodies, remain hindrances to regional security efforts.

The areas of greatest concern include the government's unwillingness to investigate sanctioned individuals and its decision to harbor high-profile former foreign officials accused of corruption and money laundering. Its potential to domestically weaponize AML/CFT laws for use against political opponents is particularly dangerous. On October 4, 2018, FinCEN issued an advisory warning U.S. financial institutions of the increasing risk that proceeds of Nicaraguan political corruption may enter or pass through the U.S. financial system.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The risk of drug money laundering escalated in 2019 because some economic actors, in response to U.S. sanctions, pushed assets into informal, less regulated channels. This coincided with new government policies to raise taxes on registered businesses and formal sector employees and cut pension payments to address deficits. These increased costs pushed some companies and workers into the unregulated, informal sector. The effects of political and economic instability and violence also spilled over into trafficking of drugs, weapons, and illegal goods, and associated public corruption and money laundering.

Increased corruption and the lack of independence across government institutions, including the FAU, Nicaragua's FIU, continue to be of concern. In 2019, the U.S. Department of the Treasury's OFAC designated Laureano Ortega Murillo and Rafael Ortega Murillo, sons of Nicaraguan President Daniel Ortega and Vice President Rosario Murillo, for corruption, as well as Nicaraguan bank Banco Corporativo SA (BanCorp) and Nicaraguan Petroleum Distributor, pursuant to E.O. 13851. Neither the public prosecutor nor the FAU opened any investigations on sanctioned individuals. Banks report the FAU rejected SARS concerning businesses linked to the government's political party, the Sandinista National Liberation Front. The existence of multiple, non-transparent, quasi-public businesses that manage large cash transactions and a

proliferation of shell companies with ties to the ruling party increase the country's vulnerability to money laundering.

BanCorp managed \$2.5 billion in trusts from energy-focused conglomerate Albanisa, co-owned by the Nicaraguan government (49 percent) and the OFAC-sanctioned Venezuelan petroleum firm, Petroleum of Venezuela S.A. (51 percent). Following Bancorp's shutdown, trusts were transferred to Caja Rural National Savings and Credit Cooperative (CARUNA), Nicaragua's savings and loan cooperative. CARUNA's weak reporting regulations allow unreported transactions to exceed the \$10,000 FAU threshold reporting requirement. This poses the risk of leaking sanctioned funds into the financial system.

In 2019, there were 228 companies operating under FTZ status in Nicaragua.

The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for visa-free movement of citizens of these countries across their respective borders. While these persons can be subject to immigration or customs inspections, this agreement makes each participating country vulnerable to the cross-border movement of contraband and criminal proceeds.

KEY AML LAWS AND REGULATIONS

In 2019, the National Assembly enacted reforms to Laws 976 and 977 on AML/CFT and to the FAU. Updated legislation includes lawyers and public notaries as reporting entities.

Nicaragua's AML/CFT laws mandate disclosure of beneficial owners. Financial institutions and DNFBPs follow CDD and STR requirements. Enhanced CDD for PEPs and transactions conducted with high-risk countries, designated by the UN Security Council, are included in the law.

Nicaragua is a member of GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://www.fatf-gafi.org/media/fatf/content/images/GAFILAT-MER-Nicaragua-2017.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Although the government updated its AML legal framework, concerns remain the legislation is being inconsistently applied and the FAU used as a political tool. In 2018, nine NPOs that criticized the government's repressive tactics were stripped of legal status and accused of financing terrorism under AML/CFT laws.

In July 2019, Nicaragua granted citizenship to former El Salvadoran president Mauricio Funes, accused of corruption and money laundering. Funes, an advisor to the Foreign Ministry (MINREX) of Nicaragua, was the first case of asylum provided to a foreign PEP. Granting asylum to corrupted PEPs undermines AML/CFT effectiveness, encourages organized crime, and facilitates impunity while defying multilateral extradition treaty commitments.

AML/CFT legislation includes enhanced CDD for high-risk countries and individuals. In practice, the government has encouraged business dealings with Iran, despite FATF's inclusion of Iran in its Public Statement as a high-risk country .

Nicaragua applied for Egmont membership in 2014; the application remains pending.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

MINREX reported in 2019 that authorities conducted 19 investigations and 13 prosecutions of money laundering-related cases, involving 42 persons; obtained 30 convictions; and seized \$8.7 million.

The effectiveness and implementation of Nicaragua's AML/CFT regulatory framework are hindered by the politicization of the FAU and the public institutions responsible for compliance. The government's focus on quelling opposition to its rule rather than combating organized crime and money laundering; corruption; and the increasing use of informal transactions and cash to evade international sanctions on the Ortega regime place Nicaragua's financial network at great risk of the proliferation of criminal networks.

Nigeria

OVERVIEW

Despite the various measures taken by the Nigerian government to combat financial crimes, Nigeria is a major drug trans-shipment point and a significant center for financial crime and cyber-crimes. Nigeria has made concerted efforts in recent times to address some of the challenges it faces implementing its AML/CFT regime.

The Nigerian Financial Intelligence Unit (NFIU) is the national AML/CFT coordinator for Nigeria.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Criminal proceeds laundered in Nigeria derive from corruption, foreign drug trafficking, various types of fraud, and other illegal activities. In Nigeria, money laundering occurs through the misuse of legal persons and companies, real estate investment, wire transfers to offshore entities, deposits into foreign banks, round tripping (reciprocal sales of identical assets), jewelry, bulk cash smuggling, and reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds. Money launderers within Nigeria have multiple avenues to move illicit funds, including the exploitation of legal entities, cash shipments via couriers, or money concealed in cargo for subsequent repatriation through foreign banks. Many conceal the origin of the money by placing cash in fictitious companies and overseas properties. Several factors raise the risk of drug money laundering through Nigeria, such as a predominately cash-based economy, gaps in the financial sector's implementation of regulatory standards, challenges collecting and accessing reliable beneficial ownership information, endemic corruption, porous

borders, and unregistered exchange houses.

With the introduction and widespread adoption of virtual currency, Nigeria will need to adopt strict rules to ensure this new form of currency does not become popular with money laundering organizations inside of Nigeria.

KEY AML LAWS AND REGULATIONS

The Money Laundering Prohibition Act 2011 (as amended), the Terrorism Prevention Act 2011 (as amended), and the Economic and Financial Crimes Commission Act 2004 are key AML/CFT laws. The enactment of the Nigerian Financial Intelligence Unit Act 2018 resulted from Nigeria's adoption of the national risk assessment report. The Act ensures the independence of the NFIU and achieves its administrative reorganization as a separate agency from the Economic and Financial Crimes Commission (EFCC) with its own budget and ability to recruit staff and work independent of the EFCC. The NFIU pursues interagency cooperation to advance the Nigeria Anti-Money Laundering and Counter Financing of Terrorism National Strategy 2018-2020 through a number of AML/CFT-focused committees and bilateral relations with numerous agencies. Notable committees partners include the Central Bank of Nigeria and the Department of State Services.

Nigerian law imposes obligations on financial institutions and specified non-financial institutions to conduct KYC and submit reports on suspicious and other types of transactions. Legal persons are covered criminally and civilly. Nigerian law also provides for enhanced due diligence for both foreign and domestic PEPs.

Nigeria is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <https://www.giaba.org/reports/mutual-evaluation/Nigeria.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The Proceeds of Crime Bill, 2017, which made provisions for the confiscation, forfeiture, and management of property derived from unlawful activities, passed both chambers of the National Assembly and was transmitted to President Buhari in May 2019. The president did not sign the bill. The bill lapsed with the ending of the legislative term and now would have to be reintroduced in both chambers of the National Assembly.

Nigeria's Special Control Unit against Money Laundering, (SCUML) is responsible for the supervision of DNFBPs regarding AML/CFT measures. A large percentage of DNFBPs have yet to register with SCUML, which lacks the resources and capacity to adequately monitor such a vast sector.

Nigerian banking sector vulnerabilities arise from lack of reliable beneficial ownership information and weaknesses in AML general controls and quality of supervision. The sector is also dealing with weaknesses and deficiencies in the quality of its CDD framework. The main deficiencies across financial and non-financial institutions include inadequate risk assessments, inadequate training and awareness among relevant staff, inadequate staff dedicated to the

compliance function, noncompliance with internal audit requirements, and failure to comply with reporting requirements. Additionally, a large number of exchange houses lack the required compliance frameworks and controls.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The core mandate of the NFIU is the receipt, analysis, and dissemination of financial intelligence reports. These reports are disseminated to law enforcement, security and intelligence agencies, and other relevant authorities for combating money laundering and associated offenses. The NFIU does not have an enforcement branch.

The Economic and Financial Crimes Commission Act of 2004 enables the EFCC to prosecute money laundering crimes. From January 1 to October 31, 2019, the EFCC conducted 6,528 investigations and 1,597 prosecutions, and successfully obtained convictions in 976 cases.

Pakistan

OVERVIEW

Pakistan's geographic location and porous borders with Afghanistan, Iran, and China make it vulnerable to narcotics and contraband smuggling. Pakistan's 2017 national risk assessment (NRA) identifies the largest risks associated with illicit finance as corruption, smuggling, drug trafficking, fraud, kidnapping for ransom, and extortion from businesses. The NRA also found the proceeds generated from major crimes in Pakistan are transferred overseas. The black market, informal financial system, and permissive security environment generate substantial demand for money laundering and illicit financial services.

Pakistan continues to work on its 2018 action plan. The Pakistan Tehreek-e-Insaf (PTI) party has taken anticorruption measures since coming to power in 2018, some of which have closed money laundering loopholes.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering occurs in both the formal and informal financial systems. Much of the informal activity occurs along the largely unregulated Pakistan-Afghanistan border. Due to their distance from urban centers and the lack of comprehensive regulatory oversight, border areas see illicit financial activity by terrorist and insurgent groups. In fiscal year 2019, the Pakistani diaspora remitted \$21.83 billion to Pakistan via the formal banking sector, up 9.6 percent from the previous year. Though it is illegal to operate an unlicensed MSB in Pakistan, the practices remain prevalent due to a lack of access to the formal banking sector, poor supervision and regulation, and a lack of penalties levied against illegally operating businesses. While many transactions are for legitimate purposes, the MSB operators are widely used to transfer and launder illicit money through neighboring countries.

Common methods for transferring illicit funds include fraudulent trade invoicing, use of MSBs, and bulk cash smuggling. Criminals exploit import/export firms and front businesses. Pakistan's real estate sector is another common money laundering vehicle, since real estate transactions tend to be cash-based and poorly documented.

Additionally, the Altaf Khanani money laundering organization (MLO), designated a transnational organized crime group by the United States, is based in Pakistan. The group is responsible for laundering billions of dollars in organized crime proceeds annually. The Khanani MLO offers third-party money laundering services to a diverse clientele, including Chinese, Colombian, and Mexican organized crime groups and individuals associated with designated terrorist organizations.

KEY AML LAWS AND REGULATIONS

In 2019, Pakistan took steps to correct deficiencies regarding the transparency and beneficial ownership of legal persons and arrangements. The Federal Board of Revenue (FBR) acted to operationalize the Benami Transactions (Prohibition) Act of 2017 by curbing transactions that obfuscate the true owner, domestically called "Benami" transactions, by issuing the Benami Transactions (Prohibition) Rules 2019. Additionally, the central bank issued a framework for managing TBML and terrorist financing risks in October 2019.

Pakistan issued the "National AML/CFT Strategy 2018" in response to its NRA. The strategy includes short, medium and long-term actions in six areas: general issues, legal, law enforcement, financial sector, governance, and international cooperation. It remains to be seen whether Pakistan will be able to fully implement this strategy within the allotted timelines.

The United States and Pakistan do not have an MLAT. However, both countries are parties to multilateral conventions that include mutual legal assistance (MLA) provisions. Extradition between the United States and Pakistan is governed by the 1931 U.S.-U.K. Extradition Treaty.

Pakistan is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://apgml.org/includes/handlers/get-document.ashx?d=389ff465-24a1-41cf-9ab9-27edc2e4c836>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Pakistan's Control of Narcotic Substances Act 1997 (for the specific offense of laundering the proceeds of narcotic substances) restricts the acts of concealment or disguise to making false declarations.

MSBs continue to operate illegally throughout Pakistan, despite efforts to crack down on them. Additionally, authorities have failed to implement adequate control measures to curb bulk cash smuggling at borders and airports. There have been instances of staff of Pakistan's national airline being involved in bulk cash smuggling.

International experts highlighted the inadequacy of sanctions for money laundering. In particular, sanctions for legal persons and fines for general money laundering offenses are not proportionate and dissuasive, especially if a large amount of funds or high-value properties are involved.

Pakistan's FIU, the Financial Monitoring Unit, is not a member of the Egmont Group.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Pakistan has not established a formal central authority for handling foreign requests for MLA and extradition, often leading to untimely, inadequate, or no response at all to requests from the United States.

The current government promised to pursue funds untaxed or illicitly taken from Pakistan and held abroad. In one of the first cases using the OECD Convention on Mutual Administrative Assistance in Tax Matters procedures, the UK, acting on information provided by Pakistan, questioned a former bureaucrat in connection with using a hawala system to launder \$1.9 million out of Pakistan to the United States and UK through Dubai.

In December 2018, the Supreme Court of Pakistan ordered the creation of the Joint Investigation Team (JIT). In response to a JIT report, the Supreme Court referred concerns to the National Accountability Board about the National Bank of Pakistan and Omni Group chairman in the multibillion rupees money laundering scam also involving former president Asif Zardari. On December 24, 2018, the JIT indicated the Federal Investigation Agency identified 29 fake accounts that laundered \$270 million, using 11,500 bank accounts of 924 account holders. The investigation remains active.

Panama

OVERVIEW

Panama's geographic location; dollarized economy; status as a regional financial, trade, and logistics hub; and favorable corporate and tax laws render it attractive for money launderers.

High-profile international money laundering investigations, originated in Panama or elsewhere, have intensified scrutiny of Panama's vulnerabilities and ability to address illicit financial activity. Panama has agreed to address money laundering and terrorist financing deficiencies noted by international experts, including by strengthening its understanding of its national and sectoral money laundering and terrorist financing risk; strengthening DNFBP regulation and supervision; applying appropriate sanctions for violations; ensuring access to beneficial ownership information; and improving investigations and prosecutions of foreign tax crimes and money laundering in relation to high-risk areas.

President Cortizo took office July 1, 2019, and promptly established the Unit for Competiveness in International Services (UCSI) within the presidency to lead Panama's AML efforts and

coordinate the various agencies. The UCSI meets with President Cortizo weekly to provide progress updates. Since July 2019, Panama has drafted and introduced substantive AML legislation, including draft legislation to create a registry of registered agent and beneficial ownership information.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundered in Panama frequently comes from illegal activities abroad, including drug trafficking, tax crimes, and the smuggling of people and goods. Panama is a drug transshipment country due to its location along major trafficking routes. Criminals launder money via bulk cash smuggling and trade at airports and seaports, shell companies, real estate and construction, casinos, virtual currencies, and the 12 active FTZs. Smuggling through ports may be facilitated by corruption.

Legal entities and arrangements created and registered in Panama, such as corporations, private foundations, and trusts, are at high risk for laundering activity. The use of nominee shareholders and directors is still prevalent, and Panama still lacks a mechanism to determine final beneficial ownership.

KEY AML LAWS AND REGULATIONS

Legislation criminalizes money laundering and sets AML compliance requirements for entities in 31 sectors. Panama has comprehensive CDD and STR requirements.

Law 70, signed on January 31, 2019, criminalizes tax evasion and fraud of more than \$300,000 and defines tax crimes as money laundering predicates. However, the law includes an exception stating if the offender pays the tax obligation in full during the investigative phase, the criminal action against such offender would be dropped. Following international criticism of the unlimited exception provision, the Cortizo administration introduced a bill to amend Law 70 to allow an individual one use of the exception. As of December 2019, the National Assembly passed several amendments to the bill that are awaiting President Cortizo's signature. The \$300,000 prosecution threshold may also limit the effectiveness of investigations into laundering linked to lower amounts of taxes evaded.

In 2017, Panama published its first national risk assessment (NRA), which identifies FTZs, real estate, construction, and lawyers as high-risk sectors. Panama is updating its NRA to address terrorism financing risks. Authorities indicated the draft is expected to be completed in early 2020.

Panama is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-panama-2018.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

A lack of capacity to identify bulk cash shipments, inexperience with non-drug-related money laundering investigations and prosecutions, inconsistent enforcement of laws and regulations, an under-resourced judicial system, and corruption continue to hinder Panama's AML efforts.

Despite government efforts, Panama continues to lack sufficient resources, including trained staff, to effectively monitor compliance with reporting requirements. The government needs to enhance training, disseminate guidelines, and improve the quality and levels of STR/CTR reporting, particularly among high-risk sectors.

Regulators still cannot access STRs/CTRs routinely due to confidentiality laws. Banks often include minimal analysis in STRs, fearing liability; despite the criminalization of tipping off, some notify clients and/or bank executives and directors about investigations.

The Cortizo administration indicated it intends to propose a series of legal changes to grant independence to the FIU and the *Intendencia*, the supervisory body for DNFBPs. The *Intendencia* is under the authority of the Ministry of Economy and Finance, and relies on it for all budgetary and administrative support. On August 21, 2019, the ministry presented a bill to the National Assembly to create an independent "Supervisory Authority for Non-Financial Subjects," although the bill has not moved forward to debate. Panama's FIU reports to the presidency, leaving it vulnerable to political influence and dependent on the presidency for support; action has not yet been taken on the FIU's status.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The Colon Free Zone remains vulnerable to illicit financial and trade activities due to weak customs enforcement and limited oversight of transactions.

A series of MOUs between relevant institutions facilitates information sharing. One such MOU establishes an interagency process between the Ministry of Commerce and Industry and the banking supervisory authority to identify, sanction, and close illegal MSBs.

Law enforcement and judicial entities still struggle to be effective under the accusatory justice system, and lack of coordination has resulted in few successful investigations, prosecutions, and convictions, especially in non-drug related cases. Panama needs to provide additional financial investigative training to these entities and prioritize financial investigations beyond drug trafficking-related cases. Law enforcement needs more tools and protection to conduct complex investigations.

The Attorney General's Office should demonstrate that FIU reports are used to identify investigative leads and are efficiently shared with law enforcement, and the information is used in prosecutions.

Paraguay

OVERVIEW

Paraguay's economy returned to a growth trajectory after a brief economic recession early in 2019 as agricultural export revenue fell due to drought conditions and lower international commodity prices. The Tri-Border Area (TBA), comprised of the shared border areas of Paraguay, Argentina, and Brazil, is home to a multi-billion-dollar illicit goods trade, including marijuana cultivation and the trafficking of Andean cocaine and arms, which facilitates significant money laundering in Paraguay. The government has worked to reduce the criminal use of Paraguay's financial system to launder illicit proceeds by taking steps to address corruption, eliminate bureaucratic inefficiencies, and enhance interagency coordination. President Mario Abdo Benitez's administration has continued Paraguay's focus on these efforts, showing results in new legislation and arrests but modest outcomes in terms of implementation and convictions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering occurs in both financial institutions and the non-financial sectors. Vulnerabilities include a large number of unregistered exchange houses; the frequent use of cash; the use of false information to register businesses; lax regulation of import-export businesses, casinos, and MSBs; weak border controls; corrupt government agents; and insufficient oversight of a high volume of money transfers to Lebanon and China.

Transnational and local criminal organizations continue to take advantage of largely informal economies and lax border controls in Ciudad del Este and other TBA border towns to engage in TBML, narcotics and arms trafficking, goods smuggling and counterfeiting, and document forgery. Criminal organizations disguise the laundering of proceeds from these activities in the high flow of both counterfeit and legitimate goods sold into Brazil from Paraguay, often with the assistance of co-opted government officials.

Paraguay operates two FTZs in Ciudad del Este but does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina, Brazil, Chile, and Uruguay.

KEY AML LAWS AND REGULATIONS

Paraguay has KYC and STR regulations applicable to a wide range of entities, and enhanced due diligence is required for PEPs,

Paraguay established the National Secretariat for Asset Forfeiture (SENABICO) in 2018. In 2019, the government reduced SENABICO's staff from 26 to 24 and cut its budget by 9 percent (\$713,000 to \$648,000). However, the amount of assets seized by SENABICO continues to grow. SENABICO has struggled to fulfill its mission due to non-cooperation from other government entities, such as the Solicitor General and judges, who are unfamiliar with SENABICO's mandate and unwilling to relinquish authority to SENABICO.

Paraguay passed ten significant AML-related laws in 2019. The laws include: the creation of criminal and appeals courts specialized in money laundering, narcotics trafficking, kidnapping, terrorist financing, corruption, and organized crime; the reallocation of proceeds from the sale of seized assets to government institutions involved in AML activities; the elimination of bearer bond holders; and the increase in maximum sentences for crimes involving terrorist financing and the proliferation of weapons of mass destruction.

There is no bilateral MLAT between Paraguay and the United States. Both are party to multilateral conventions providing for cooperation in criminal matters.

Paraguay is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available in Spanish only at: <http://www.fatf-gafi.org/countries/n-r/paraguay/documents/mutualevaluationofparaguay.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Paraguay struggles to investigate and prosecute complex money laundering cases within the statute of limitations, in part because of a disjointed AML regime, officials' lack of experience, judicial delays, and lack of interagency cooperation. Though the Central Bank of Paraguay (BCP) has authority to review banks for money laundering compliance (independent of Paraguay's FIU, the Anti-Money Laundering Secretariat (SEPRELAD)), the sanctioning regime is not effective, as SEPRELAD and the BCP have different guidelines regarding when an entity should submit a STR.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Paraguay continues to take steps to implement the 1988 UN Drug Convention and international AML standards. During 2019, Paraguay initiated several high-profile money laundering cases against multiple offenders. Authorities have conducted search warrants, and in some cases filed preliminary charges and formal indictments. As with past cases, the challenge will be seeing these cases to completion and conviction. The \$1 billion Megalavado case, opened in 2014, remains under investigation but without indictments or convictions.

SEPRELAD is working with the BCP to improve coordination on, and the quality of, STRs, of which banks submit the majority. As of June 2019, SEPRELAD received 10,262 STRs, a 63 percent increase over the first half of 2018. SEPRELAD subsequently referred 100 of the STRs to the Attorney General's office for criminal investigation. As of October 2019, SEPRELAD's Directorate of Financial and Strategic Analysis forwarded 115 intelligence reports and 39 financial intelligence reports to various Paraguayan authorities.

The Paraguayan government is focused on the passage of new laws, rather than implementing existing laws and pursuing money laundering convictions. Paraguay has achieved some examples of bilateral cooperation, like the recent extraditions to the United States of three fugitives charged with money laundering offenses in 2018 and 2019.

Paraguayan Customs continues to operate a TTU to combat TBML and other customs crime through the sharing and analysis of international trade data.

Peru

OVERVIEW

The Peruvian government identified \$1.75 billion in potentially illicit funds flowing through Peru from January to September 2019. Illegal mining produced over \$880 million in illicit proceeds from January to September 2019 and makes up 45 percent of all money laundered in Peru in the past nine years, by far the largest sector. Drug traffickers frequently launder profits through illegal mining activities and gold transactions.

The government implemented steps to strengthen its AML regime in 2019, including implementing a new law to improve oversight of savings and loan cooperatives, issuing regulations to implement its civil asset forfeiture law and creating 22 specialized asset forfeiture courts. Peru also continued implementing its 2018-2021 National Plan to Combat Money Laundering (National AML Plan).

Peru struggles to effectively enforce and implement its strong AML legal regime. Poor interagency coordination and limited information sharing impedes enforcement efforts, as well as lack of expertise, high turnover, and corruption within the justice sector. Weak regulatory enforcement and oversight of the small-scale mining sector continues to be a concern.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Illegal gold mining and logging, drug trafficking, and public corruption are the primary sources of illicit funds in Peru. State presence is limited outside of coastal areas and large population centers. Peru's challenging geography allows for the transit of large quantities of illegal goods, contraband, and cash across its borders and internally. Weak regulatory enforcement of the small-scale gold sector allows illegal gold to be mixed with licit gold in the supply chain.

Individuals and organizations typically funnel illicit funds through front companies, and many are engaged in illegal gold mining activities. Individuals or front companies also launder illicit funds through real estate, currency exchanges, credit cooperatives, auto dealing, virtual currency, and notaries.

Peru's gaming industry reported \$780 million in earnings in 2018 from 314 registered companies with 723 locations. Peru lacks adequate controls on the gaming sector, given the risks for money laundering. Of 15,736 reported suspicious transactions in 2018, 33 originated from the gaming industry. Peru completed a risk analysis of the gaming industry in 2019.

KEY AML LAWS AND REGULATIONS

Peru has a robust AML regulatory framework, including the Law for the Efficient Fight against Money Laundering and other Crimes Related to Illegal Mining and Organized Crime, which establishes money laundering as an autonomous crime and KYC and STR requirements. Regulations define and require enhanced due diligence for PEPs.

Peru strengthened its AML framework in 2019 through the implementation of a new law that improves oversight of savings and loan cooperatives. Peru also issued regulations putting into force a law requiring disclosure of beneficial owners for business entities. Finally, Peru issued regulations for its new non-conviction-based asset forfeiture law, which allows authorities to seize and dispose of assets when the possessor cannot establish legal ownership.

The U.S. DEA participates in Peru's Money Laundering Task Force, which includes representatives from the Peruvian National Police (PNP), prosecutors, and the FIU. The DEA and PNP can share records in connection with narcotics investigations, while prosecutors request records through an MLAT for use in court.

Peru is a member of the GAFILAT, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-peru-2019.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The regulatory framework is generally strong. The government is receptive to recommendations from donors and international experts regarding potential improvements. Peru should improve its interagency coordination, such as by amending the FIU's authorities outlined in Law 27693. This law permits the FIU only to share its reports with public prosecutors.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Pervasive corruption hampers prosecutions of narcotics-related money laundering crimes. Political figures, judges, and legislators have been implicated in money laundering, creating an impediment to progress on reform. The Peruvian government estimates corruption generated \$67 million in illicit proceeds from August 2018 to July 2019.

Peru made modest improvements to ensure gains made in strengthening the AML regulatory framework result in increased prosecutions and convictions. However, high turnover of specialized prosecutors, poor training, a lack of expert forensic accountants, and corruption in the justice sector hinder enforcement efforts, and AML investigations for narcotics cases are rare. From January to June 2019, Peru convicted 11 individuals for money laundering and financial crimes. With the creation of new specialized courts, prosecutorial offices, and investigative units seven forfeiture sentences were handed down under the new asset forfeiture law as of November 2019, with more than 30 cases in process and more than 200 investigations ongoing nationwide. The government also began funding an interagency commission to implement the asset forfeiture system and added four new money laundering prosecutorial offices.

Peru lacks effective regulatory enforcement and oversight in the small-scale mining sector, which authorities identified as at risk for funneling profits from the narcotics trade. While illegal mining made up the largest percentage of all money laundering activity, Peru had no convictions for money laundering through illegal gold in the first half of 2019, and one conviction in 2018. However, in 2019, using asset forfeiture Peru seized five shipments of gold bars destined for the United States and India with a combined worth of over \$5.7 million.

Philippines

OVERVIEW

The Philippines' growing economy and geographic location within key trafficking routes place it at elevated risk of money laundering and terrorism financing. Recent growth in the online gaming industry also presents increased risk. Corruption and human trafficking constitute some of the principal sources of criminal proceeds. Insurgent groups operating in the Philippines derive funding from kidnapping for ransom and narcotics and arms trafficking. Additionally, the large volume of remittances from Filipinos living abroad increases the monitoring burden on AML authorities.

Despite the challenges, the Philippine government is improving its AML posture. The government took additional steps in 2019 to build the capacity of its FIU and interagency cooperation. The Philippines should build on the recent efforts to improve interagency coordination and seek to bolster its financial investigations and criminal convictions.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

A May 2019 national risk assessment identifies environmental crime, trafficking in persons, kidnapping for ransom, and terrorism as the top predicate crimes for illicit funds generated abroad and smuggling and illegal drug trafficking as the top domestic sources of illicit funds. The banking sector remains the primary channel for money laundering followed by MSBs, including foreign exchange dealers, moneychangers, remittance centers, and pawnshops.

Terrorism, terrorist financing, corruption, and transnational organized crime are significant risks. These threats exploit the Philippines' cash and remittance-based economy, strict bank secrecy laws, numerous, largely unregulated charities, under-resourced authorities, and legislative and procedural hurdles impeding efforts to prevent, investigate, and prosecute money laundering. As a regional gateway, the Philippines is a choice transshipment point for illegal drugs and for other illicit activity through airports, seaports, and porous maritime borders.

Limited resources and coordination among regulatory bodies make it challenging to adequately monitor and supervise financial institutions. The Philippines has made considerable progress toward AML compliance by casinos, although DNFBPs are still in the early stages of compliance.

The Philippine Economic Zone Authority oversees approximately 300 economic zones, most of which are well regulated. Local government units and development authorities regulate multiple other free zones or freeports. Due to separate authorities of the security and customs officials monitoring these zones, law enforcement faces difficulty targeting organizations operating within them.

KEY AML LAWS AND REGULATIONS

In 2019, the Philippine Anti-Money Laundering Council (AMLC), the FIU and chief AML regulatory authority, updated its online registration and reporting guidelines to require MSBs and pawnshops to comply with DNFBP reporting requirements within six months of receiving a provisional certificate of registration. The AMLC also updated administrative rules allowing the imposition of sanctions on any AMLC employee in violation of the Philippine Anti-Money Laundering Act (AMLA) or refusing to comply with an AMLC order.

In late 2018, the Securities and Exchange Commission (SEC) stepped up registration requirements for NPOs to protect against money laundering and terrorist financing abuse.

KYC and PEP provisions largely comply with international standards, and the STR reporting regime is improving with the recent implementation of financial statistical software.

The Philippines and the United States have a bilateral MLAT.

The Philippines is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=philippines>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Republic Act 1405, the Philippines' bank secrecy act, limits disclosures of and inquiry into financial information held at banking institutions within the Philippines. The act's strict guidelines impede law enforcement investigations and remain a significant deficiency in the current AML regime. Tax evasion, the falsification of public documents, and non-currency forgeries are not listed as predicate offenses to money laundering.

Philippine law limits the AMLC's investigative authority to money laundering and terrorist financing cases, not the underlying predicate acts, which must be investigated by other agencies. But these agencies, unlike AMLC, do not have authority to obtain bank records. AMLC's cooperation with other law enforcement agencies is minimal, limiting the flow of information and making it harder to connect the predicate act with the money laundering. Additionally, AMLC's authority to obtain bank records requires probable cause and is procedurally burdensome, requiring high-level agency approval and an order from the Court of Appeals in many instances.

Current legislation does not include real estate brokers and dealers in certain high-value items (such as automobiles, art, and antiques) as covered persons.

The single-transaction reporting threshold for gaming transactions remains high at \$100,000. The online gaming industry, which targets offshore players, has grown rapidly over the past three years, and authorities have expressed concern regarding potential money laundering through these operations, although there have been no money laundering cases related to online gaming.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The AMLC and other competent authorities recognize that improving effectiveness in the implementation of the AML/CFT rules and regulations requires further interagency efforts. As of September 2019, the AMLC improved interagency coordination with law enforcement and intelligence units through multiple memoranda of agreement. From January to September, the AMLC filed 25 cases in civil and criminal courts, but successful convictions remain low relative to the risk profile in the Philippines.

Aside from the need to continue to implement and monitor the action plan under the National AML/CFT Strategy, including effective operation of the newly established National AML/CFT Coordinating Committee, the Philippines should focus on continuing to identify illegal remittance operations and execute sanctions, while ensuring effective risk mitigation and supervision of the gaming sector.

Russian Federation**OVERVIEW**

Russia has developed a robust AML/CFT legal framework with Rosfinmonitoring, the FIU, at its center. Corruption, misappropriation and embezzlement of public funds, tax evasion, fraud, and drug trafficking generate significant amounts of proceeds. There is a large shadow economy approaching 13 percent of Russian GDP, although cash in circulation has declined from 12.4 percent of GDP in 2007 to less than 10 percent in 2019. Financial flows from illicit activity linked to Russia have threatened weak financial institutions in neighboring countries; however, criminal proceeds from Russia also make their way to global financial centers, often through opaque shell companies. To shield sanctioned Russian individuals and entities from the effects of financial sanctions, the Russian government softened some reporting requirements leading to a decrease in transparency. Although many Russian banks controlled by criminal factions have been closed, supervision over remaining institutions, including a significant portion of state-owned banks, is not wholly risk-based or adequate from an AML standpoint.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Official corruption at all levels of government constitutes one of the largest sources of laundered funds.

Russia is a transit and destination country for international narcotics traffickers, particularly from Afghanistan. Criminal elements use Russia's financial system and foreign legal entities to launder money. Criminals invest in and launder their proceeds through the banking sector, securities instruments, virtual currencies, precious metals, domestic and foreign real estate and construction, pension funds, and luxury consumer goods.

Cybercrime remains a significant problem, and Russian hackers and organized crime structures continue to work together. Although Russia has encouraged domestic development of

blockchain-based technologies and innovations, the Russian government does not have a consistent position on the regulation of virtual currency, which could be abused for money laundering purposes.

There is a large migrant worker population in Russia. Many remittances are sent through an informal value transfer system that may pose vulnerabilities for money laundering. Gaming is only allowed in specified regions. The FIU monitors casinos for AML/CFT compliance, while other agencies supervise other parts of the gaming sector. Online gaming is prohibited.

KEY AML LAWS AND REGULATIONS

Russia's AML laws and regulations include the Federal Law on Combating Money Laundering and Terrorist Financing and numerous accompanying regulatory acts. Money laundering is criminalized in the Criminal Code of the Russian Federation. The Criminal Procedural Code provides a comprehensive set of rules, including those permitting international cooperation on money laundering investigations; and the Code on Administrative Offenses contains civil penalties for violations of AML requirements. Russia has KYC and STR requirements in place.

Russia conducted its first comprehensive national money laundering risk assessment in 2018 and adopted an AML action plan. The key findings of the NRA are publicly available.

The United States and Russia are parties to an MLAT.

Russia is a member of the FATF and two FATF-style regional bodies, MONEYVAL and the EAG. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/n-r/russianfederation/documents/mer-russian-federation-2019.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

In 2018, the Finance Ministry unveiled the Comprehensive Russian Anti-Sanctions Plan, aimed at mitigating the impact of Western sanctions through various measures, including suspension of disclosure requirements with respect to sanctioned entities.

There is no corporate criminal liability in Russia. A bill providing for such liability has been stalled in the Duma since 2015. Currently, any breach of AML requirements is an administrative offense subject to a fine imposed on executives and on companies in question. In addition, the current version of the Administrative Code provides an opportunity to suspend corporate activities for AML violations for up to 90 days. At the end of 2018, Rosfinmonitoring drafted two amendments to the Russian Code of Administrative Offenses to significantly increase administrative fines for corporations for violation of Russia's AML/CFT legislation. The amendments have not yet been submitted to the State Duma.

Financial institutions are required to conduct enhanced due diligence on their relationships with some PEPs, but the national list is appointment-based, not based on key functions, and close associates of PEPs are not covered.

Russia's cash declaration system is only applicable at the external borders of the Eurasian Economic Union (EAEU), meaning currency can move undeclared across Russia's borders within EAEU borders.

Russia has a Uniform State Register of Legal Entities containing basic company ownership information (plus beneficial ownership information in applicable cases), and any legal person created under Russian law is required to maintain information about its beneficial owners. Banks also must collect beneficial ownership information, and the Federal Tax Service regularly strikes from the rolls companies identified as fictitious. Trusts cannot be created under Russian law, but Russians can be trustees and beneficiaries of trusts with little oversight.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In September 2018, Russia started sharing financial information under the OECD's Multilateral Competent Authority Agreement, joining the international fight against tax evasion. In 2018, Rosfinmonitoring prevented the laundering of approximately \$2.4 billion (153 billion rubles) through the Russian banking sector and the embezzlement of more than approximately \$172 million (11 billion rubles) in public procurement in the defense sector. The central bank revoked 60 credit institution licenses in 2018 and 23 bank licenses as of November 2019.

Since the imposition of financial sanctions against Russian officials, Russian government websites have severely restricted publicly available data and now publish only a fraction of the information previously available.

St. Kitts and Nevis

OVERVIEW

St. Kitts and Nevis is a federation composed of two islands in the Eastern Caribbean. Its economy is reliant on tourism and its economic citizenship program, offshore financial services sector, corporate registries, and shipping registry. St. Kitts and Nevis is making progress in its AML regime.

The Financial Services Regulatory Commission (FSRC) (St. Kitts branch) is responsible for the licensing, regulation, and supervision of the non-bank financial sector in St. Kitts. As of September 2019, the regulated entities supervised by the St. Kitts Branch are two insurance managers, 48 trust and service providers, 16 domestic insurance companies, 11 MSBs, four credit unions, and one development bank. There is no recent information on the number of IBCs, limited liability companies, or trusts in Saint Kitts.

The FSRC (Nevis branch) is responsible for the licensing, regulation, and supervision of regulated persons and entities in Nevis that conduct fiduciary and international financial services businesses. As of September 2019, the regulated entities supervised by the Nevis Branch are 16 insurance managers, two international banks, 53 registered agents/service providers, three international insurance brokers, five MSBs, and 234 international insurance companies. FSRC

Nevis statistical bulletins reflect the establishment of 814 IBCs, 453 LLCs, 93 trusts, and 14 foundations in 2019.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

International experts identified drug trafficking and fraud as the primary sources of illicit funds. Offshore sector financial oversight in Nevis could be more compliant with international standards. Strong secrecy and confidentiality laws continue to cover IBCs and trusts.

Bearer shares are authorized if the certificates are retained in the protected custody entities authorized by the Minister of Finance. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer and the certificate's beneficial owner.

Individuals are eligible for economic citizenship with a minimum real estate investment of \$200,000-\$400,000 for each main applicant, or through a \$150,000 contribution to the Sustainable Growth Fund. Applicants must make a source of funds declaration with supporting evidence. International contractors conduct due diligence on applicants. Applicants from North Korea, Iran, and Afghanistan are prohibited. An expedited, 60-day accelerated application process with additional fees is available, except for applicants from Iraq, Yemen, and Nigeria due to longer vetting turnaround times for applicants from those countries. Applicants can obtain citizenship for themselves, their spouse, dependent children up to 30 years old, and dependent parents aged 55 or older. Canada requires visas for St. Kitts and Nevis passport holders due to security concerns with some citizenship by investment passport holders.

While the Gaming Board is responsible for the general regulatory and supervisory oversight of gaming in St. Kitts and Nevis, the FSRC has limited responsibilities for AML/CFT supervision of casinos.

KEY AML LAWS AND REGULATIONS

The AML legislation is at the federation level and covers both St. Kitts and Nevis. Each island has the authority to organize its own financial structure and procedures. The Proceeds of Crime Act (POCA), the Anti-Terrorism Act, the Financial Services Regulatory Commission Act, the Financial Intelligence Unit Act, the AML and CFT regulations, and the financial services (implementation of industry standards) regulations are the key laws and regulations.

St. Kitts and Nevis has KYC and STR regulations and enhanced due diligence for PEPs.

St. Kitts and Nevis is considering the adoption of model POCA legislation created by the Regional Security System Asset Recovery Unit for countries in the Eastern Caribbean.

St. Kitts and Nevis has an MLAT with the United States. In 2018, St. Kitts and Nevis reported assisting foreign jurisdictions with money laundering investigations and in the identification of possible proceeds of crime.

St. Kitts and Nevis is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/saint-kitts-and-nevis-1/107-skn-3rd-round-mer/file>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts have recommended improvement in the following areas: ensuring information is available in a timely fashion on all owners, partners, and beneficial owners of a partnership or company; and ensuring the availability of accounting information for such entities.

Nevis can form an IBC or LLC in less than 24 hours, and bearer shares are allowed, though discouraged, and must be held by an approved custodian.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

St. Kitts and Nevis has helped foreign jurisdictions with money laundering cases, and the country arrested and brought charges against one person in 2019 (the first since 2015). Amending POCA legislation or using model POCA legislation may reinvigorate this process.

In July 2019, St. Kitts and Nevis formed a 13-member National Anti-Money Laundering/Countering the Financing of Terrorism (NAML/CFT) Committee with the Attorney General as the chairperson. Its mandate includes issuing operational guidelines to agencies, engaging public/private stakeholders, setting timelines for AML/CFT deliverables and tracking submissions, and developing policies and guidelines instrumental in maintaining the AML/CFT regime.

St. Lucia

OVERVIEW

St. Lucia's main source of revenue is tourism. St. Lucia made some progress on its AML regime.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

As of November 2019, the St. Lucia Financial Services Regulatory Authority (FSRA) lists the following regulated entities on its website: 25 insurance companies, 16 credit unions, 12 international banks, 33 international insurance companies, and 13 MSBs. The FSRA's 2018 Annual Report indicates there were 3,812 IBCs incorporated on St. Lucia and 40 international trusts as of year end 2017.

IBCs can be incorporated in one day and nominee directors are allowed. In 2018 and 2019, the government adopted a number of amendments to the International Business Company Act and regulations. Per Amendment No. 13 of 2018, adopted on December 12, 2018, any IBC incorporated as of January 1, 2019 or later will be considered a "resident" company, able to do

business with residents, no longer exempt from taxes, and required to file an annual tax return based on unaudited financial statements. Additionally, IBCs must now maintain a register of beneficial owners, notification must be provided of any changes in beneficial ownership within a “reasonable” time period, and the register should be available to competent authorities. IBCs incorporated before December 31, 2018 will continue to be treated under the old law until June 20, 2021.

St. Lucia also amended its International Trusts Act (ITA) on December 12, 2018 to add a similar beneficial ownership register requirement and to allow competent authorities access to the register and other trust documents. On December 31, 2018, the government passed the International Trust (Repeal) Act, which will repeal the ITA as of June 30, 2021. The number of existing international trusts is not available.

St. Lucia reports drug trafficking as the primary source of illicit funds. St. Lucia’s geographic location and porous borders increase its risk of drug money laundering. Money laundering most commonly occurs through structured deposits and currency exchanges or cash real estate transactions. St. Lucia identifies jewelry dealers, legal services, and NPOs as additional sectors vulnerable to money laundering activity.

There is one FTZ operating in Vieux Fort.

St. Lucia’s citizenship by investment (CBI) program, launched in 2015, is the region’s newest program. An individual can apply for St. Lucian citizenship through a minimum donation to the National Economic Fund of \$100,000 per applicant, \$165,000 for an applicant and spouse, or \$190,000 for a family of up to four people. Other citizenship by investment options include a \$300,000 minimum purchase in real estate; a \$3.5 million investment for an individual, or \$6 million for more than one applicant in an approved enterprise project; or a government bond minimum purchase of \$500,000 for an individual, \$535,000 for an applicant and spouse, or \$550,000 for a family of up to four people. Applicants must apply through a government-approved local agent. An in-person interview is not required. Applicants must make a source of funds declaration and provide evidence supporting the declaration. International firms perform due diligence checks on applicants. The government established a Citizenship by Investment Unit (CIU) to manage the screening and application process. Applicants can obtain citizenship for dependent children up to 25 years old, disabled children of any age, and dependent parents. The chief executive officer of St. Lucia’s CIU also serves as the chairperson of the regional Citizenship by Investment Programs Association and has stated he intends to promote enhanced information sharing among EC CBI programs in order to strengthen the integrity of the programs.

KEY AML LAWS AND REGULATIONS

St. Lucia’s main AML laws are the 2003 Money Laundering Prevention Act, as amended in 2005; the 1995 Proceeds of Crime Act, as amended in 2008; and the 2003 Anti-Terrorism Act, as amended in 2010.

St. Lucia has KYC and STR regulations. It also has enhanced due diligence for PEPs. The

Eastern Caribbean Central Bank regulates onshore commercial banks in St. Lucia.

There is an MLAT between the governments of St. Lucia and the United States.

St. Lucia is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/saint-lucia-1/110-saint-lucia-3rd-round-mer/file>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

St. Lucia is generally in technical compliance with international standards.

ENFORCEMENT/ IMPLEMENTATION ISSUES AND COMMENTS

Further AML/CFT awareness training is recommended to continue developing AML compliance and build on the progress St. Lucia has made.

St. Vincent and the Grenadines

OVERVIEW

St. Vincent and the Grenadines made some progress on its AML regime. The FIU has a good reputation in the Eastern Caribbean and cooperates regularly with the United States. In December 2017, the country began a national risk assessment.

St. Vincent and the Grenadines' economy is dependent on tourism and its offshore financial services sector. There are no FTZs or economic citizenship programs. Gaming is legal, but there are no casinos in operation. As of December 31, 2019, the St. Vincent and the Grenadines Financial Intelligence Unit (SVGFIU) reported there are 4,284 IBCs, 70 international trusts, 153 LLCs, three international banks, six credit unions, five international insurance companies, 15 registered agents, 52 mutual funds, 24 domestic insurance companies, 27 pension plans, 16 insurance agents, and two MSBs. IBCs can be incorporated in less than 24 hours from receipt of application. The International Business Companies (Amendment and Consolidation) (Amendment) Act enacted December 27, 2018 removes direct tax exemptions and stops further bearer share issuance by IBCs incorporated in the country.

The Financial Services Authority (FSA) is the regulatory body with the mandate to supervise the offshore financial sector, and the SVGFIU is the supervisory authority for DNFBPs.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Physical presence is not required for offshore sector entities and businesses, with the exception of offshore banks. Resident nominee directors are not mandatory except when an IBC is formed to carry on banking business. Bearer shares are permitted for IBCs, except for IBCs conducting banking functions. The government requires registration and custody of bearer share certificates

by a registered agent, who must also keep a record of each bearer certificate issued or deposited in its custody.

St. Vincent and the Grenadines reports drug trafficking, in particular of marijuana, is the main source of illicit funds. The country is the Eastern Caribbean's leading producer of marijuana, and narcotics are transferred via speedboats that pick up drugs at isolated beaches on the leeward side of St. Vincent or on uninhabited Grenadine islands. Couriers carry money through the airport, ports, or other points of entry. Sometimes money remitters are used to move funds.

The country has made efforts against drug trafficking by imposing strict penalties. It is also engaged with the Regional Security System to coordinate border control issues and is developing its Coast Guard to patrol the coastline. In December 2018, parliament passed legislation legalizing cultivation and use of marijuana for medical purposes.

KEY AML LAWS AND REGULATIONS

St. Vincent and the Grenadines has comprehensive AML legislation and regulations, including the 2017 Proceeds of Crime (Amendment) Act and the 2017 Anti-Money Laundering Terrorist Financing Code. St. Vincent and the Grenadines has KYC and STR regulations. The 2017 Anti-Money Laundering and Terrorist Financing Code provides for enhanced customer due diligence and ongoing monitoring for PEPs. In December 2017, the FIU revised its standard operating procedures regarding receipt, processing, and handling of sensitive information and requests.

In 2019, the Proceeds of Crime (Amendment) Bill, Anti-Money Laundering and Terrorist Financing (Amendment) Regulations, Anti-Money Laundering and Terrorist Financing (Non-Regulated Service Providers) Regulations, Anti-Money Laundering and Terrorist Financing (Administrative Penalties) Regulations, Anti-Money Laundering and Terrorist Financing (Non-Profit Organizations) Regulations were drafted for approval by the Attorney General's office for subsequent presentation to parliament.

The government uses its Mutual Assistance in Criminal Matters Act to share information with the United States.

St. Vincent and the Grenadines is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/cfatf-documents/mutual-evaluation-reports/St.-vincent-and-the-grenadines-1/116-svg-3rd-round-mer/file>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The government reports it is reviewing how to address gaps in the 2017 Anti-Money Laundering and Terrorist Financing Code. The country continues to consider a bill that would regulate DNFBPs to address noted deficiencies.

St. Vincent and the Grenadines should become a party to the UNCAC.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

St. Vincent and the Grenadines prosecuted a money laundering and possession of criminal property case in May 2019, resulting in a guilty plea and conviction. A November 2019 money laundering and converting criminal property case is ongoing.

St. Vincent and the Grenadines reports that DNFBPs are a focal point for enforcement and implementation. To that end, the country drafted a DNFBP Action Plan for 2019. In August 2018, the FIU appointed a supervisor with the responsibility of overseeing DNFBP compliance.

In September 2019, St. Vincent and the Grenadines commenced a gap analysis with donor assistance. The analysis reviewed the present state of compliance with international standards, with a focus on those standards relevant to AML/CFT supervision by the Eastern Caribbean Central Bank, the FIU, and the FSA.

In June 2019, the SVGFIU expanded to include a supervisor of DNFBPs and a compliance officer to curtail the vulnerability of car dealers and other DNFBPs (real estate agents, casinos, jewelers, lawyers, notaries, accountants, and auditors) to money laundering activities, develop formal registration of DNFBPs, and take appropriate action against unregistered DNFBPs.

Senegal

OVERVIEW

Senegal's strategic coastal location makes it a regional business center for Francophone West Africa. Illicit proceeds are derived from both domestic and foreign crimes.

According to the money laundering national risk assessment (NRA), Senegal is exposed to risks from organized crime, drug trafficking, internet and other fraud, and a large informal, cash-based sector. Major sources of illicit proceeds include narcotics, trafficking in persons, illegal trade in wildlife and timber, and public corruption.

Senegal has drafted an AML/CFT strategy and action plan, which address the AML/CFT framework, DNFBP reporting obligations and supervision, procedural and sanctioning mechanisms, international cooperation, and AML/CFT metrics. The government also aims to expand financial inclusion.

Open issues include training for law enforcement, prosecutors, and judges; lack of a non-conviction-based forfeiture law; awareness-raising programs for stakeholders; designation of a DNFBP supervisor; and improved legislation on the management and disposal of seized property.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Corruption and drug trafficking are the most likely sources of laundered proceeds. A spike in drug trafficking throughout the sub-region has undermined governance in some neighboring countries, spilling over and fostering criminality in Senegal. Senegal's proximity supports the development of trade routes for illicit goods and funds. Other predicate offenses include illicit trade in artisanal mining and car theft and smuggling. Illicit funds are transferred through Senegalese banks to offshore tax havens.

Real estate purchases and construction financing are often cash-based. Documentation of real estate ownership is scarce and unreliable, while real property transfers are often opaque. Improving the land administration system and mandating registration of all businesses could enhance transparency. Because of little to no oversight of money movements, legal and accounting professionals and the proliferation of NPOs are vulnerable to money laundering.

Unreliable identification mechanisms and the lack of computerized and centralized registers facilitate abuse of weak border controls. The transportation of cash, gold, and other assets through Senegal's international airport and across its porous borders are concerning.

The Senegalese diaspora remit more than \$1.64 billion annually. The widespread use of cash, MVTs, hawaladars, and new payment methods present money laundering vulnerabilities. Mobile payment systems, such as Wari and Joni-Joni, cater to unbanked Senegalese. Wari discontinued its implementation of KYC software due to problems with its platform. Resource constraints prevent effective AML supervision of these entities.

Touba is an autonomous municipality under the jurisdiction of the Mouride religious brotherhood. As the center of a worldwide network of Mouride communities, Touba is the destination for a significant portion of remittances. Wari recorded remittances of \$2 million per day shortly after opening a new service for Touba. These facts, combined with the national government's limited authority in the city, make Touba vulnerable to money laundering.

KEY AML LAWS AND REGULATIONS

Senegal adopted the 2018 AML/CFT law, derived from the West African Economic and Monetary Union (WAEMU) uniform law, and the NRA, with its 2017-2019 action plan. The WAEMU uniform law contains deficiencies with respect to international AML/CFT standards that persist across WAEMU countries, notably on suspicious activity reporting and CDD. Senegalese authorities and financial institutions continue to rely heavily on the Central Bank of West African Countries.

In September 2019, Senegal issued three decrees. The decrees create the National Anti-Money Laundering Committee to strengthen domestic coordination, enhance supervision of DNFBPs, and reorganize the FIU as an autonomous entity.

Legislation introduces the legal concept of beneficial owners, a concept not previously recognized. The government is finalizing a decree to create a registry of beneficial owners of

legal entities. A draft decree to extend new supervision standards to NGOs is currently under consideration.

The United States and Senegal do not have a bilateral MLAT or an extradition treaty. Mutual legal assistance can occur through multilateral law enforcement conventions with applicable provisions or based on domestic law.

Senegal is a member of the GIABA, a FATF-style regional body. Its most recent MER is available at: <http://www.giaba.org/reports/mutual-evaluation/Senegal.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Remaining AML/CFT shortcomings include deficiencies in the full criminalization of terrorist financing, weaknesses in the forfeiture regime, an inadequate criminal code, and the lack of a dedicated asset recovery agency.

Most DNFBPs do not understand their AML/CFT obligations, and their implementation of preventive measures remains weak. The 2018 AML/CFT Law provides for the monitoring and supervision of DNFBPs, but authorities have limited ability to monitor compliance. In the absence of effective oversight, these entities lack the incentive and capacity to fulfill their obligations. Moreover, authorities have limited ability to establish the beneficial ownership of legal persons in a timely manner.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Senegal's legal framework is largely in place; however, opacity and the inability to trace certain transactions adversely impact the implementation of AML/CFT measures. Furthermore, the legal thresholds for cash payments are not always enforced in practice.

The absence of a risk-based approach to AML/CFT supervision prevents efficient allocation of available resources. AML actions are constrained by the absence of a coordination strategy between the investigative services and presiding magistrates. The effectiveness of investigators, prosecutors, and investigating judges is limited by the lack of specialization and training, financial and technical resources, and the clear prioritization of financial crimes. Gaps in the compilation of AML/CFT metrics further restrict the authorities' ability to evaluate the effectiveness of and improve AML efforts.

Successful implementation of the new National Strategy and Action Plan, which covers 2019-2024, is essential to make it effective. Senegal should strengthen the capacity of judicial authorities and AML/CFT investigators.

Sint Maarten

OVERVIEW

Sint Maarten is an autonomous entity within the Kingdom of the Netherlands (Kingdom). The Kingdom retains responsibility for foreign policy and defense, including entering into international conventions, with approval of the local parliament. Sint Maarten has been recognized by the OECD as a jurisdiction that has implemented internationally-agreed tax standards. The law enforcement MOU between the Kingdom and the United States for joint training activities and sharing of information in the area of criminal investigation, law enforcement, and interdicting money laundering operations remains active and includes Sint Maarten.

On November 27, 2019, the CFATF issued a public statement asking its members to consider the risks arising from the deficiencies in Sint Maarten's AML/CFT regime. The statement followed CFATF's acknowledgement that Sint Maarten had not made sufficient progress to fulfill its action plan to address AML deficiencies, including legislative reforms.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Sint Maarten has 12 officially-licensed casinos serving a population of approximately 40,000 persons, up to 30,000 temporary residents, and the nearly two million tourists who visit annually. Some gaming houses have reputations as money laundering centers, albeit not so much for the criminal money of customers, but more for the owners and their contacts. Online gaming is legal, and Sint Maarten has offshore banks and companies.

Traditionally, money laundering occurs through business investments and international tax shelters. Sint Maarten's favorable investment climate and rapid economic growth over the last few decades drew wealthy investors to the island to invest in large-scale real estate developments, including hotels and casinos. Hurricane Irma destroyed many of those real estate developments. The government of Sint Maarten is working with the Netherlands and the World Bank on procuring services for reconstruction efforts. The World Bank's procurement process should mitigate some inherent money laundering vulnerabilities in large-scale government procurement.

KEY AML LAWS AND REGULATIONS

KYC laws cover banks, lawyers, insurance companies, casinos, customs, money remitters, the central bank, trust companies, accountants, car dealers, administrative offices, tax administration, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers.

The government increased the reporting threshold for cash coming into and leaving Sint Maarten to approximately \$14,000 (Netherlands Antillean guilder (Naf.) 25,000) up from the current amount of approximately \$11,000 (Naf. 20,000) and now includes precious metals, jewelry, and rare objects of high value.

The Kingdom may extend international conventions to the autonomous countries. The Kingdom extended to Sint Maarten the application of the 1988 UN Drug Convention in 1999 and the UNTOC in 2010. With the Kingdom's agreement, each autonomous entity can be assigned a status of its own within international or regional organizations subject to the organization's agreement. The individual countries may conclude MOUs in areas in which they have autonomy, if these MOUs do not infringe on the foreign policy of the Kingdom. Sint Maarten is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Sint Maarten is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Sint Maarten has yet to pass and implement legislation to regulate and supervise its casino, lottery, and online gaming sectors in compliance with international standards. In addition, the threshold for conducting CDD in the casino sector does not comply with international standards.

The UNCAC has not yet been extended to Sint Maarten. International regulations on combatting money laundering and the financing of terrorism activities met resistance from Members of Parliament.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The National Ordinance Reporting Unusual Transactions has an "unusual transaction" reporting system. Covered entities are required to file unusual transaction reports with the FIU on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe a transaction relates to money laundering. If, after analysis of an unusual transaction, a strong suspicion of money laundering arises, those suspicious transactions are reported to the public prosecutor's office.

The 1983 MLAT between the Kingdom of the Netherlands and the United States applies to Sint Maarten and is regularly used by U.S. and Sint Maarten law enforcement agencies for international drug trafficking and money laundering investigations. The 2004 U.S.-Netherlands Mutual Legal Assistance Agreement, incorporating specific U.S.-EU provisions, was not extended to Sint Maarten.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest in the Caribbean islands. The seaport and the airport are recovering from the aftermath of 2017's Hurricane Irma. Larger container ships dock their containers at the container facility, where they are picked up by regional feeders to supply the smaller, surrounding islands. Customs and law enforcement authorities are alert for regional smuggling, TBML, and value transfer schemes. In June 2017, Sint Maarten police arrested the port director after an investigation into forgery, money laundering, and tax evasion. This case is ongoing. In February 2019, police arrested another MP after an investigation into corruption, money laundering, and bribery in the construction sector. In June 2019, the court sentenced the airport chief of security to 18 months

and a \$10,000 fine in a case involving accepting of bribes, money laundering, and complicity in violation of the duty to register foreign exchange.

Spain

OVERVIEW

Spain proactively identifies, assesses, and understands its money laundering vulnerabilities and works to mitigate risks. Organized crime groups based in Africa, Latin America, and the former Soviet Union use Spain as a logistical hotspot. Illicit drugs entering Europe from North Africa and South America use Spain as a transshipment point. Spain largely complies with international AML standards and, in general, has updated AML regulations and competent authorities.

The government continues to build on its already strong measures to combat money laundering. In 2018, Spain approved measures to modify its money laundering legislation to comply with the EU's Fourth AML Directive. In November 2019, Spain joined five other EU member states to call for the establishment of a new supervisory authority to lead the bloc's AML efforts as well as updated AML regulations.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Law enforcement authorities have identified a trend of drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities. Despite significant law enforcement efforts, Spain is a transshipment point for the cross-border illicit flows of drugs. Moroccan hashish and Latin American cocaine enter the country and subsequently are distributed and sold in Europe, with some of the resulting proceeds often returned to Spain. Passengers traveling between Spain and Latin America reportedly smuggle sizeable sums of bulk cash in both directions. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia.

The most prominent means of laundering money are through real estate purchases and sales, the use of complex networks of companies and contracts, the exploitation of MVTs, and the use of cash couriers. The major sources of criminal proceeds are drug trafficking, political influence and foreign corruption, organized crime, customs fraud, human trafficking, and trafficking in counterfeit goods. Illicit proceeds are primarily invested in real estate in the coastal areas in the south and east of Spain, but criminal groups also place money in other sectors, including services, communications, automobiles, artwork, and the financial sector.

KEY AML LAWS AND REGULATIONS

Spain's current AML/CFT law entered into force in 2010. All associated implementing regulations entered into force in 2014. The country has comprehensive KYC and STR regulations, and PEPs are subject to enhanced due diligence.

Spain is a member of the FATF. Its most recent MER is available at: <https://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-spain-2014.html>

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Spain is largely compliant with international AML/CFT standards, and one of the most technically advanced jurisdictions in the world. However, Spain can do more to encourage NGOs to use regulated financial channels.

Information about AML fines in Spain is not made available to the public.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Spain has improved the effectiveness of supervision of lawyers, real estate agents, and other non-financial businesses and professions for AML/CFT purposes.

Spain actively investigates and prosecutes money laundering cases, including those involving third-party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success 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 (terms of imprisonment and periods of disbarment) imposed for money laundering offenses is a weakness, as is the judicial system's limited capacity to handle complex money laundering cases in a timely fashion.

In 2019, a court in the southern Spanish region of Andalusia found two former political figures guilty of corruption-related financial crimes in a far-reaching scandal known as the "ERE Case." Named after the Spanish term for a collective dismissal procedure (*expediente de regulación de empleo*), the probe involves allegations of illicit payouts from a financial fund set up by the regional government to help struggling firms make severance payments to laid-off workers. Also in 2019, Europol assisted Spanish law enforcement efforts to break up an international criminal organization that provided large-scale virtual currency money laundering services to other criminal organizations. As part of its investigation, the Spanish Guardia Civil seized assets, froze bank accounts, arrested eight individuals, and charged eight more for involvement in the virtual money laundering ring.

As part of efforts to counter the laundering of illicit funds from Venezuela, Spanish police, in May 2019, raided properties associated with a former Spanish Ambassador to Venezuela as part of an investigation into alleged money laundering of more than \$4.4 million through Venezuelan state-run oil company Petroleum of Venezuela S.A.

Suriname

OVERVIEW

Money laundering in Suriname is linked with transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. Casinos, real estate, foreign exchange companies, car dealerships, and the construction sector remain vulnerable to money laundering due to lax enforcement of regulations, though Suriname's FIU has increased its engagement with DNFBPs. Public corruption also contributes to money laundering. Profits from small-scale gold mining and related industries fuel a thriving informal sector. Much of the money within this sector does not pass through the formal banking system. In Suriname's undeveloped interior, bartering with gold is the norm.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Suriname has an adequate legal framework for more robust AML enforcement, but a lack of coordination, training, and implementation hampers efforts. There are indicators that TBML occurs, generally through the activities of local car dealerships, gold dealers, and currency exchanges (cambios).

Supervision of DNFBPs remains limited. There is no effective supervision of the large casino sector. A new director was appointed in May to take over the inactive gaming board. The Ministry of Justice and Police is currently hiring personnel to carry out these oversight activities and is collaborating with the Gaming Board of Curacao for best practices.

Money laundering may occur in the formal financial sector through banks and cambios, though there is no evidence the sector facilitates the movement of currency from illegal drug sales in the United States. Local drug sales in transit through Suriname are usually conducted in U.S. dollars, which may be deposited domestically.

Goods such as agricultural products, fuel, cigarettes, alcohol, and medicine are smuggled into the country via neighboring Guyana and French Guiana and sold at below-market prices, but there is little evidence to suggest this smuggling is funded by narcotics trafficking or other illicit activity.

KEY AML LAWS AND REGULATIONS

Suriname did not pass or amend AML legislation in 2019. Suriname is drafting amendments to the Disclosure of Unusual Transactions Act to meet international standards. KYC and STR requirements cover banks and credit unions, asset managers, securities brokers and dealers, insurance agents and companies, currency brokers, remitters, exchanges, auditors, accountants, notaries, lawyers, real estate agents, dealers in gold or other precious metals and stones, gaming entities and lotteries, and motor vehicle dealers. The FIU registered 118 new DNFBPs and is taking steps to join the Egmont Group. In March 2019, President Bouterse signed a resolution requiring government agencies to cooperate with the national risk assessment (NRA) process.

In October, the FIU added updated guidelines for reporting unusual transactions/suspicious transactions.

The exchange of records between Suriname and other countries is possible via individual MOUs and mutual legal assistance requests. .

Suriname is a member of the CFATF, a FATF-style regional body. Its most recent MER can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/suriname>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Suriname must complete a NRA.

Suriname has requirements for enhanced due diligence procedures for foreign, but not domestic, PEPs.

Suriname is not a member of the Egmont group. The Government of Suriname is not party to the UNCAC.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The case of the approximately \$21.5 million (€19.5 million) Central Bank of Suriname (CBvS) cash shipment confiscated by Dutch authorities in April 2018 is ongoing. An initial verdict was delivered on December 24, 2019. A court in Holland ruled in favor of the CBvS and ordered the Netherlands' Prosecutors' Office to release the money. The court ruled the CBvS, as sender of the funds, has immunity under international public right and the funds could therefore not be confiscated. Although it was ordered to release the funds, the Prosecutors' Office announced the investigation into money laundering will continue regarding three commercial banks and five cambios. During an initial public hearing, Dutch prosecutors presented documents that suggest Surinamese commercial banks and cambios may have laundered approximately \$82.6 million (€75 million) from 2017-2018. Since the April 2018 seizure, Surinamese banks have instituted rules on identifying the source of large cash deposits and limiting deposits of high-denomination currency. Cambios have begun enforcing proof of identity. To deter cash transactions, banks are promoting wire transactions and have introduced mobile services and increased administrative costs for cash transactions.

With donor assistance, Suriname strengthened reporting and enforcement mechanisms and began work on a NRA. The FIU has continued outreach activities, registration, and inspections of DNFBPs. It is developing further technical skills through training, including a long-term program provided by an international donor. During this period, 1,349 of the over 221,000 STRs led to an investigation, an increase of 347 cases compared with last year but still only a 0.6 percent investigation rate.

From January-October 2019, there was one prosecution for money laundering.

Tajikistan

OVERVIEW

Money laundering associated with Tajikistan's drug trade remains a particular concern. Tajikistan lies on a major drug smuggling route connecting Afghanistan with Russian and Eastern European markets. In addition, a substantial amount of cash entering financial institutions in the country stems from pervasive corruption in Tajikistan, including bribes obtained from the drug trade.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

The main northern drug trafficking route from Afghanistan runs through Tajikistan. A 2018 UNODC report estimates that 42 to 74 tons of heroin left Afghanistan along the northern route annually between 2011 and 2015, much of it transiting Tajikistan. Large drug transshipments generate equally large amounts of cash, which require economic safe havens. Widespread corruption in the country allows criminals to circumvent Tajikistan's money laundering laws – which often meet international standards – with bribes or other in-kind incentives.

Drug smuggling generates substantial amounts of illegal funds in Tajikistan, but it is difficult to identify mechanisms that criminal organizations use to launder these funds. Tajik law enforcement officials believe criminal groups often launder illicit proceeds through Tajikistan's banking sector. Real estate transactions may also serve as mechanisms for laundering money. The popularity of cash transactions in the informal economy also represents a potential vulnerability, although statistics on financial inclusion rates vary considerably.

Rampant corruption and bribery have deterred foreign investment and inhibit the success of local businesses.

There are four established economic free zones in Tajikistan, primarily designated for manufacturing. It is not known what, if any, role the zones play in national or international money laundering.

KEY AML LAWS AND REGULATIONS

In 2018, President Rahmon approved the AML/CFT National Action Plan (NAP) for 2018-2021, which mandates that all relevant government agencies develop their own AML/CFT plans.

The country has a capable legal framework in place to deal with money laundering, including KYC and STR requirements; however, some areas still need attention, such as remittances, which, according to the World Bank, represent 31 percent of Tajikistan's GDP. In 2019, the National Bank of Tajikistan (NBT) established procedures to centralize remittance collection, ostensibly to enhance supervision of the \$2.5 billion remittance market. As a result of the National AML/CFT/Proliferation Financing Strategy passed in 2018, the NBT increased its requests to donors for technical assistance to the Bank's formal AML/CFT training center.

Tajikistan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at: https://eurasiangroup.org/files/uploads/files/MER%20of%20Tajikistan_2.pdf.

On March 29, 2019, President Rahmon signed a resolution codifying the procedure for freezing financial assets or property of individuals and organizations included on the list of persons associated with terrorism. Tajikistan's State Committee for National Security is the designated entity for implementing the new resolution.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Tajikistan could improve AML/CFT oversight of the banking NPO sector. Overall, the government has a poor track record of uncovering money laundering in the private sector. The government also needs to engage non-financial businesses and DNFBPs to improve awareness of money laundering risks and their legal obligations, while promoting a better understanding among decision makers of the risks money laundering poses to society.

The Tajik government and law enforcement authorities have a limited ability to trace and confiscate assets identified in investigations.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

It remains difficult to assess the effectiveness of money laundering investigations in Tajikistan. The NBT's Financial Monitoring Department (FMD) has not yet published statistics about money laundering investigations in 2019. Critics maintain that appeasing the international AML community remains a larger motivator than genuine AML/CFT enforcement.

Tajikistan's FMD acts as the FIU, but is not considered a law enforcement body. The FMD has increased hiring in order to improve supervision and analytics, but would benefit from better training and equipment upgrades. Overall, the FMD has a good understanding of money laundering risks in Tajikistan, and law enforcement authorities note the FMD is effective in international information sharing and provides quality information to law enforcement officials.

Tajik law enforcement has not made money laundering a priority; money laundering charges arise only as an additional element stemming from a predicate offense. It is generally believed law enforcement has a good understanding of the risks of terrorist financing, but has limited understanding of, and dedicates less attention to, money laundering risks.

Tajikistan has the laws and capacity to confront money laundering, but corruption and lack of political will hinder its efforts. The government should take action to reduce corruption by developing and fully implementing a comprehensive anticorruption strategy, which would help deter money laundering.

Tanzania

OVERVIEW

Tanzania is vulnerable to money laundering and financial crimes due to its underdeveloped financial sector and limited capacity to address such criminal activity. Money laundering laws are used as political tools, which dilutes their efficacy in combating crime. Criminal activities with nexuses to money laundering include transnational organized crime, tax evasion, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, and wildlife trafficking. There are Tanzanian links to regional terrorist financing.

In 2019, Tanzania updated its AML regulations to include stricter KYC requirements and requirements for reporting entities to carry out money laundering and terrorist financing risk assessments and enhanced due diligence. In September 2019, Tanzania's central bank, the Bank of Tanzania, fined five commercial banks over \$800,000 for noncompliance with these regulations. Despite high-profile arrests for money laundering, there are very few convictions.

On September 22, 2019, President Magufuli called for "amnesty" for those accused of money laundering and other economic crimes, in exchange for a guilty plea and fines. Tanzania should commit to enforcing money laundering-related laws in an even and transparent manner and continue to build the human and technical capacities of the judiciary, financial supervisors, law enforcement, customs, and tax authorities.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Tanzania's large, porous borders and geographic location present challenges in combating financial crime. The vast majority of Tanzanians work in the informal sector, and thus use cash-based, informal, and nontraditional financial systems. Over the past three years, the Tanzania Revenue Authority (TRA) drastically increased efforts to collect taxes, often using aggressive tactics and levying arbitrary assessments. This has motivated businesses and individuals, especially international traders, to transfer more money outside the formal financial system to avoid taxation. However, criminals exploit these same methods of moving money.

Cross-border trade in used-cars, auto parts, clothing, cosmetics, and smuggled cigarettes and foodstuffs are of particular concern, along with illegal trade in precious minerals and stones. Furthermore, front companies, hawaladars, and currency exchanges are used to launder funds, particularly in Zanzibar. Two busy international seaports and several smaller ports service Tanzania and the region and create opportunities for TBML. Foreign investment in the tourism sector in Zanzibar and real estate in both mainland Tanzania and Zanzibar is also used for money laundering. In April 2019, Tanzania published its national risk assessment (dated December 2016) on money laundering and terrorist financing, covering the period of 2010-2015; the report identifies the same broad sectors outlined in this paragraph as high risk.

KEY AML LAWS AND REGULATIONS

The Government of Tanzania issued new regulations pertaining to money laundering and

financial crime in 2019. The May 24 Anti-Money Laundering (Amendment) Regulations of 2019 introduce stricter STR requirements, KYC identity document requirements, comprehensive CDD, requirements to carry out money laundering and terrorist financing risk assessments, and increased fines for noncompliance. The June 7, 2019 Foreign Exchange Regulations tighten supervision of foreign exchange bureaus and make it more difficult to obtain a license. In November 2019, Parliament passed the Miscellaneous Amendments Bill No. 7, which includes an amendment to the Prevention of Terrorism Act to enable the Minister of Home Affairs to make regulations on the prohibition of terrorism financing. These regulations should be forthcoming in 2020.

Other relevant legislation and regulations include the Criminal Procedure Act, Economic and Organized Crime Control Act, Mutual Legal Assistance in Criminal Matters Act, and Proceeds of Crime Act. The law allows for the execution of foreign mutual legal assistance (MLA) requests and enforcement of foreign forfeiture orders, but still do not provide for asset sharing. Tanzania does not have a formal records-exchange mechanism in place with the United States. However, ongoing cooperation takes place through the Egmont Group.

Zanzibar has its own Anti-Money Laundering and Proceeds of Crime Act and Regulations. Both mainland Tanzania and Zanzibar have KYC and STR regulations, which also carry strict noncompliance penalties.

Tanzania is a member of the ESAAMLG, a FATF-style regional body. Its most recent MER is available at: https://www.esaamlg.org/index.php/Countries/readmore_members/Tanzania.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Tanzania has strengthened its AML regulations, yet deficiencies remain. Policy coordination within the government and consultation with the private sector and stakeholders are weak. Tanzania has yet to establish a database of MLA statistics. Additionally, authorities still have failed to address problems related to non-conviction-based forfeiture. Regulations provide for a risk-based approach (RBA) to CDD requirements; however, reporting institutions largely have yet to implement an RBA. Improvements to legal frameworks on financing terrorism and proliferation, TBML, mobile money, and cryptocurrencies are necessary.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Tanzania has limited capacity to implement money laundering laws and to supervise the banking sector. Tanzania should increase awareness of money laundering issues within the financial, law enforcement, and judicial sectors and allocate the necessary human, technical, and financial resources to update and implement a national AML strategy. Tanzanian authorities must ensure existing AML laws and regulations are enforced and applied in the spirit in which they are intended, not as a political tool, with a focus on convicting criminals engaged in money laundering and financial crime.

Thailand

OVERVIEW

Thailand is emerging as a logistics and financial hub within Southeast Asia. The country's porous borders and uneven law enforcement make it vulnerable to money laundering, drug trafficking, and other categories of transnational crime. Thailand is a source, transit, and destination country for illicit smuggling, 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 informal financial channels.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Funds from various illegal industries are transported across Thailand's four land borders and through airports and seaports. Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of criminal enterprises. Unlicensed and unregulated hawala brokers serve Middle Eastern travelers by transferring money through their own honor-based channels rather than formal financial instruments. Unregulated Thai and Chinese remittance systems are also prevalent.

KEY AML LAWS AND REGULATIONS

Thailand's Anti-Money Laundering Act (AMLA) has been amended several times since its initial passage in 1999, broadening the overall scope of criminal liability and increasing powers to conduct investigations and make seizures. Tax offenses, terrorism, and proliferation are money laundering predicate offenses.

AMLA Section 22 includes KYC and STR requirements. The Anti-Money Laundering Office (AMLO) acts as the country's FIU. It is responsible for supervision of all reporting entities and is the key AML/CFT enforcement agency. Financial institutions are required to keep customer identification and financial transaction data for five years from termination of relationship. They must also keep due diligence records for ten years. Penalties for violating reporting requirements can include potential asset seizure.

Thailand has varying reporting requirements for the import and export of currency. At airports, amounts exceeding approximately \$15,000 (450,000 Thai baht) must be declared to Customs. Approval from the Bank of Thailand is required to take Thai currency (cash) in amounts exceeding approximately \$1,700 (50,000 Thai baht) out of the country. The threshold is higher at approximately \$61,500 (2 million Thai baht) for Thai currency destined for Cambodia, Laos, Burma, Vietnam, Malaysia, and China's Yunnan province. For fund transfers to commercial banks, foreign (non-Thai) currency can be transferred into Thailand without limit. However, the deposit must be transferred into an authorized bank and either be exchanged into Thai baht or held in a foreign currency account.

In March 2018, Thailand issued the Digital Asset Business Decree to regulate the offering of digital assets and bring the operations of crypto exchanges and intermediaries under the supervision of the Thai Securities and Exchange Commission (SEC). In May 2018, the SEC issued a decree regarding digital assets business operators. The royal decree covers cryptocurrencies, digital tokens, and any other electronic data unit, as specified by the SEC. Exchanges, brokers and dealers are required to apply for licenses from the Finance Ministry, and the SEC must approve initial coin offering portals. The SEC is considering amendments to the May decree.

Thailand is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.apgml.org/documents/search-results.aspx?keywords=thailand>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Thailand has numerous unlicensed, unregulated informal remittance systems. The AMLA's compliance regime should be applied more strictly to these money service businesses to deter their use as money laundering vehicles.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Operationally, Thai government authorities continue to utilize the AML regime to focus on non-conviction-based asset seizure and forfeiture, as well as criminal enforcement. The AMLO is effective in fighting money laundering and can operate in conjunction with, or independently from, other law enforcement bodies. The AMLO has exercised its authority to seize assets in a number of suspected human trafficking cases. From January to October 2019, there were 138 prosecutions and 136 convictions. In 2018, there were 195 prosecutions and 164 convictions.

The United States and Thailand have a MLAT in place. Thailand actively shares information with international partners, including the United States, through the Egmont Group process. Thailand has some difficulty sharing information with jurisdictions that require separate MOUs outside of the Egmont Group.

Trinidad and Tobago

OVERVIEW

Trinidad and Tobago's geographic location in the Southern Caribbean, developed financial systems, and its use by criminal organizations as a transshipment point for narcotics and other illicit goods make it vulnerable to money laundering.

In November 2017, Trinidad and Tobago developed an action plan to address deficiencies in its AML regime noted by international experts. Throughout 2019, Trinidad and Tobago continued to make progress on this action plan.

Trinidad and Tobago continued efforts to strengthen its legislative, law enforcement, and judicial

capacities to enforce its AML regime. As a result, four persons were convicted or pled guilty for money laundering offenses after many years without a successful prosecution. However, vulnerabilities related to the country's slow judicial system, prevalence of drug trafficking, corruption, and illegal gaming are reasons for concern. Sustained political will, continued legislative and institutional reforms, including full implementation of laws and regulations, and adequate resources to detect, investigate, and prosecute money laundering-related offenses, are needed to ensure the proper enforcement of Trinidad and Tobago's AML regime.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Due to the country's proximity to Venezuela and its position as a regional hub for commercial air and shipping, criminal organizations use Trinidad and Tobago for the transshipment of narcotics and other illicit goods, creating significant monetary flows through the country. The country's relative wealth and well developed financial sector increase the risk of money laundering. Along with proceeds from illicit trafficking, fraud, tax evasion, corruption, and illegal gaming are among the most common sources of laundered funds. There are indications that persons commingle funds between personal and business accounts or use remittance services, gaming institutions, and commercial and retail businesses to launder funds.

Although public casinos and online gaming are illegal, "private members' clubs," which operate as casinos and move large amounts of cash, exist throughout the country. Illegal lottery operations, which mirror the country's legal lottery, but whose payouts are untaxed, are also rampant.

There are FTZs in Trinidad and Tobago, but the 15 companies operating in these zones produce less than 10 percent of total exports. Trinidad and Tobago does not have an offshore banking sector, nor an economic citizenship program. Regulators have noted an increasing use of virtual currencies, but they remain unregulated.

KEY AML LAWS AND REGULATIONS

Trinidad and Tobago has comprehensive CDD and STR regulations and requires enhanced due diligence for PEPs.

Trinidad and Tobago passed legislation in 2019 regulating NPOs, including subjecting NPOs to oversight by the country's FIU. Trinidad and Tobago also passed legislation to allow for non-conviction-based asset recovery and "unexplained wealth" orders, though a new agency must first be created before civil asset recovery is fully operational. The country also passed amendments to its Companies Act, improving the adequacy and accuracy of beneficial ownership information.

Trinidad and Tobago is party to a MLAT with the United States. In 2019, the government issued a regulation to prioritize all requests for mutual legal assistance.

Trinidad and Tobago is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/member-countries/trinidad-and-tobago>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Criminal prosecutions take years, sometimes over a decade, to be resolved, and successful prosecutions of money laundering cases, while increasing, are still rare. The lack of timely prosecutions has a corrosive impact on AML efforts and encourages others to engage in financial crimes.

The current government has passed several laws, including the introduction in 2019 of plea bargaining and judge-only trials, created new courts, and improved technology to reform the justice system and reduce the time needed to dispose of criminal cases. Proper implementation of these changes will take time and sustained political will and resources.

While Trinidad and Tobago's parliament approved amendments to the country's public procurement laws in 2017, those changes are still not fully implemented. Legislation to more comprehensively regulate the gaming industry remains pending despite government statements in late 2018 that a law first introduced in 2016 would be passed and implemented in 2019.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2017, Trinidad and Tobago made a high-level political commitment to strengthen the effectiveness of its AML regime and address identified deficiencies. In 2019, Trinidad and Tobago continued to make progress on its action plan, subject to the sustained implementation of the reforms.

As part of a broader restructuring, the Trinidad and Tobago Police Service merged several units into a Financial Crimes Division. Money laundering charges increased year-over-year. Through August 2019, 17 persons were charged for money laundering offenses and four persons were convicted or pled guilty, the first such successful prosecutions for money laundering in several years.

Turkey

OVERVIEW

Turkey's strategic location between Europe and Asia, its significant trade with both continents and with the United States, and its commercial relationships and geographical proximity to politically turbulent and undemocratic countries make Turkey vulnerable to illicit finance risks. Recent conflicts on Turkey's southern border have also increased illicit finance risks. Turkey is a hub for licensed and unlicensed money remitters, many of which serve the approximately 4 million refugees in Turkey. To confront illicit finance risks, Turkey's criminalization of money laundering and its legal authority for asset forfeiture are in line with international standards; however, Turkey continues to have few effective money laundering prosecutions and forfeiture actions. Most forfeiture is focused on a group that poses a political threat to the ruling party.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

As a gateway to Europe, Turkey is part of the Balkan drug trafficking route used to smuggle illegal opiates from Afghanistan through Iran into Western and Central Europe. It also is a conduit for smuggling weapons into Syria, smuggling migrants out of Syria, and human trafficking. In 2019, Turkish authorities reported uncovering the largest human smuggling ring in Europe. Authorities also cite alcohol, fuel, and tobacco smuggling as money laundering predicate crimes. According to U.S. law enforcement, Turkey is a destination for illicit proceeds from cyberfraud perpetrated in the United States. In 2019, Türkiye Halk Bankası (Halkbank), a majority state-owned bank in Turkey, was indicted in the United States on charges of fraud, money laundering, and participation in a multibillion-dollar scheme to evade U.S. sanctions on Iran.

Front companies and shell companies are misused to disguise illicit proceeds as legitimate income. Individuals and businesses operate as unlicensed money remitters, using their bank accounts to move illicit proceeds through the financial system. Unlicensed money remitters also move cash in bulk into and out of Turkey. Turkish authorities note illicit proceeds are used to acquire real estate and precious metals and stones.

In 2018, Turkey lowered the requirements for citizenship to a \$500,000 investment, real estate purchase of \$250,000, or the generation of jobs for at least 50 people. The government has offices in Istanbul and Ankara to streamline the approval process for investors.

KEY AML LAWS AND REGULATIONS

Turkey's criminalization of money laundering and legal authority for asset forfeiture are largely in line with international standards. Turkish legislation requires AML programs and procedures and mandates CDD and the filing of STRs.

The Turkish FIU, the Financial Crimes Investigation Board (MASAK), is the AML regulatory and supervisory authority. MASAK relies on the prudential regulatory and supervisory authorities for onsite examinations, primarily the Banking Regulation and Supervision Agency (BRSA), which is responsible for examining all domestic and foreign banks operating in Turkey, money remitters, and most other financial services providers. BRSA looks to MASAK to set AML examination priorities.

Turkey is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Turkey-2019.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

International experts recommend Turkey address the lack of coordination of policies and actions. There is no centralized government AML policy to be implemented across all stakeholders using a risk-based approach.

Turkey completed a money laundering risk assessment in 2018, but it is not publicly available and its impact on AML strategies and policies under development is unknown.

There is no specific reference in the AML regulations regarding PEPs, who often present a heightened money laundering risk, and no obligation on financial institutions to conduct enhanced due diligence when doing business with foreign or domestic PEPs. The concept of trusts does not exist in Turkish law, and there is no guidance to financial institutions on collecting basic and beneficial ownership information from professional trustees providing services to foreign trusts and other similar arrangements.

Turkey's nonprofit sector is not regularly audited for money laundering activity and does not receive adequate AML guidance from the government, although Turkey has recently published a risk assessment and conducted an ad hoc audit of a limited subset of the highest risk NGOs. There is an insufficient number of auditors to cover the more than 110,000 NPOs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Although Turkey's legislative and regulatory framework for addressing money laundering generally meets international standards, Turkey lacks the capacity to effectively identify, investigate, and prosecute significant numbers of money laundering allegations. There were 365,000 STRs filed with MASAK between 2013 and 2017, yet MASAK referred only 135 to the public prosecutor's office for investigation, none of which involved allegations of professional (or third party) money laundering. Of the 135 referrals, only 11 resulted in a money laundering conviction.

Between 2013 and 2018 there were almost 290,000 criminal investigations involving predicate crimes for money laundering. But for every 1,000 predicate crime investigations, there was less than one money laundering investigation. Less than one third of these investigations led to a prosecution and of those only 12 percent resulted in a conviction.

The U.S. DEA, as part of a drug trafficking investigation in 2019, provided information to Turkish law enforcement authorities that would have enabled them to pursue potential drug trafficking or money laundering investigations in Turkey on their own or jointly with DEA. Turkish law enforcement authorities were not receptive to U.S. Government efforts to work with Turkey to open investigations.

Turkey does not have asset sharing provisions as part of its forfeiture laws.

Turkmenistan

OVERVIEW

Turkmenistan is not a regional financial center. There are five international banks and a small, underdeveloped domestic financial sector. The largest state banks include the State Bank for Foreign Economic Relations, Dayhanbank, Turkmenbashi Bank, Turkmenistan Bank, and Halk

Bank. There are two smaller state banks, Senagat Bank, which provides general banking services, and Rysgal Bank, which was created by the Union of Entrepreneurs and Industrialists for its members. There are also five foreign commercial banks: a joint Turkmen-Turkish bank, a branch of the National Bank of Pakistan, the German Deutsche Bank and Commerzbank, and Saderat Bank of Iran. The two German banks provide European bank guarantees for companies and the Government of Turkmenistan; they do not provide general banking services. The country's significant mineral and hydrocarbon exports are paid for through offshore accounts with little public scrutiny or accounting. Since the government introduced numerous limitations on foreign currency exchange in 2016, converting local currency (manat) into foreign currency has become very difficult.

Turkmenistan's FIU, the Financial Monitoring Service, officially became a member of the Egmont Group on July 3, 2019.

Over the last few years, the government has taken positive steps to combat money laundering and corruption, but lack of government transparency in Turkmenistan makes it extremely difficult to get information and data on money laundering, including efforts to combat money laundering through law enforcement investigations. There is a need for capacity building for law enforcement, customs, and border authorities in order to better recognize and combat money laundering, and the government should proceed with reforms to bring Turkmenistan's laws and regulation in line with international standards.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Given Turkmenistan's shared borders with Afghanistan and Iran, money laundering in the country could involve proceeds from the trafficking and trade of illicit narcotics, as well as those derived from domestic criminal activities, including corruption. There is no information on cash smuggling; however, gasoline, tobacco products and cigarettes, and other commodities are routinely smuggled across the national borders.

There are no offshore centers in the country, although much Turkmen wealth is kept offshore. The government reportedly is working to address this issue. In 2007, Turkmenistan created the Awaza Tourist Zone (ATZ) to promote development of its Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt.

KEY AML LAWS AND REGULATIONS

Over the last few years, the government has taken positive steps to combat money laundering and corruption. On June 2, 2017, the President created the State Service for Combating Economic Crimes in order to analyze corruption and investigate and prevent crimes involving economic and financial damage to the state, although its level of effectiveness remains in question. The government also continues to pursue international cooperation to curb offshore tax evasion.

On August 18, 2015, the Turkmen Parliament adopted a new AML/CFT law that came into effect on January 1, 2016. The law is intended to address international cooperation and noted deficiencies regarding due diligence procedures for DNFBPs and PEPs, among other items. Turkmenistan has KYC and STR regulations.

Turkmenistan is a member of the EAG, a FATF-style regional body. Its most recent mutual evaluation report can be found at: <https://eurasiangroup.org/en/mutual-evaluation-reports>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The lack of government transparency makes it extremely difficult to get information on money laundering, and there have been no reports of prosecutions or convictions for money laundering for the last several years.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Turkmenistan's Inter-Agency Coordination Working Committee for Combating Money Laundering and Terrorism Financing operates under the Ministry of Finance.

Government agencies transitioned to National Financial Reporting Standards in January 2014. Although Turkmenistan's law requires banks to use the International Financial Reporting Standards, which were implemented in 2012, not all banks have done so.

Turkmenistan's legal system provides protection and exemption from liability for financial institutions filing STRs with the FIU and sets limitations on the disclosure of information financial institutions obtain in performing their AML obligations.

Serious enforcement efforts are necessary in order to combat money laundering, and the government should accelerate reforms that will make Turkmenistan's AML regime compliant with international standards. Additionally, there is a need for capacity building for law enforcement, customs, and border authorities in order to better recognize and combat money laundering.

In 2019, international donors conducted training for specialists in the Ministry of Finance and Economy of Turkmenistan on the topic of preventing money laundering and a seminar in Ashgabat on best practices in AML/CFT in the area of DNFBPs.

Ukraine

OVERVIEW

Money laundering remains a significant problem in Ukraine. The authorities made little progress in 2019, though the passage of new AML legislation is pending.

Corruption is the primary source of laundered funds. Launderers register as ultimate beneficial owners under aliases and integrate laundered money into legal businesses. Ineffective state institutions and an ineffective criminal justice system continue to allow criminal proceeds to go undetected. Although authorities are aware of the seriousness of the problem and are implementing measures to address it, law enforcement rarely targets large-scale corruption-related money laundering.

The ongoing major reform of the Ukrainian prosecution authority appears to be a major step toward effective criminal enforcement. While the National Anti-corruption Bureau (NABU), working with the Office of the Prosecutor General (OPG) and Specialized Anti-corruption Prosecution Office (SAPO), has made significant progress in pursuing cases against high-ranking officials in a relatively short period of time, the newly-established High Anti-Corruption Court is only beginning to consider the cases.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Because of its geographic location, Ukraine remains a transit country for drugs and other contraband trafficked from eastern countries through areas of Ukraine controlled by Russia-led forces to western and central Europe. Transnational organized crime (TOC) syndicates utilize Ukraine as a transit country to launder illicit profits, routinely routing transactions through offshore tax havens. Ukraine's large shadow economy and use of cash represent significant vulnerabilities. Corruption enables and exacerbates money laundering.

Sources of illicit proceeds include tax evasion; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; and cybercrime. Illicit proceeds are laundered through real estate, insurance, financial and non-financial institutions, shell companies, fictitious entrepreneurship, and bulk cash smuggling. Schemes involve financial instruments such as liquid and illiquid securities, lending and deposit transactions, and fictitious contracts.

Casinos and gaming enterprises are prohibited in Ukraine. Despite the prohibition, there is a flourishing market of underground gaming (often disguised as national lottery offices, which are legal).

KEY AML LAWS AND REGULATIONS

In fall 2019, Ukraine's parliament began considering a new bill (No. 2179) to bring Ukraine's AML/CFT framework in line with EU legislation. The new bill would mandate a risk-based approach; raise the reporting threshold for financial transactions to more than approximately \$12,500 (300,000 Ukrainian hryvnia); add tax consultants as covered entities; improve disclosure of beneficial owners; introduce new asset freezing tools; and require information on money transfer originators and recipients.

The State Financial Monitoring Service (SFMS), Ukraine's FIU, published Ukraine's first money laundering/terrorist financing national risk assessment (NRA) in 2018. The SFMS is completing the second NRA.

The National Bank of Ukraine posted its annual bank inspection plan on its official website for the first time in 2019. Inspections follow a risk-based approach.

Ukraine and the United States have an MLAT. Although the United States and Ukraine do not have a bilateral extradition treaty, Ukraine may extradite non-Ukrainian nationals to the United States pursuant to its domestic extradition law.

Ukraine is a member of MONEYVAL, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-ukraine-2017.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Under existing AML/CFT law, agents acting on behalf of others are neither obligated to file STRs nor liable for failing to report. The law also allows PEPs to be de-listed three years after leaving public office, which is inconsistent with international standards.

Ukraine should more effectively regulate its gaming industry and examine how gaming is used to launder money. A draft bill to regulate gaming was registered in Parliament in October 2019.

While pre-trial investigations for money laundering cases are sometimes opened without a conviction for the predicate offense, many legal professionals still widely assume a conviction for a predicate offense is essential before a money laundering case can be prosecuted.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Ukraine has made significant progress in addressing regulatory gaps involving financial institutions, but limited progress in addressing other identified technical compliance deficiencies. Supervisory authorities, other than the banking and securities supervisors, often appear unable or unwilling to verify whether covered entities are beneficially owned or controlled by criminal elements or their associates.

Although the SFMS produces high-quality financial intelligence, its work is hindered by an ever-increasing workload, antiquated IT system, low staffing levels, and low wages. The NABU and SAPO are taking actions against current senior PEPs for corruption. More training and resources are needed to develop financial investigative capacity in law enforcement, generally.

According to the OPG, for nine months in 2019, 95 cases of non-drug-related money laundering submitted to courts resulted in 12 convictions as of year end 2019. With the reforms of the prosecution service and the establishment of the new Special Investigation Bureau, Ukraine should be able to more thoroughly address the significant amounts of money flowing through its economy related to cybercrime and TOC activities.

Ukraine needs to deploy the necessary resources to implement its comprehensive forfeiture legislation and confiscate property under the law. Little is known about how many final asset confiscation orders have been issued and what has been forfeited. Reportedly, approximately

\$1.5 billion in Yanukovych-era assets have been seized, although under the prior administration these actions were considered secret and the actual status of the forfeitures is unclear. The Asset Recovery Management Agency (ARMA) is not yet fully functioning as designed. In its first few years, ARMA has experienced serious challenges, especially in managing complex assets. A comprehensive asset tracking system should be an urgent priority to ensure transparency and accountability.

United Arab Emirates

OVERVIEW

The United Arab Emirates (UAE) is a regional hub for trade and financial activity that has aggressively expanded its financial services business. Illicit actors may take advantage of the open business environment, multitude of global banks, exchange houses, and global transportation links to engage in unlawful financial activity. Additionally, the several overlapping and distinct jurisdictional regimes for supervision and enforcement across the seven Emirates, federal system, and commercial and financial free zones create exposure to regulatory arbitrage.

In recent years, the government has taken some steps to enhance its AML/CFT program. However, the relevant authorities need to streamline internal mechanisms to improve the interagency decision-making process. Additionally, the UAE should work to enhance efforts to investigate money laundering and terrorist financing and take proactive steps to implement and enforce its laws.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

A portion of the UAE's money laundering activity is likely related to its role as a transshipment point for illegal narcotics, and as a pass-through for proceeds of drug sales. Funds are laundered primarily through banks, MVTs (including hawala), dealers in precious metals and stones, and real estate. The numerous exchange houses, hawaladars, and general trading companies lead to the potential for increased bulk cash smuggling, TBML, abuse of corporate structures, laundering of proceeds of foreign predicates, and transfer of funds for illicit activity elsewhere.

Domestic public corruption contributes little, if anything, to money laundering.

The UAE has an extensive offshore sector, including two financial free zones (FFZs) and more than 37 FTZs. The FTZs contain over 5,000 multinational companies and thousands more individual trading companies. FTZ companies are offshore or foreign entities for legal purposes. Though UAE law prohibits shell companies and trusts, FTZs present a significant gap in regulatory oversight. FTZs benefit from special tax, customs, and import regimes and are governed by their own regulatory framework. FTZs are a permissive environment for unidentified, unregulated, or unsupervised financial entities to operate. UAE authorities have limited ability to regulate financial activity in the myriad zones. Until recently, the Financial Intelligence Unit (FIU), formerly the Anti-Money Laundering Suspicious Cases Unit, of the

Central Bank of the UAE (CBUAE), was not empowered to do anything, and it still lacks capacity and staff, thus the effectiveness of monitoring STR reporting by covered entities in the zones is questionable.

KEY AML LAWS AND REGULATIONS

The UAE's AML legislation permits the CBUAE to temporarily freeze the accounts of suspicious institutions or individuals, though the permanent freezing of accounts requires a judicial decree. Though the UAE has CDD and STR regulations in place, implementation is lacking.

In 2019, the UAE cabinet issued Decision No. 10, which implements Federal Decree No. 20 of 2018 (AML Law). It allows the government to undertake risk assessments and compliance investigations of domestic financial institutions and provides for administrative penalties for violations of the law.

In 2019, the CBUAE issued a circular to clarify that registered hawala providers must strictly comply with the AML Law and follow international AML/CFT standards. On June 13, 2019, the CBUAE issued decision No. 59/4/2019, stipulating the CBUAE shall supervise and examine financial institutions periodically, without prior notice, to verify their compliance with relevant laws and regulations. The decision also states CBUAE can request all information required for verifications.

Other stakeholders also enhanced AML/CFT safeguards during 2019. In April, Abu Dhabi Global Market, Abu Dhabi's FFZ, amended its regulatory framework to generally align its AML framework with the AML Law; and in May, the UAE Securities and Commodities Authority issued AML/CFT legislation to allow for inspections of financial institutions at any time.

The UAE does not have an MLAT or bilateral extradition treaty with the United States. However, the UAE is a party to several multilateral law enforcement conventions with mutual legal assistance provisions. As of late 2019, the UAE and United States are negotiating an MLAT.

The UAE is a member of the MENAFATF, a FATF-style regional body. Its most recent MER is available at: <http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-united-arab-emirates>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The UAE's role as an international financial center and commercial hub presents systemic vulnerabilities, and illicit actors can exploit a fragmented and uneven federal regulatory and enforcement regime. These vulnerabilities are most apparent throughout the vast exchange house sector, hawalas, and unlicensed money transmitters, often operating under the guise of general trading companies. These areas, along with the monitoring and enforcement of bulk cash flows, should be more tightly regulated under a centralized framework. The UAE could

strengthen oversight by publicly releasing metrics on money laundering and terrorist financing prosecutions and convictions.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The government continues to take steps to enhance its AML/CFT framework. In 2019, the FIU launched a new AML reporting platform designed to gather and analyze financial intelligence submitted by reporting entities. The FIU asked all financial entities to register on this system by the end of June 2019.

The UAE is showing some progress in its ability to investigate suspected money laundering, although several areas of AML/CFT implementation and enforcement require further action. Law enforcement at the emirate level and the federal security services should enhance their efforts, and resources for the FIU should be increased. Proactively developing money laundering cases and establishing appropriate asset forfeiture procedures would strengthen the local enforcement regime. Additionally, officials should conduct more inquiries into large, cross-border cash flows.

United Kingdom

OVERVIEW

The UK plays a leading role in European and world finance and remains one of the strongest global actors in combatting illicit finance. Money laundering presents a significant risk to the UK because of the size, sophistication, and reputation of its financial and real estate markets. UK law enforcement combats cash-based money laundering, the drug trade, and high-end money laundering through the financial sector and professional services. In July 2019, the UK published its Economic Crime Plan, which describes public and private sector actions over the next three years to protect the UK against economic crime. The UK should follow through on plans to strengthen the capabilities of the FIU, reduce inconsistencies in the supervisory regime, and increase its international reach to tackle money laundering.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Cash-based and high-end money laundering remain the greatest areas of risk to the UK. The main methods of laundering are cash collection networks, international controllers, and MSBs. Professional services are a gateway for criminals to disguise the origins of funds using legal, accountancy, and company service providers to set up corporate structures for money laundering purposes.

Intelligence gaps persist, particularly in relation to high-end money laundering, where the proceeds are held in complex trading arrangements, real estate, or other investments rather than cash. This type of laundering is often used to launder the proceeds of major frauds and foreign corruption. UK law enforcement agencies have taken steps to fill these gaps, leading to a better understanding of the risk.

KEY AML LAWS AND REGULATIONS

The UK published a national money laundering/terrorist financing risk assessment in 2017 and will update it in 2020.

Money laundering is criminalized using an “all crimes” approach to predicate crimes. New tools, such as unexplained wealth orders (UWOs), are being used to identify and recover assets linked to corruption and other serious offenses. The UK has a comprehensive AML regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK will revise its AML regulations early in 2020 to implement the EU’s Fifth Money Laundering Directive. Key changes will include improving access to beneficial ownership information and including virtual assets in the scope of regulations. The Sanctions and Anti-Money Laundering Act 2018 provides the legislative basis for the UK’s AML regulatory regime should the UK leave the EU.

The UK has led globally in the push for beneficial ownership transparency and has implemented registers containing information about the persons who ultimately own or control UK assets, including companies, properties and land, and trusts. The company register is public and has served as a model, but verification of the information remains a challenge. The UK Overseas Territories and Crown Dependencies are not as advanced in having requirements to collect information on beneficial ownership, and the UK is addressing this gap. The UK exchanges information about potential shell companies suspected of being misused for money laundering purposes with foreign law enforcement and other authorities.

There are 25 AML supervisors of financial institutions and DNFBPs in the UK, ranging from public sector statutory organizations to professional bodies. The UK has a mandatory reporting process for supervisors. The government maintains the Office for Professional Body AML Supervision to share best practices and ensure effective supervision.

The UK is a member of the FATF. Its most recent MER is available at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-United-Kingdom-2018.pdf>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

The AML legal framework in the UK is particularly strong. International experts have identified areas in need of significant improvement, including the FIU’s insufficient resources and limited role, weaknesses in the STR regime, and measures related to correspondent banking. Other improvements in risk-based supervision and the implementation of AML measures within the private sector are needed.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2017, there were 4,925 prosecutions and 3,474 convictions for money laundering-related offenses in England and Wales. Money laundering was not the primary offense in all cases. Statistics for 2018 and for Scotland and Northern Ireland are not available. UK legislation provides for both conviction- and non-conviction-based confiscation. The UK maintains a

publicly accessible register of company beneficial ownership information. Companies that do not provide information are subject to penalties.

The UK is increasingly employing UWOs to require persons suspected of having links to serious crime and non-European Economic Area PEPs suspected of corruption to explain how they lawfully acquired their assets. To date, 15 UWOs covering four investigations have been secured.

In 2018, the UK established the National Economic Crime Centre (NECC) to plan, task, and coordinate responses to economic crime across government agencies. The NECC works with other bodies, including the National Crime Agency's national intelligence capabilities, to understand the threat and ensure intelligence-supported intervention and investigations. The NECC draws on support of operational partners across law enforcement, the private sector, and internationally.

The UK has been a leader in multilateral discussions and implementation of international asset recovery efforts in regard to proceeds of high-level corruption, often in collaboration with the United States. In July 2019, the United States and UK established a Strategic Dialogue on Illicit Finance to facilitate strategic and operationally-focused discussions between the United States and UK, on an interagency basis, to combat money laundering cooperatively.

Uzbekistan

OVERVIEW

The effectiveness of Uzbekistan's efforts to comply with international AML/CFT standards is hindered by corruption, the susceptibility of law enforcement to political influence, and the ease with which well-connected individuals bypass existing AML regulations. The government has made some improvements in legislation, but its refusal to share data regarding prosecutions makes judging progress difficult, with the best guess that the overall trend is largely one of staying in place.

Key recommendations include increasing transparency regarding AML/CFT data and statistics, reducing turnover in key technical positions, improving implementation and enforcement of laws related to public disclosure, and lowering the barriers to working-level cooperation with international partners.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Major sources of illicit proceeds in Uzbekistan include smuggling, corruption, and narcotics trafficking. UNODC reports illicit funds transit Central Asia through traditional bank or money exchange transfers, basic barter of opiates for goods (mainly cars), and informal money transfer systems like hawala. Other risks include Uzbekistan's predominantly cash economy and large remittances transferred by migrant workers abroad.

Legal entities are often registered offshore to facilitate tax evasion and conceal beneficial owners' identities. Uzbekistan's high import tariffs and customs clearance costs are conducive to the development of a black market with growing volumes of smuggled and counterfeit goods.

The construction sector is recognized by the government as one of the sectors most prone to corruption and money laundering, with more than 250 construction-related criminal cases initiated and 318 people prosecuted over the first nine months of 2019.

The development of electronic banking, pre-paid cards, and virtual currencies have increased the difficulty of monitoring illicit financial flows, particularly as law enforcement and security specialists do not possess sufficient skills to combat money laundering crimes in cyberspace.

KEY AML LAWS AND REGULATIONS

Uzbekistan adopted a three-year anticorruption program in 2019 that includes plans to introduce asset and income declaration for some civil servants and family members, to increase wages for public officials, to improve a conflict-of-interest resolution mechanism, and to establish responsibilities for public employees in complying with AML policies.

The Law on Combating Legalization of Proceeds Obtained through Crime and Financing of Terrorism enacts KYC and STR regulations. The law was updated on January 15, 2019 to require financial entities to conduct and record annual assessments of risks related to money laundering, financing of terrorism, and weapons of mass destruction, and to take appropriate measures to reduce identified risks. Also on January 15, the government amended the Law on Bank Secrecy by granting the Prosecutor General's Office (PGO) the right to receive otherwise-protected banking information in the course of AML/CFT investigations. Current legislation requires disclosure of beneficial ownership and enhanced due diligence for PEPs, though well-connected individuals often avoid such requirements.

The Interdepartmental Commission on Countering the Legalization of Proceeds from Crimes and Terrorism Financing coordinates national risk assessments and develops recommendations for the further development and strengthening of the national AML system.

While Uzbekistan has bilateral AML cooperation arrangements with more than 15 countries, its MOUs with individual U.S. law enforcement bodies are largely dormant.

The United States does not have a bilateral agreement on mutual legal assistance, though Uzbekistan has expressed interest in such a treaty. Uzbekistan is a signatory to relevant multilateral law enforcement conventions that have provisions enabling law enforcement cooperation with the United States and other parties to the conventions.

Uzbekistan is a member of the EAG, a FATF-style regional body. Its most recent MER is available at:

https://eurasiangroup.org/files/uploads/files/other_docs/ME/01.%20Mutual%20Evaluation%20Report%20on%20AMLCFT%20-%202010.pdf

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Bank examiners and law enforcement agents lack expertise in detecting illicit money flows and are constrained by the lack of cross-border cooperation.

Current legislation does not include provisions on criminal liability for legal persons nor does it criminalize illicit enrichment. Existing mechanisms for confiscation of assets are limited; the government is considering various models to expand such authority.

Government officials are required to disclose income earned outside of public employment, but such information is not publicly disclosed. The government has not yet adopted draft legislation on asset declaration by civil servants despite plans to do so.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Frequent turnover of government officials delays AML/CFT policy implementation and undermines capacity-building efforts. The government's main anticorruption focal point, the PGO's Department of Combatting Economic Crimes, is understaffed, with limited technical and analytical capacity. The government largely refuses to share information related to AML/CFT prosecutions. Government prosecutors are also under pressure to avoid investigating politically influential individuals.

Uzbekistan has made some progress in improving its AML/CFT legislation, and law enforcement authorities generally express interest in receiving additional technical training from international donors. AML/CFT training by international donors to the FIU and other government officials from entities with AML/CFT mandates is ongoing.

A general aversion to sharing sensitive information has prevented Uzbekistan from tangible cooperation with the U.S. government on AML/CFT matters and drug trafficking.

Venezuela

OVERVIEW

Venezuela is characterized by rampant illicit financial activity and endemic public corruption. The situation continued to worsen throughout 2019, particularly as the illegitimate regime refused to cede power to Interim President Juan Guaidó, who assumed his role on January 23, 2019. Nicolás Maduro and his regime rely on illicit activities – money laundering, drug trafficking, illegal mining, fraud, and public corruption – to fund their illegitimate rule. Venezuela's proximity to drug-producing countries and its status as a significant drug transit country, combined with practically nonexistent AML supervision, enforcement, and international cooperation, make for a jurisdiction riddled with money laundering and financial crimes. In 2019, in response to the deep economic crisis caused by its mismanagement, the regime relaxed foreign exchange controls, as well as price and import controls, leading to the rapid dollarization of the country and availability of goods for those who have dollars. However, the economy

remains deeply unstable and hyperinflated, which is driving a complex humanitarian crisis. The dollarization of the economy and sudden increase in 2019 of the availability of cash dollars also raise concern regarding the source of so much cash and who has access. A robust black market continues to function in the porous border regions of Venezuela and Colombia, and to some extent Brazil, with the smuggling of gasoline.

On May 3, 2019, FinCEN issued an Updated Advisory on Widespread Public Corruption in Venezuela, which states the former Maduro regime has engaged in massive corruption through state-owned enterprises and offshore third-parties – money stolen from the Venezuelan people – contributing to the dire humanitarian situation in Venezuela. FinCEN assesses that all Venezuelan regime agencies and bodies appear vulnerable to public corruption, money laundering, and other financial crimes, and the illegitimate Maduro regime uses its control of the economy to generate significant wealth for senior political figures and associates. On August 5, 2019, President Trump signed Executive Order 13884, “Blocking Property of the Government of Venezuela,” to address the continued usurpation of power by Maduro and persons affiliated with him, as well as human rights abuses and ongoing attempts to undermine Interim President Guaidó and the Venezuelan national assembly’s exercise of legitimate authority in Venezuela.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Money laundering is widespread in Venezuela, including through government currency exchanges, the petroleum industry, illegal mining, government contracts, and to a lesser extent, through commercial banks, gaming, real estate, agriculture, livestock, and securities. TBML remains common and profitable. Press reporting indicates hundreds of millions of dollars of gold and other metals were stolen from Venezuelan reserves and shipped to third countries, in an attempt to skirt U.S. financial sanctions.

KEY AML LAWS AND REGULATIONS

The 2012 Organic Law against Organized Crime and Financing of Terrorism, as revised in 2014, lacks important mechanisms to combat domestic criminal organizations, such as the exclusion of the state and its companies from the scope of investigations. The Maduro government has used AML and corruption laws as a tool to suppress political opposition and the private sector and intimidate its broadly-defined “enemies.”

There are enhanced due diligence procedures for foreign and domestic PEPs.

Venezuela is a member of the CFATF, a FATF-style regional body. Its most recent MER is available at: <https://www.cfatf-gafic.org/index.php/member-countries/venezuela>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Maduro-regime entities responsible for combating money laundering and corruption are ineffective and lack political will. Regime authorities are complicit in financial crime. Furthermore, their technical capacity and willingness to address financial crimes remains deeply

inadequate. A politicized judicial system further compromises the legal system's effectiveness and impartiality.

Venezuela's FIU, the National Financial Intelligence Unit (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. FinCEN suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of shared information. The suspension remains in effect until FinCEN has assurances its information will be protected. The UNIF should operate autonomously, independent of undue influence.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Venezuela's foreign exchange system that allocates foreign exchange to the private sector remains an opaque system subject to manipulation by connected insiders. The illegitimate Maduro regime maintains many off-budget accounts in foreign currencies that lack transparency and oversight, making them vulnerable to corruption. For example, virtually all U.S. dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Vietnam

OVERVIEW

Vietnam has made some progress in reducing the risks of money laundering over the last year. This includes new revisions to the penal code and increased international cooperation. However, impressive economic growth; increased international trade; long, porous borders; inadequate customs enforcement; and several newly-licensed casinos all suggest Vietnam's exposure to illicit finance will increase.

Vietnam needs to continue to develop overall AML capabilities, especially within key enforcement ministries, the State Bank of Vietnam (SBV), and the National AML Steering Committee. Vietnam will need political will and better coordination within the government to improve enforcement of existing AML laws.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Sources of illicit funds include corruption; assets purchased by foreign entities to avoid tax obligations in the country of origin, fraud, illegal gaming, prostitution, counterfeiting of goods, and trafficking in persons, drugs, and wildlife. Remittances from Vietnamese organized crime groups in Asia, Europe, and North America continue to be significant sources of illicit funds, including proceeds from narcotics and trafficked wildlife products transiting or destined for Vietnam.

Vietnam remains a predominantly cash-based economy. Consumers routinely purchase high-value items with cash, including real estate, investment stakes, and luxury vehicles, with few

questions asked. Foreign entities can transfer significant amounts of money into Vietnamese financial institutions without significant hurdles. The banking system is at risk for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- and under-invoicing of trade are common and are indicators of TBML.

In 2018, Vietnam granted its first pilot licenses to local casinos. Currently, Vietnam has five licensed casinos that only serve foreign visitors. Authorities must ensure these establishments effectively implement and enforce AML standards. Online gaming is illegal.

KEY AML LAWS AND REGULATIONS

In 2019, the SBV published its first AML national risk assessment (NRA). The NRA concludes Vietnam's overall national money laundering risk level is medium high. Vietnam's riskiest sectors are banking, underground/unregulated or foreign currency remittances, real estate, securities, and the casino industry. The government subsequently issued an AML risk mitigation plan that identifies AML/CFT roles, responsibilities, and legal authorities for each ministry.

In 2018, the government revised the penal code and specified money laundering as a criminal offense. The Prosecutor General of Vietnam is currently in the process of drafting legislation to further criminalize money laundering activities. Other ministries are revising ministry-specific regulations to enhance AML activities in pertinent sectors.

Vietnam has in place both KYC and SAR requirements. Although the SBV upgraded its electronic SAR mechanisms to ensure the consistency of reported data in 2017, it has been unable to fully implement this program, and non-bank financial entities still must file hard copies of SARs.

On December 6, 2019, Vietnam and the United States signed the Customs Mutual Assistance Agreement (CMAA), a legally binding information-sharing mechanism. While the CMAA does not directly address money laundering, it enhances Vietnam's ability to prevent illegal transshipment of goods and to combat wildlife trafficking, both of which are tied to money laundering. The Vietnamese government has typically provided records and responses to the United States or other governments upon request.

Vietnam is a member of the APG, a FATF-style regional body. Its most recent MER is available at: <http://www.fatf-gafi.org/countries/u-z/vietnam/documents/mutualevaluationofvietnam.html>.

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

While Vietnam is largely compliant with international best practices, the government needs to improve AML supervision, and banks need to enhance and fully implement CDD policies. Regulations requiring updated information from customers whose transactions originate in other countries are minimal and weakly enforced. Sometimes the government does not communicate changes in relevant laws to Vietnamese banks.

Vietnam's cross-border controls remain weak along Vietnam's land borders. Vietnam needs to improve efforts to tackle bulk cash smuggling, and wildlife and drug trafficking.

The lack of rigorous and impartial financial oversight of key state-owned enterprises (SOEs) is also problematic. In 2018, Vietnam established a "Super Committee" to oversee the country's 19 largest SOEs; however, the Super Committee's remit does not cover money laundering.

SBV's FIU has applied for membership in the Egmont Group and is working to strengthen its authorities and enhance its independent status. The FIU has signed nine MOUs with the FIUs of other jurisdictions as of late 2019.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Vietnam has a National AML/CFT Coordinating Committee and a national AML/CFT action plan for 2015-2020. Though the release of both the NRA and the mitigation plan represents a significant step forward, effectiveness of the new regulations and implementation of the AML/CFT regime remains weak, and Vietnam has yet to demonstrate concrete results. Vietnam's adoption of specific recommendations for reform will depend upon interagency cooperation and high-level support.

Lack of resources and difficulty coordinating multiple agencies hinder parallel money laundering investigations during predicate crime investigations. Cooperation among agencies is infrequent since interagency coordination requires signed MOUs. Progress toward changing operating practices among key agencies remains slow, particularly regarding communication between SBV and General Department of Customs.

In May 2019, the Vietnamese government issued an arrest warrant charging the CEO of telecom company Nhat Cuong Mobile with money laundering; subsequently, the Vietnamese government coordinated with Interpol to issue an Interpol worldwide red notice in September 2019. The government also initiated legal proceedings against four other Nhat Cuong Mobile employees for complicity in a transnational smuggling ring. This follows Vietnam's successful prosecution and conviction of four defendants on money laundering charges in November 2018.